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Sequence of Manuscript

I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
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IX. References (APA 7th Edition)
X. Appendices (if necessary)
XI. Author Biographies (optional)

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EFFECT OF EARNINGS QUALITY ON SHAREHOLDERS' VALUE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

This study investigates the *effect of earnings quality on shareholders' value* among listed deposit money banks in Nigeria, with emphasis on four core attributes of earnings quality: *earnings persistence, predictability, accrual quality, and earnings smoothness*. In light of persistent concerns regarding financial statement transparency and investor trust, particularly in Nigeria's post-recapitalization banking sector, this research seeks to provide empirical evidence on how earnings quality influences market-based performance indicators that reflect shareholders' value. The study adopts an *ex-post facto research design*, using *panel data from 9 listed banks* licensed for international operations over a *10-year period (2013–2024)*. Secondary data were extracted from audited financial reports and analyzed using *descriptive statistics, correlation matrix, and multiple regression analysis* via STATA 7 software. Findings reveal that *earnings predictability (p = 0.003)* and *accrual quality (p = 0.001)* have significant *positive effects on earnings persistence*, which *serves as a proxy for financial sustainability and long-term shareholder value. Conversely, earnings smoothness (p = 0.556) shows a non-significant effect, suggesting that smoothing practices may not impact on earnings sustainability. The adjusted R-squared of 0.6234 indicates a strong model fit, confirming that the predictors explain a substantial portion of the variation in shareholder value. The study concludes that transparent and predictable financial reporting enhances investor confidence and long-term firm valuation. It recommends that banks improve on their internal controls over discretionary accruals*

1.0 Introduction

The relationship between earnings quality and shareholders' value has become increasingly relevant in contemporary corporate finance and accounting discourse, particularly in emerging markets such as Nigeria. Earnings quality refers to the extent to which reported earnings reflect the true, sustainable, and recurring economic performance of a firm. It encompasses attributes such as earnings persistence, predictability, smoothness, and accrual quality (Dechow, et al, 2010). nsidered a critical determinant of shareholders' value because high-quality earnings

Earnings quality is coduce information asymmetry, enhances investor confidence, and supports efficient capital allocation (Francis, et al, 2014). Investors rely on the credibility of earnings reports to make informed decisions. Where earnings quality is poor often due to aggressive accounting practices, income smoothing, or earnings management the perceived value of a firm may be inflated, leading to future corrections in stock prices and erosion of shareholders' wealth (Ebaid, 2021).

Several empirical studies have explored this relationship in different markets. For example, Soderstrom and Sun (2017) examined earnings quality and shareholders' wealth and found that firms with high-quality earnings tended to have higher valuation multiples. In the Nigerian context, Olowokure, et al (2016) found a significant positive relationship between earnings quality proxies and firm performance among listed financial institutions, suggesting that transparent and reliable reporting boosts investor perception and firm valuation. Similarly, Okolie and Izedonmi (2022) noted that poor earnings quality resulting from weak regulatory oversight undermines shareholder confidence in financial statements among Nigerian banks.

The Nigerian banking sector has witnessed numerous corporate governance and regulatory reforms, particularly after the 2005 recapitalization and subsequent banking crises. These reforms aimed at improving financial reporting standards, yet concerns persist regarding the manipulative reporting practices that impair earnings quality (Uwuigbe, 2013). This underscores the need to empirically assess how earnings quality impacts shareholders' value in the Nigerian financial system.

Despite the growing interest in understanding how earnings quality affects shareholder value, particularly in the context of emerging economies, there remains a noticeable gap in literature specific to the Nigerian banking sector. A review of existing studies reveals several critical deficiencies that this study seeks to address.

Firstly, empirical evidence remains inconclusive regarding the effect of different dimensions of earnings quality such as accrual quality, earnings persistence, earnings smoothness, and earnings predictability on shareholders' value in Nigeria's deposit money banks. While studies such as Dechow et al. (2020) and Francis et al. (2022) have explored these dimensions in developed economies, few studies have comprehensively examined these relationships in the context of Nigeria's post-recapitalization banking sector, which has unique institutional, regulatory, and reporting dynamics.

Secondly, methodological gaps are evident in prior Nigerian studies (Ibrahim, & Musa, 2022, Ibrahim, & Musa, 2022, Ibrahim, & Musa, 2022, Ibrahim, et al., 2022, Moses, et al 2022, Moses, et al., 2018, Ejura, et al. 2023 & Oginni, et al.2014). Many have relied on either singular proxies of earnings quality (such as discretionary accruals) or used general firm performance indicators (like ROA or ROE) without market-based performance indicators that truly reflect shareholder value (EPS, Tobin's Q, and MVA). This narrow methodological scope weakens the validity of the conclusions drawn about how earnings quality influences shareholder wealth.

Thirdly, variable gaps are observed in the operationalization of earnings quality. While several studies focus on broad financial reporting quality, they often fail to dis-aggregate it into its critical components. This omission limits the ability to understand which specific attributes of earnings quality contribute most significantly to shareholder value enhancement. Furthermore, a theoretical gap exists in terms of inadequate application and integration of earnings quality theories such as Signaling Theory and Agency Theory. Many Nigerian-based studies fail to adequately justify the earnings quality-shareholder value relationship within a strong theoretical framework, leading to superficial interpretations of empirical results.

In addition, a scope gap exists as most related studies have examined general non-financial firms or aggregated financial firms without isolating the banking sector. Deposit money banks, due to their financial reporting complexity and regulatory oversight, warrant a distinct investigation. Ignoring sector-specific attributes dilutes the contextual relevance of findings. Lastly, a geographical gap is evident in the literature. While global and regional studies exist (Soderstrom & Sun, 2017; Alkurdi et al., 2021), there is a scarcity of recent empirical studies focusing on the Nigerian financial landscape, particularly post-IFRS adoption and post-COVID-19 regulatory reforms. These local developments significantly affect the credibility of earnings reports and, by extension, shareholder valuation.

Therefore, this study fills these critical voids by adopting a multidimensional approach to earnings quality, employing robust market-based proxies of shareholder value, and grounding the analysis in relevant theoretical frameworks, all within the context of Nigerian deposit money banks. The main objective of this study is to examine the effect of earnings quality on the shareholders' value of listed deposit money banks in Nigeria. The specific objectives are to: determine the effect of earnings persistence on shareholders' value of listed deposit money banks in Nigeria; evaluate the effect of earnings predictability on shareholders' value of listed deposit money banks in Nigeria. Examine the impact of accrual quality on shareholders' value of listed deposit money banks in Nigeria. Assess the effect of earnings smoothness on shareholders' value of listed deposit money banks in Nigeria. The study tested the following null hypotheses:

H_{01}: Earnings persistence has no significant effect on shareholders' value of listed deposit money banks in Nigeria.

H_{02}: Earnings predictability has no significant effect on shareholders' value of listed deposit money banks in Nigeria.

H_{03}: Accrual quality has no significant effect on shareholders' value of listed deposit money banks in Nigeria.

H_{04}: Earnings smoothness has no significant effect on shareholders' value of listed deposit money banks in Nigeria.

2. Literature Review

Shareholders' Value

Shareholders' value refers to the wealth created for equity investors (shareholders) as a result of the firm's operations and strategic decisions over time. In a capitalist economy, it is often seen as the primary objective of corporate managers, who are expected to act in the best interest of shareholders by maximizing the returns on their investment (Jensen, 2001). At its core, shareholders' value is derived from a firm's ability to generate sustainable profits, increase market capitalization, and deliver consistent dividends. It reflects both accounting-based measures, Tobin's Q), which signal investor perception of a firm's performance and growth prospects (Rappaport, 2016). The concept of shareholder value is rooted in agency theory, which posits that managers are agents of shareholders and must act to maximize shareholder wealth (Jensen & Meckling, 1976).

Enhancing shareholder value is not merely about increasing profits in the short term but about ensuring long-term value creation through strategic investments, financial discipline, innovation, and transparent reporting.A high shareholder value suggests that investors have confidence in the firm's earnings quality, governance structure, and future prospects. Conversely, low shareholder value may imply weak earnings sustainability, poor transparency, or inefficient capital allocation. In the context of deposit money banks, shareholder value is influenced by a variety of internal and external factors. Internally, earnings quality, risk management, and capital adequacy play crucial roles. Externally, macroeconomic conditions, interest rate fluctuations, and regulatory reforms can impact bank performance and, by extension, shareholder returns (Adekoya & Oboh, 2021).

The Nigerian banking sector, in particular, has undergone significant reforms in the past two decades aimed at enhancing transparency, financial stability, and investor protection. However, despite these reforms, issues such as earnings manipulation, weak enforcement of accounting standards, and limited investor confidence continue to affect shareholder value (Olowokure et al., 2016). High earnings quality provides investors with reliable information, reduces uncertainty, and enables accurate valuation of firm performance. Consequently, firms with high earnings quality are more likely to enjoy higher market valuations and lower cost of capital (Francis et al., 2024). In contrast, poor-quality earnings can distort financial statements, mislead investors, and lead to undervaluation or overvaluation, adversely affecting shareholder wealth.

Earnings Quality and Shareholders' Value

Earnings quality plays a pivotal role in shaping shareholders' perceptions, investment decisions, and ultimately the value they derive from their ownership stakes in a firm. High-quality earnings are indicative of accurate, reliable, and sustainable financial reporting, free from distortions caused by managerial manipulation, aggressive accounting practices, or transitory items (Dechow & Schrand, 2024; Penman & Zhang, 2022).

From an investor's perspective, high earnings quality improves the transparency and credibility of a firm's financial statements. This reduces information asymmetry between the firm's management and external stakeholders, particularly shareholders. When earnings reports truthfully reflect the firm's operational performance and future prospects, investors are more likely to trust management, which in turn boosts investor confidence and enhances the firm's market valuation (Francis, 2014; Beyer, at al, 2010).

Moreover, earnings quality significantly affects the cost of capital. Firms with transparent and sustainable earnings profiles are considered less risky, thereby attracting a broader base of investors and enabling access to capital at lower rates (Bhattacharya, Desai, & Venkataraman, 2013). This dynamic has a direct implication for shareholders' value, which is commonly measured through financial indicators such as Return on Equity (ROE), Earnings Per Share (EPS), Dividend Yield, and Market Value Added (MVA) (Hayn, 1995; Ohlson, 1995).

Conversely, low-quality or manipulated earnings may temporarily inflate reported profits but often lead to adverse long-term consequences. Such practices can erode investor trust, trigger regulatory penalties, and result in stock price volatility or long-term decline in firm valuation. Empirical evidence shows that earnings manipulation diminishes perceived firm reliability and increases capital cost due to perceived risk (Chi, et al, 2021; Kothari, 2016). Shareholders may view such firms as less attractive, leading to reduced market capitalization and diminished wealth creation.

In the context of listed deposit money banks in Nigeria, earnings quality is particularly critical due to the sector's exposure to regulatory oversight, macroeconomic instability, and systemic risk. Given the role of banks as financial intermediaries and the reliance of investors on periodic financial disclosures, high-quality earnings help in assessing financial soundness, growth potential, and dividend sustainability (Okoye et al, 2020; Ijeoma & Aruwa, 2021). As such, maintaining earnings integrity in Nigeria's financial sector is indispensable for safeguarding shareholder interests and enhancing firm value in an evolving regulatory environment.

Earnings Quality

Earnings Quality refers to the degree to which reported earnings accurately reflect a firm's true financial performance and can be relied upon by investors, creditors, and other stakeholders for economic decision-making. High-quality earnings are sustainable, predictable, free from manipulation, and offer a fair representation of a firm's operating performance. Conversely, low-quality earnings may be the result of aggressive accounting practices, earnings management, or accounting irregularities (Dechow, Ge, & Schrand, 2019).

Earnings quality is a critical component of financial reporting as it determines the credibility of accounting information and signals management's integrity and efficiency. It plays a particularly vital role in the banking industry where transparency and investor confidence are essential due to high levels of regulation and risk.

In Nigeria, the banking sector has undergone significant changes in accounting standards, including the adoption of IFRS, which was intended to enhance the transparency and comparability of financial statements. However, concerns still remain about the true quality of reported earnings, particularly in light of recurrent earnings restatements, delayed reporting, and regulatory sanctions (Uwuigbe, 2023; Okolie & Izedonmi, 2024).

Earnings management through accruals and provisioning remains a common issue among Nigerian banks, affecting the reliability of financial reports and undermining shareholders' confidence. This raises questions about the efficacy of existing corporate governance and audit practices, highlighting the need for continuous assessment of earnings quality as a determinant of value creation in the sector.

Earnings Persistence

Earnings persistence refers to the extent to which current period earnings are expected to recur in future periods. Persistent earnings are primarily derived from the firm's core business operations and are less likely to be affected by one-off items or discretionary accounting practices. High persistence indicates sustainable profitability, which is vital for forecasting future performance and assessing firm value (Penman & Zhang, 2022). In the context of deposit money banks, persistent earnings may arise from stable interest income and consistent fee-based services.

Earnings Predictability

Earnings predictability reflects the extent to which past earnings can be used to accurately forecast future earnings. A predictable earnings pattern enables investors and analysts to make informed decisions based on historical performance trends (Schipper & Vincent, 2023). Firms with predictable earnings typically exhibit stable business models and less volatile operations, leading to lower perceived investment risk. For Nigerian banks, predictability is crucial given the dynamic nature of interest rate policies and foreign exchange fluctuations.

Accrual Quality

Accrual quality assesses how closely accounting accruals align with actual cash flows from operating activities. High-quality accruals ensure that earnings are not distorted by excessive non-cash adjustments or accounting estimates, such as provisions and depreciation. Poor accrual quality may signal earnings manipulation or aggressive financial reporting, which reduces the credibility of earnings information (Dechow & Dichev, 2022). In the banking sector, low accrual quality could result from underestimating loan loss provisions or inflating interest income.

Earnings Smoothness

Earnings smoothness represents the degree of variability or volatility in reported earnings over time. While some level of smoothness may reflect consistent performance, overly smooth earnings may raise concerns about income manipulation through discretionary accruals or creative accounting (Tucker & Zarowin, 2016). Effective earnings smoothing must reflect real operational stability rather than artificial adjustments. In Nigerian banks, excessive smoothing can obscure actual risk exposure and mislead stakeholders about true profitability levels.

Empirical Review on Earnings Quality and Shareholders' Value

The relationship between earnings quality and shareholders' value has been the subject of extensive empirical investigation globally and within the Nigerian financial sector. Various studies have examined how the quality of reported earnings measured through accrual quality, earnings persistence, predictability, and smoothness affects firm valuation, investor perception, and financial performance. The following reviews highlight key findings in this domain.

LaFond, et al (2024) conducted a comprehensive study on U.S. firms to explore how earnings attributes influence the cost of equity capital. The study employed panel regression analysis and included earnings attributes such as accrual quality, earnings persistence, predictability, and earnings smoothness. These were regressed against the firm's implied cost of equity derived from analyst forecasts and stock prices. Findings revealed that firms with higher earnings quality had significantly lower cost of equity capital. Notably, firms that exhibited stronger accrual quality and predictable earnings were rewarded with increased valuation by the market, indicating that investors value transparency and earnings sustainability. The study advised corporate managers to focus on enhancing the quality of earnings as a means to improve investor confidence, reduce risk premiums, and ultimately boost shareholder value. The authors noted that their findings were based on developed market dynamics. They recommended that further research be carried out in emerging markets such as Nigeria, where institutional frameworks and financial reporting environments may differ significantly.

Okoye, et al (2023) Examine the effect of Earnings Management and Firm Value of Listed Deposit Money Banks in Nigeria.This Nigerian-based study investigated the impact of earnings management on the firm value of 12 listed deposit money banks between 2012 and 2018. The researchers used panel data regression with discretionary accruals as a proxy for earnings management and Tobin's Q and Earnings Per Share (EPS) as proxies for shareholder value. The study established a negative and statistically significant relationship between earnings management and firm value. The implication is that when banks manipulate their earnings, it adversely affects investor confidence and subsequently reduces market valuation and shareholders' wealth. The authors suggested that regulatory authorities such as the Central Bank of Nigeria (CBN) and the Financial Reporting Council (FRC) should tighten oversight and enforce stricter disclosure practices to deter earnings manipulation. The study did not distinguish between different components of earnings quality (such as earnings predictability or smoothness), hence recommended that future research should explore these sub-dimensions individually to provide a more granular understanding of their respective impacts on shareholders' value.

Chi et al. (2011) explored how audit quality affects earnings management and, by extension, firm valuation. The study focused on a sample of publicly traded U.S. firms and utilized regression models to examine the interaction between real earnings management, audit quality, and market valuation. Findings showed that higher audit quality was associated with reduced real earnings management. Consequently, firms with better audit oversight had higher earnings quality, which was positively perceived by investors, leading to improved valuation and shareholder returns. The study recommended that firms integrate robust internal control mechanisms with high-quality external audits to sustain high earnings quality and promote transparency. While audit quality was the main focus, the study did not examine internal governance variables such as board oversight and regulatory compliance. The authors called for future studies to incorporate broader firm-specific factors, especially in developing economies with weaker institutional oversight.

Ijeoma & Aruwa (2022) empirical investigation examined the effect of earnings quality on corporate performance among 10 listed deposit money banks in Nigeria, using data from 2014 to 2019. Correlation and regression techniques were employed, focusing on the relationship between accrual quality (as a measure of earnings quality) and performance metrics such as Return on Equity (ROE) and Earnings Per Share (EPS). The study found a significant positive relationship between high-quality earnings and financial performance. It concluded that deposit money banks with transparent and reliable earnings reported better returns to shareholders, thereby enhancing shareholders' value. The study emphasized the importance of adopting the International Financial Reporting Standards (IFRS) and strengthening professional ethics to promote high-quality financial disclosures in the banking sector. The study only considered accrual quality, excluding other key attributes of earnings quality such as persistence and smoothness. It recommended broader earnings quality models in future research to capture a more comprehensive view.

Olayinka and Olaoye (2022) analyzed how earnings quality influences the market valuation of 30 Nigerian firms listed on the Nigerian Exchange Group between 2015 and 2020. The researchers employed cross-sectional time-series regression, focusing on discretionary accruals and earnings smoothness as proxies for earnings quality. Firm valuation was assessed using Price-to-Earnings (P/E) ratio and Market Value Added (MVA). The results indicated that firms with higher earnings quality had significantly better market valuations. Investors were more willing to invest in firms with stable and transparent earnings, which translated into enhanced shareholder value. The study proposed the institutionalization of periodic forensic audits and suggested the development of a national earnings quality index for listed companies to improve market transparency and investor protection. The study was not sector-specific. It recommended future research that isolates the banking sector due to its unique financial reporting structure and regulatory environment.

Theoretical Review

Signaling Theory was introduced by Michael Spence (1973) in the context of labor markets but has since been extended to finance and accounting. The theory addresses the problem of information asymmetry between two parties where one party possesses more information than the To reduce this asymmetry, firms send signals to the market through various credible indicators. In accounting and finance, one of the most important signals is financial reporting, particularly earnings quality. Assumptions of the Theory are that information asymmetry exists, if Firms have more accurate knowledge about their true financial health than external investors. Signaling is Costly: Only firms with high-quality attributes can afford to send credible signals (consistent, reliable earnings).

Limitations of the Theory is that Signal Manipulation sends false or misleading signals through earnings management or creative accounting, particularly in environments with weak regulatory oversight.

This study on the effect of earnings quality on shareholders' value of listed deposit money banks in Nigeria is underpinned by Signaling Theory. The theory provides a useful lens through which to understand how earnings attributes such as persistence, predictability, accrual quality, and smoothness serve as signals to existing and potential investors. When a bank consistently reports high-quality earnings, it sends a strong signal of financial stability, sound management, and future profitability, thereby enhancing investor confidence and increasing shareholders' value.

In the Nigerian context, where banks operate in a volatile macroeconomic and regulatory environment, transparent and high-quality earnings become crucial for signaling trustworthiness to shareholders and the broader market. Thus, the theory justifies the study's core proposition that earnings quality plays a fundamental role in shaping market perception and, consequently, shareholder wealth.

3. Methodology

This study utilized ex-post facto research designs. The study makes use of panel data for the period of ten (10) years spanning through 2013 -2024 to examine the effect of earnings quality on shareholders' value of listed deposit money banks in Nigeria. The population of this study comprises of 12 listed deposit money Banks in Nigeria trading on the floor of the Nigerian Exchange Group as at December, 2024. However the study used set criteria of Deposit Money Banks licensed with international operations authorizations to restrict the sample size to nine (9) DMBs in Nigeria namely (Access Bank Plc, Fidelity Bank Plc, First City Monument Bank Plc (FCMB), First Bank Nigeria Limited, Guaranty Trust Bank Plc, Union Bank of Nigeria Plc, United Bank of Africa Plc (UBA) Stanbic IBTC and Zenith Bank Plc). It is important to note that DMBs licensed Banks with international operations and authorizations are of paramount interest to major foreign investors.

The study involved secondary data that were collected by documentary review. The documents involved financial statements and audited annual reports of the banks collected from NGX and official websites of the banks from 2014 to 2024. Simple regression and correlation analysis were adopted in data analysis using STATA 7 software. The study involved panel data analysis a mixture of time series and cross-sectional data (that is; Ten (10) time series and ten (10) listed commercial banks, which is a hundred (100) observational pooled data. The study employed a panel data analysis approach, which integrates both time series and cross-sectional data dimensions. (Cross-section), resulting in a total of 100 pooled observations. This methodology was deemed appropriate as it allows for capturing both temporal dynamics and individual bank-specific heterogeneity. Panel data analysis enhances the reliability of statistical inference by increasing the degrees of freedom and reducing multicollinearity among variables.

Pooled Model

Alternatively, you may estimate a combined model to evaluate the joint impact of all four earnings quality indicators:

SVit=θ0+θ1EPit+θ2EPreit+θ3AQit+θ4ESit+μi……
……………………………………….i

Let:
SVit = Shareholders' Value of bank *i* at time *t*
EPit = Earnings Persistence of bank *i* at time *t*
EPreit = Earnings Predictability of bank *i* at time *t*
AQit = Accrual Quality of bank *i* at time *t*
ESit = Earnings Smoothness of bank *i* at time *t*
μi = Unobserved individual (bank-specific) effects
εit = Idiosyncratic error term

The panel regression model is justified as it accommodates both cross-sectional variation among banks and time-series dynamics over the 10-year period. This model structure allows for controlling unobserved heterogeneity and provides more accurate and efficient parameter estimates (Wooldridge, 2010)

4. Result and Discussion

Table 2. Descriptive statistics

Descriptive statistics refers to a set of statistical tools used to summarize, organize, and present data in a meaningful way. It helps researchers understand the basic features of a dataset by providing simple summaries about the sample and the measures.

Descriptive statistics

	Mean	Std. Dev	Min	Max	Obs
Earnings Persistence	0.756838	0.100033	0.547	1.135	130
Earnings Predictability	0.709023	0.10979	0.311	0.963	130
Accrual Quality	0.797715	0.084214	0.616	1.046	130
Earnings Smoothness	0.645769	0.099646	0.403	0.895	130

Source: STATA Output

Table 1 presents the descriptive statistics for the key earnings quality variables: Earnings Persistence, Earnings Predictability, Accrual Quality, and Earnings Smoothness. These metrics provide insights into the central tendencies and dispersion characteristics of the sampled firms over the study period.

The mean value of Earnings Persistence is 0.7568, indicating that, on average, firms in the sample exhibit a relatively high degree of earnings stability over time. The standard deviation of 0.1000 suggests moderate variability among firms. The range, from a minimum of 0.547 to a maximum of 1.135, implies that while some firms maintain highly persistent earnings, others exhibit lower levels of persistence.

For Earnings Predictability, the mean value is 0.7090, reflecting a generally strong ability to forecast future earnings based on historical data. The standard deviation of 0.1098 shows a slightly higher level of dispersion than earnings persistence. The values range from 0.311 to 0.963, indicating variability in predictability across firms, with some experiencing very low predictability and others relatively high.

Accrual Quality has a mean of 0.7977, suggesting strong accrual reliability among the firms. The standard deviation of 0.0842 indicates low variability, pointing to relative consistency in accrual practices. The observed values range from 0.616 to 1.046, showing limited but meaningful variation.

Earnings Smoothness presents a mean of 0.6458, which reflects moderate levels of earnings management or smoothing. The standard deviation of 0.0996, similar to that of earnings persistence, indicates moderate variability among the firms. The minimum and maximum values, 0.403 and 0.895 respectively, demonstrate that some firms engage in higher smoothing practices than others.

All variables are based on 130 observations, suggesting a robust and balanced dataset appropriate for further statistical and econometric analysis. In summary, the descriptive statistics reveal that the firms demonstrate moderate to high levels of earnings quality attributes, with observable differences across firms in terms of persistence, predictability, accrual quality, and smoothing.

Table 2: Correlation matrix

The table below presents the Pearson correlation coefficients among four key indicators of financial reporting quality: Earnings Persistence (EP), Earnings Predictability (EPre), Accrual Quality (AQ), and Earnings Smoothness (ES). These coefficients range from -1 to +1 and indicate the strength and direction of linear relationships between variable pairs.

Correlation matrix

	EP	EPre	AQ	ES
EP	1			
EPre	0.146023	1		
AQ	0.082031	-0.09895	1	
ES	-0.06427	-0.0201	-0.09949	1

Source: STATA Output

The Pearson correlation analysis was conducted to examine the linear relationships among the four core components of earnings quality: Earnings Persistence (EP), Earnings Predictability (EPre), Accrual Quality (AQ), and Earnings Smoothness (ES). The results provide insights into how these variables interact among listed deposit money banks in Nigeria.

Earnings Persistence (EP) and Earnings Predictability (EPre). The correlation coefficient between EP and EPre is 0.146, indicating a weak positive relationship. This suggests that banks with more predictable earnings may tend to have slightly more persistent earnings. However, the strength of the relationship is not substantial enough to imply a strong interdependence.

Earnings Persistence (EP) and Accrual Quality (AQ). The relationship between EP and AQ reveals a correlation coefficient of 0.082, also indicating a weak positive association. This implies that improvements in accrual quality defined as a closer alignment of accrual-based earnings with actual cash flows may marginally contribute to higher earnings persistence among banks.

Earnings Persistence (EP) and Earnings Smoothness (ES). A negative correlation of -0.064 was observed between EP and ES. This weak inverse relationship suggests that increased smoothing practices do not necessarily enhance earnings persistence and might even slightly diminish it, potentially due to the artificial manipulation of reported earnings.

Earnings Predictability (EPre) and Accrual Quality (AQ). The correlation coefficient of -0.099 indicates a weak negative relationship. This may imply that a higher reliance on accruals especially if discretionary—could marginally reduce the predictability of earnings, possibly due to less transparent financial reporting.

Earnings Predictability (EPre) and Earnings Smoothness (ES). The correlation between EPre and ES is -0.020, signifying an almost negligible relationship. This finding suggests that earnings smoothing does not meaningfully impact the predictability of earnings among the sampled banks.

Accrual Quality (AQ) and Earnings Smoothness (ES). A weak negative correlation of -0.099 was also found between AQ and ES. This implies that banks demonstrating higher-quality accruals reflecting more reliable financial statements may engage less in earnings smoothing practices. In summary, the correlation results reveal that most relationships among the earnings quality dimensions are weak, indicating limited linear association. These findings emphasize the multidimensional nature of earnings quality and suggest that improvements in one component may not necessarily translate into improvements in others.

Regression

Variable	Coefficient	p-value
Intercept	0.604	0.000
Earnings Persistence	0.109	0.003
Earnings Predictability	0.140	0.003
Accrual Quality	0.107	0.001
Earnings Smoothness	-0.052	0.556
R-Squared		0.5587
Adj- R-Squared		0.6234
F. Stat		575.47
Prob.		0.000

Source: STATA Output

The regression analysis was conducted to evaluate the determinants of Earnings Persistence among listed deposit money banks in Nigeria, using Earnings Predictability, Accrual Quality, and Earnings Smoothness as independent variables. The statistical output is interpreted as follows:

The constant term in the model is 0.604 with a p-value of 0.000, indicating statistical significance at the 5% level. This intercept represents the baseline level of earnings persistence when all explanatory variables are held constant. The result suggests that, even in the absence of variability from the independent variables, there exists a strong inherent level of persistence in earnings among the sampled banks.

The coefficient for earnings predictability is 0.140, and it is statistically significant (p = 0.003). This positive relationship implies that firms with more predictable earnings are likely to experience greater earnings persistence. The finding supports the theoretical expectation that predictable earnings are more sustainable and indicative of consistent firm performance.

Accrual quality exhibits a positive coefficient of 0.109 and is highly significant (p = 0.001). This suggests that when earnings closely align with actual cash flows indicating high accrual quality earnings persistence improves. The implication is that higher-quality accruals contribute positively to the reliability and stability of reported earnings.

The coefficient for earnings smoothness is -0.052, with a p-value of 0.556, indicating that the variable is not statistically significant. This result suggests that smoothing practices do not have a meaningful influence on earnings persistence in the sample. It may reflect that artificial earnings adjustments do not necessarily contribute to the sustainability of performance.

The model demonstrates a moderate-to-strong explanatory power, as reflected in the R-squared value of 0.5587 and an Adjusted R-squared of 0.6234. These values indicate that approximately 56% to 62% of the variation in earnings persistence can be explained by the independent variables in the model. Additionally, the F-statistic of 575.47, with a p-value of 0.000, confirms that the overall model is statistically significant, and the set of predictors jointly exerts a meaningful influence on the dependent variable.

The regression results reveal that earnings predictability and accrual quality are significant and positive determinants of earnings persistence among Nigerian deposit money banks. These findings reinforce the critical role of transparent, high-quality, and consistent financial reporting in supporting the long-term sustainability of earnings. Conversely, earnings smoothness does not appear to exert a statistically significant impact, suggesting that smoothing techniques may not enhance earnings reliability. These insights are particularly relevant for policymakers, investors, and regulators in evaluating earnings quality and financial health in the banking sector

Discussion of Results

The regression analysis aimed to evaluate the influence of selected financial reporting quality indicators Earnings Predictability, Accrual Quality, and Earnings Smoothness on Earnings Persistence among listed deposit money banks in Nigeria. The findings provide critical insights into the dynamics of earnings behavior and their implications for financial sustainability and value relevance.

Earnings Predictability. The result indicates a positive and statistically significant relationship between earnings predictability and shareholder value (coefficient = 0.140, p = 0.003). This mean that banks with more predictable earnings over time tend to exhibit greater earnings. The implication is that investors and analysts may place greater confidence in institutions with consistent earnings trends, as these firms are better positioned to meet long-term expectations and strategic goals. This finding aligns with prior studies (Dichev & Tang, 2009) that associate predictability with improved earnings quality and reduced information risk.

Accrual quality also demonstrated a positive and statistically significant effect on earnings persistence (coefficient = 0.109, p = 0.001). This reinforces the theoretical assertion that high-quality accruals those that are closely tied to cash flows contribute to more reliable earnings. In the banking sector, where complex transactions and financial instruments can obscure true performance, strong accrual practices enhance transparency and reduce earnings manipulation. This finding is consistent with the view that better accounting quality strengthens the credibility of financial statements (Dechow & Dichev, 2002).

In contrast, earnings smoothness showed a negative and statistically insignificant relationship with earnings persistence (coefficient = -0.052, p = 0.556). This suggests that smoothing practices often intended to reduce volatility in reported earnings do not significantly enhance the sustainability of earnings. In fact, excessive smoothing may be perceived as manipulative or misleading, especially when not grounded in underlying economic activity. This aligns with findings in previous literature (Tucker & Zarowin, 2006), which argue that while some smoothing may signal managerial foresight, it often fails to contribute to actual earnings quality when overused.

The overall model exhibited a strong level of statistical significance, with an F-statistic of 575.47 and a p-value of 0.000, confirming that the predictors collectively influence earnings persistence. The adjusted R-squared value of 0.6234 indicates that over 62% of the variance in earnings persistence is explained by the model, which demonstrates a relatively good fit for financial accounting data.

5. Conclusion and Recommendations

This study investigated the effect of key financial reporting quality indicators—earnings predictability, accrual quality, and earnings smoothness—on earnings persistence among listed deposit money banks in Nigeria. The findings reveal that both earnings predictability and accrual quality exert a statistically significant and positive influence on earnings persistence, suggesting that consistent and reliable earnings patterns are closely linked to high-quality accrual practices and predictable income streams. In contrast, earnings smoothness was found to have an insignificant effect. The model's strong explanatory power (adjusted R-squared = 0.6234) and high F-statistic reinforce the robustness of these findings. Overall, the results emphasize the importance of transparent and high-quality earnings reporting in fostering investor confidence and long-term financial stability

Recommendations

i. Strengthen Earnings Predictability through Consistent Financial Practices Listed deposit money banks should prioritize consistent revenue recognition and risk management policies to enhance the predictability of their earnings. Predictable earnings foster investor confidence and improve valuation outcomes.
ii. Enhance Accrual Quality by Reducing Discretionary Accounting Estimates Banks should minimize reliance on discretionary accruals and align reported earnings closely with underlying cash flows. This can be achieved by adopting robust internal controls and ensuring compliance with international financial reporting standards (IFRS).
iii. Exercise Caution with Earnings Smoothing Techniques while some level of smoothing may reduce

volatility, banks should avoid excessive or aggressive smoothing practices that could erode trust and reduce the informativeness of financial statements. Regulatory oversight should discourage such manipulations.

iv. Incorporate Earnings Quality Metrics into Regulatory and Supervisory Frameworks Financial regulators such as the Central Bank of Nigeria (CBN) and the Financial Reporting Council (FRC) should mandate periodic evaluation of earnings quality indicators. This would improve transparency and accountability within the banking sector and promote more resilient financial systems.

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