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EARNINGS QUALITY AND THE VALUE OF LISTED MULTINATIONAL DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

This study examines the impact of earnings quality on the value of the multinational deposit money banks quoted in Nigeria. It captures the relationship between earnings quality and firms' value, and how corporate governance indices influence the correlations. The study covers a ten-year period of financial data (2014 to 2023) and concentrates on the five multinational DMBs in Nigeria. Cash conversion ratio, board size and accrual ratio represent the independent variable proxies, while Tobin's Q firm valuation stands for the dependent variable proxy. Descriptive statistics, ordinary least square regression analysis and correlation analysis were used to arrive at the following results: independent variables had a weak association with the dependent variable, cash conversion rate, board size, and accrual ratio are insignificant at 5% level statistically, and earnings quality does not alone determine firms' valuation robustness. Conclusively, earnings quality has a limited influence on the firms' value of the multinational DMBs in Nigeria. This implies that regulators and policymakers should strengthen financial reporting practices and corporate governance to enhance the credibility of earnings information and improve the firm's valuation.

Keywords: *Financial reporting, Multinational deposit money, Regulators, Nigeria exchange, Earning quality*

Introduction

Background of Study

Financial reporting is crucial for evaluating a company's performance and position, providing essential information to stakeholders such as executives, investors, creditors, regulators, and government agencies (Latif et al., 2017; Ibrahim, 2017). However, the quality of reported earnings has long been a concern, particularly among deposit money banks. Under pressure, managers may manipulate accounting data before its public release (Persakis, 2018), which undermines the reliability of reported earnings. Common unethical practices include earnings management, income smoothing, and financial engineering, all of which reduce the fairness and credibility of financial reports.

Firm value often measured by Tobin's Q or the market-to-book ratio, is heavily influenced by the credibility of financial statements (Sigdel, 2024). This link is especially critical in multinational corporations, where operations span diverse regulatory and accounting environments. In Nigeria, multinational deposit money banks face additional challenges such as cross-border transactions, foreign exchange volatility, and complex regulatory frameworks, which

further heighten the importance of earnings quality for investor confidence and policymaking (Akpan, 2025).

Statement of the Problem

In Nigeria, where worries about transparency, aggressive earnings management, and governance flaws endure despite regulatory reforms and the adoption of IFRS, earnings quality continues to be a crucial determinant of the valuation of multinational deposit money banks (DMBs). Inadequate earnings quality can skew valuation metrics such as the market-to-book ratio and Tobin's Q, leading to inefficient resource allocation, mispricing of securities, and a decline in investor trust. The reliability of reported earnings is therefore essential to sustaining investor confidence and ensuring fair market value, particularly in the case of multinational banks with cross-border operations subject to heightened scrutiny from international stakeholders (Odey, 2025).

Despite this importance, according to Uwuigbe *et al* (2015) and Odey (2025), limited empirical research has examined how earnings quality influences the valuation of multinational DMBs in Nigeria, particularly when moderated by governance mechanisms and audit quality. This raises concerns about whether existing governance and reporting frameworks adequately safeguard shareholder interests and support fair valuation. Recent evidence underscores this gap: for example, a study of 15 listed DMBs shows that stronger audit committee independence and gender inclusion reduce earnings manipulation, but other governance variables remain weak, leaving earnings quality vulnerable (Maidad *et al.*, 2024). Similarly, in 2024, six major Nigerian banks reported a combined ₦3.41 trillion in post-tax profits, representing a more than 60% increase over 2023 despite persistent macroeconomic challenges, raising questions about the sustainability of reported earnings (Vanguard News, 2025). These realities highlight the urgent need for empirical inquiry into the relationship between earnings quality, governance mechanisms, and firm valuation in multinational DMBs to enhance accountability, transparency, and long-term stability in Nigeria's financial sector.

Objectives of the Study

The main objective is to examine the impact of earnings quality on the value of multinational deposit money banks (DMBs) listed in Nigeria. The specific objectives are to;

- i. To examine the relationship between earnings quality and the firms' value of listed multinational DMBs in Nigeria.
- ii. To examine whether corporate governance mechanisms strengthen or weaken the relationship between earnings quality and valuation of multinational DMBs.

Research Question

- i. What is the relationship between earnings quality and firms value of listed multinational DMBs in Nigeria?
- ii. Do corporate governance mechanisms influence the relationship between earnings quality and valuation of listed multinational DMBs?

Hypotheses of the Study

H₀₁: there is no significant relationship between Earnings quality and the firms' value of listed multinational DMBs in Nigeria.

H₀₂: Corporate governance mechanisms do not significantly influence the relationship between earnings quality and the value of listed multinational DMBs.

Significance of Study

This study is important because it sheds light on the connection between the valuation of multinational deposit money banks in Nigeria and the quality of their earnings. The results will help financial experts and investors assess the veracity of reported earnings and make well-informed investment choices. Understanding how governance procedures and discretionary reporting practices affect market valuation will also help managers and company boards promote more sustainable and transparent financial reporting processes.

From a regulatory standpoint, the findings of the study will help organizations like the Securities and Exchange Commission (SEC), the Financial Reporting Council of Nigeria (FRCN), and the Central Bank of Nigeria (CBN) fortify current frameworks for corporate governance, audit supervision, and financial reporting. By filling a vacuum in the empirical literature on the relationship between earnings quality and valuation in emerging countries, the study advances academic understanding and provides a point of reference for further research.

Scope of the Study

This study is examining the impact of earnings quality on the valuation of multinational deposit money banks (DMBs) listed on the Nigerian Exchange (NGX). The study period will cover 2014 to 2023, a timeframe that captures the post-IFRS adoption era, regulatory reforms, and recent economic fluctuations that may influence earnings reporting and valuation.

Literature Review

Conceptual Review

Earnings Quality

Earning quality (EQ) is a crucial indicator drawing attention from various stakeholders. It accurately predicts future performance and financial insights, aiding effective economic decisions (Hung *et al.*, 2020; Salehi *et al.*, 2020). Earnings quality and earnings management are interchangeably used in literatures; however, the degree of earnings management normally determines the earnings quality of reported figures in financial reports (Jim-Suleiman & Ibiamke, 2021). The degree of quality points to the ability of reported earnings to forecast the entity's future performance (Saleh, *et al.*, 2020). Since high earnings quality boosts capital market efficiency, shareholders place much importance on high quality financial accounting information in their decisions to invest or divest their investments in/from entities. Consequently, accounting standards setters attempt to create standards that boost earnings quality having in mind current developments in auditing and corporate governance (Siyanbola *et al.*, 2019). Accrual quality using discretionary accrual, earning predictability and income smoothing have been the common proxies used to confirm earnings quality in financial statements.

Firm Value

Firm value is a central construct in corporate finance and accounting, reflecting the process of determining the economic worth of a firm for decision-making purposes. It integrates both accounting-based measures and market-based indicators to capture a firm's performance, risk profile, and growth potential (Alajlani, 2019). In theory and practice, firm valuation provides insights into how effectively a company utilizes its resources to generate wealth for shareholders,

making it a critical tool for investors, regulators, and managers. For banks, valuation is especially vital given their role as financial intermediaries whose stability directly impacts broader economic outcomes.

Valuation can be assessed using several approaches, including intrinsic value methods, relative value techniques, and market-based measures. Intrinsic valuation often relies on discounted cash flow (DCF) models, while relative valuation compares firms using multiples such as price-to-earnings (P/E) or price-to-book (P/B) ratios (Koller *et al.*, 2020). However, in empirical finance research, two commonly adopted measures are Tobin's Q and the Market-to-Book (M/B) ratio. Tobin's Q, defined as the ratio of a firm's market value to the replacement cost of its assets, reflect investors' expectations of a firm's future profitability and investment opportunities (Jaber, 2025). The M/B ratio, on the other hand, captures the extent to which the market values a firm's equity relative to its book value, thereby serving as a proxy for growth opportunities and market perceptions of accounting information reliability (Jim-Suleiman & Ibiameke, 2021).

Corporate Governance

Authors have defined corporate governance in a variety of ways, including internal structures intended to guide and oversee management operations to safeguard investors' interests in businesses (Siyanbola, *et al.*, 2019). This notion was also supported by Zaman, *et al* (2022), who saw it as the framework for lowering agency costs between principals' and agents' interests. However, Castrillón (2021) in his own view regarded it as how entities are directed, controlled, and held to account for their resources. To Jerab (2023), it is all about the structures put in place by entities to deal with their stakeholders in fair manners. Narrowing it down to the fair treatment of shareholders, Mrabure and Abhulimhen-Iyoha, (2020) summarized the objective of corporate governance as the structures instituted to ensure value maximization of entities. Different variants of corporate governance mechanisms have been used in previous studies, some of which are: board size, board meeting, board gender, independent directors, executive/non- executive directors, audit committee composition, audit committee meeting, audit committee independent, foreign/home directors, local/foreign auditors (Siyanbola, *et al.*, 2019).

Theoretical Framework

Signaling Theory

This study is anchored on Signaling Theory, which holds that managers use observable financial signals, especially reported earnings, to communicate confidential information about a company's underlying performance and future prospects (Spence, 1973; Connelly *et al.*, 2011; Choudhury, 2024). Spence (1974) describes a signal as being a manipulating attribute or activity which conveys information. Managers utilize reported earnings as signals to the market, according to the signaling theory; higher-quality earnings are considered credible signals and may command a higher valuation (Momtaz, 2021). High earnings quality serves as a trustworthy signal to investors and stakeholders, decreasing information asymmetry and improving confidence in the value of organizations. As a result, earnings quality serves as a tool to match investor views with the actual economic worth of global banks in addition to serving as a gauge of financial performance. Audit quality and corporate governance further strengthen these signals by boosting reliability and limiting opportunistic behavior in financial reporting (Watts & Zimmerman, 1986; Morris, 1987; Choudhury, 2024). This study highlights how reliable earnings information affects market valuation by utilizing signaling theory, especially in the Nigerian banking industry where investor confidence and regulatory control are crucial.

Empirical Review

Empirical evidence on the relationship between earnings quality (EQ) and firm value has been mixed across contexts. A large body of studies supports a positive relationship between EQ and firm value. For instance, research in Nigeria (Theophilus & Oyesola, 2018; Odey, 2025), Taiwan (Chia-Wu, 2012), Jordan (Alsufy *et al.*, 2020), Europe (Fassas *et al.*, 2023), Portugal (Gaido & Raposo, 2011), Pakistan (Latif *et al.*, 2017), and Greece (Asimakopoulos *et al.*, 2020) consistently shows that firms with higher EQ—measured through persistence, accrual quality, liquidity, or multiple income attributes—enjoy higher market valuation, reflecting investor trust in the reliability of earnings. These findings suggest that transparent reporting and sustainable earnings enhance market efficiency and shareholder wealth.

On the other hand, some studies reveal a negative relationship when EQ is compromised. Jiu-jin *et al.* (2013) demonstrate that earnings manipulation among SMEs in China erodes firm value, highlighting the destructive impact of managerial opportunism on market perception. Similarly, Chia-Wu (2012) reports that firms with low EQ or high accruals experienced diminished value, especially during the post-2008 crisis period, indicating that poor earnings reporting exacerbates vulnerability in turbulent economic conditions.

A few studies present context-dependent or mixed evidence, where the effect of EQ varies with firm size, governance quality, or economic cycles. For example, Chia-Wu (2012) findings illustrate that the crisis period magnified the negative effect of poor EQ on value, suggesting that the benefits of earnings quality are more pronounced in times of heightened uncertainty. This aligns with broader evidence that EQ interacts with institutional and market environments to determine valuation outcomes.

These studies suggest that while higher EQ generally enhances firm value across markets, weak governance, managerial manipulation, and adverse macroeconomic conditions can negate this effect, leading to a decline in valuation. This reinforces the need for stronger governance frameworks and regulatory oversight, especially in emerging markets such as Nigeria where transparency and investor confidence remain pressing concerns.

Gap in Literature

The impact of earnings quality on firm valuation, particularly in Nigerian multinational deposit money banks (DMBs), has received little attention even though it has been extensively researched in relation to firm performance. Most of the information now available is derived from developed countries and non-financial companies, ignoring the circumstances of multinational banks that conduct business internationally and are bound by intricate reporting and regulatory requirements. Most of the research conducted in Nigeria has concentrated on corporate governance, audit quality, or earnings management in isolation, without including these elements into a more thorough model of how earnings quality affects valuation results.

Additionally, little research has been done on how corporate governance and audit quality moderate the relationship between valuation and earnings quality. In addition to failing to sufficiently take into consideration firm-specific and macroeconomic factors that may influence value, studies infrequently combine several measures of earnings quality (such as accruals, persistence, and timeliness) with valuation metrics like Tobin's Q and market-to-book ratio. This study addresses these gaps by focusing on listed multinational DMBs in Nigeria, applying comprehensive measurements, and assessing moderating effects to provide evidence that enriches academic, practical, and policy understanding of earnings quality and valuation in emerging markets.

Methodology

Research Design

To examine the connection between earnings quality and the valuation of multinational deposit money banks (DMBs) listed in Nigeria, this study uses a quantitative and longitudinal research approach. To capture the dynamic character of bank performance, financial reporting quality, and value across time, a panel data technique is used to account for both cross-sectional and time-series variations. Because it allows the researcher to look at causality, find trends, and account for unobserved variation among banks, the design is appropriate.

Population of the Study

All 7 multinational deposit money banks that are listed on the Nigerian Exchange (NGX) are included in the population. However, the study's target group consists solely of banks that have global operations (subsidiaries, branches, or substantial cross-border business activities which possess the required data for analysis namely 5). This guarantees that the emphasis stays on organizations whose multinational operations complicate financial reporting and may have an impact on the quality and valuation of earnings.

Sample Size and Sampling Technique

The sample consists of purposively selected multinational DMBs listed in Nigeria within the study period (2014–2023). The target population for this study comprised Five (5) listed multinational DMBs in Nigeria. Purposive sampling is justified because not all listed banks operate internationally. By focusing only on multinational banks, the study isolates the specific dynamics of earnings quality and valuation in this subgroup.

Sources of Data

This study only uses secondary data from the Nigerian Exchange (NGX) official data, Central Bank of Nigeria (CBN) statistical bulletins, and banking supervision reports.

Model Specification

The empirical model for the test is given below;

$$FV_{it} = \beta_0 + \beta_1 EQ_{it} + \beta_2 CGM_{it} + \beta_3 LEV_{it} + \epsilon_{it}$$

where:

FV_{it} = Firm value (Tobin's Q)

EQ_{it} = Earnings quality proxies

CGM_{it} = Corporate governance mechanism

ε_{it} = Error term

Method of Data Analysis

The study employs both descriptive and inferential statistical techniques to analyze the impact of earnings quality on the valuation of listed multinational deposit money banks (DMBs) in Nigeria for the period 2014–2023. Descriptive statistics such as mean, standard deviation, minimum, maximum, skewness, and kurtosis are required to summarize the distribution of variables, while correlation analysis is conducted to assess associations and detect multicollinearity. For inferential analysis, panel regression models are used, including Fixed

Effects (FE) and Random Effects (RE), with the Hausman test applied to select the most appropriate specification.

Table 1. Measurement of Variables

Variables	Measurements	Proxy	Formula
Dependent Valuation	Tobin’s Q	FV	$\left(\frac{\text{Market value of equity} + \text{Total liabilities}}{\text{Total Assets}} \right)$
Independent Earnings Quality	Accrual Ratio	AR	$\frac{\text{Net Income} - \text{Operating Cashflow}}{\text{Total Assets}}$
	Cash Conversion Ratio	CCR	$\frac{\text{Operating Cashflow}}{\text{Net Income}}$
Moderating Corporate Governance	Board Size	BS	Number of Directors

Results

Below are the results of the Descriptive statistics of firm value as the dependent variable while cash conversion ratio, board size and accrual ratio are the proxies of the independent variable.

Data Analysis

Table 2 shows the distribution and characteristics of the variables. Firms Value (FV) shows a mean of 1.76, but with a high standard deviation (5.02) and an extreme maximum value (26.98), suggesting the presence of outliers and wide variability across the sample.

Table 2: Descriptive Statistics

	FV	CCR	BS	AR
Mean	1.759	1.334	13.163	0.546
Median	0.859	0.020	13.000	0.027
Maximum	26.975	39.054	22.000	24.986
Minimum	0.072	-9.999	7.000	-0.147
Std. Dev.	5.021	7.013	3.098	3.567
Skewness	4.076	3.454	0.593	6.765
Kurtosis	18.675	18.874	3.011	46.851
Jarque-Bera	637.357	611.923	2.875	4299.758
Probability	0.000	0.000	0.237	0.000
Sum	86.208	65.372	645.000	26.766
Sum Sq. Dev.	1210.261	2360.405	460.694	610.872
Observations	50	50	50	50

Source: Authors Computation, 2025

Similarly, the cash conversion ratio (CCR) has a relatively low mean of 1.33 but a wide dispersion (standard deviation of 7.01) and a range from -9.99 to 39.05, indicating significant fluctuations in firms’ liquidity efficiency. Board size (BS) appears more stable, with a mean of 13.16 and a modest spread (standard deviation of 3.10), clustering closely around its median of 13, which suggests a relatively consistent governance structure across the sampled banks. Accrual ratio (AR) displays a mean of 0.55 but exhibits substantial variability and extreme skewness (6.77) and kurtosis (46.85), pointing to highly non-normal distribution driven by a few large values. The skewness and kurtosis values for FV, CCR, and AR further confirm the presence of heavy tails and asymmetry, while the Jarque-Bera statistics with probabilities of 0.0000 for most variables (except

board size) reject normality at conventional levels. These patterns imply that while governance-related measures such as board size are uniform across listed multinational banks, earnings quality and valuation-related variables exhibit significant heterogeneity, reflecting differences in financial reporting practices and operational efficiency.

Table 3 shows the correlation matrix which indicates that generally weak relationships among the study variables, suggesting low risks of multicollinearity in the model. FV has a weak positive association with the cash conversion ratio (0.12) and a moderate positive relationship with board size (0.32), indicating that smoother earnings may be linked to slightly better liquidity management and larger governance structures. However, its correlation with accrual ratio (AR) is slightly negative (-0.03), implying little or no meaningful connection between earnings quality and audit effort in the sampled banks. Similarly, CCR and BS show only a marginally positive correlation (0.06), while their associations with AR are negligible and negative. Overall, the results suggest that while some governance and earnings quality measures may move together, the weak correlations highlight that each variable largely captures distinct dimensions of financial reporting and valuation among listed multinational deposit money banks in Nigeria.

Table 3: correlation matrix

	FV	CCR	BS	AR
FV	1.000000			
CCR	0.117646	1.000000		
BS	0.317332	0.057929	1.000000	
AR01	-0.031692	-0.037672	-0.011693	1.000000

Source : Authors Computation, 2025

Table 4 yields a chi-square statistic of 8.38 with 3 degrees of freedom and a probability value of 0.0388, which is statistically significant at the 5% level. This result indicates that the null hypothesis favoring the random effects model should be rejected in favor of the fixed effects model. In other words, unobserved heterogeneity across the multinational deposit money banks is correlated with the explanatory variables, making fixed effects a more reliable estimator for assessing the impact of earnings quality on firm valuation in this study.

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.377	3	0.0388

Source: Authors Computation, 2025

Table 5 shows the cross-section random effects test comparisons which reveal that while the coefficients for CCR and AR show minimal differences between the fixed and random effects models, with high probabilities (0.8693 and 0.5943 respectively), the coefficient for BS shows a

Table 5: Cross-section random effects test comparisons

Variable	Fixed	Random	Var (Diff.)	Prob.
CCR	0.067329	0.070671	0.000412	0.8693
BS	-0.035053	0.504608	0.041398	0.0080
AR	-0.003320	-0.034251	0.003372	0.5943

substantial difference, with a probability of 0.0080, which is statistically significant. This suggests that the impact of board size (BS) differs notably between the fixed and random specifications, reinforcing the Hausman test result that the fixed effects model is more appropriate for this analysis, as it accounts for potential correlations between explanatory variables and unobserved firm-specific effects.

Table 6 shows the regression analysis on the explanatory or independent variables cash conversion ratio (CCR), board size (BS), and accrual ratio (AR) are statistically insignificant in explaining firm valuation, as indicated by their high p-values above 0.05. The constant term is also insignificant, suggesting no meaningful standalone effect. Although the model records an R-squared value of 0.274, indicating that about 27% of the variation in firm valuation is explained by the independent variables, the adjusted R-squared drops to 0.150, implying limited explanatory power after accounting for degrees of freedom. The overall model fit is marginal, with an F-statistic probability of 0.053, which is slightly above the conventional 5% threshold, meaning the joint significance of the predictors is weak. Additionally, the Durbin–Watson statistic of 0.956 is substantially below the benchmark value of 2, suggesting the presence of positive autocorrelation in the residuals. This implies that the error terms are not independent but tend to follow one another in a correlated pattern, which can undermine the efficiency and reliability of the estimated coefficients, inflate the R², and bias test statistics

Overall, the findings suggest that earnings quality proxies and board size have limited explanatory influence on the valuation of multinational deposit money banks in Nigeria within the study period.

Table 6: Regression Analysis of firm value and earnings quality variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.133	3.968	0.537	0.594
CCR	0.067	0.097	0.690	0.494
BS	-0.035	0.297	-0.118	0.907
AR(Accrual ratio)	-0.003	0.196	-0.017	0.987
R-squared	0.274	Mean dependent var		1.759
Adjusted R-squared	0.150	S.D. dependent var		5.021
S.E. of regression	4.629	Akaike info criterion		6.051
Sum squared resid	878.591	Schwarz criterion		6.360
Log likelihood	-140.247	Hannan-Quinn criter.		6.168
F-statistic	2.211	Durbin-Watson stat		0.956
Prob(F-statistic)	0.053			

Source: Authors Computation, 2025

Discussion of Findings

The study investigated the impact of earnings quality on the valuation of multinational deposit money banks (DMBs) listed in Nigeria, focusing on proxies such as the cash conversion ratio (CCR), board size (BS), and accrual ratio (AR). The descriptive statistics revealed substantial variability in these earnings quality measures, particularly CCR and accrual ratio, which exhibited extreme values, high skewness, and leptokurtic distributions—suggesting volatility and heterogeneity in financial reporting practices within the sector. The correlation analysis showed weak associations with firm valuation, as CCR and BS displayed small positive correlations, while

AR showed a negligible negative correlation. This implies that earnings quality measures, taken individually, do not strongly drive valuation outcomes such as Tobin's Q in the Nigerian multinational banking context. The Hausman test confirmed that the fixed effects model was more appropriate than the random effects model, underscoring the importance of controlling firm-specific characteristics when analyzing earnings quality and valuation. Regression results further revealed that none of the proxies (CCR, BS, AR) were statistically significant at the 5% level, consistent with the notion that the earnings–valuation link is often indirect. According to Abu Afifa et al. (2023) support this perspective by showing that while audit firm specialization influences earnings management (EMP), its effect on corporate value (CV) is mediated through EMP rather than direct. Similarly, Lecca (2023) emphasized that in emerging markets, weak governance enforcement and audit quality reduce the informativeness of earnings, creating a disconnect between reported figures and firm valuation.

These results align with the current study's findings where CCR, BS, and AR failed to significantly explain Tobin's Q, with an adjusted R-squared of 0.150 and an overall F-statistical probability of 0.053, indicating only modest explanatory power. David *et al* (2025) similarly found that earnings-quality proxies alone contribute marginally to firm valuation variance, while broader institutional and governance factors exert stronger influence. Supporting evidence also comes from Intara *et al* (2024), who reported that the accrual component had no effect on firm value (Tobin's Q), and from Fajuyagbe (2023), who showed that board size and earnings quality were insignificant in Granger causality tests for firm value. By contrast, Isiaka *et al* (2025) offered an opposing view, finding that discretionary accrual earnings management positively and significantly affected firm value among consumer goods firms—highlighting sectorial differences in the earnings–valuation relationship. Overall, these findings reinforce the argument that earnings quality alone does not robustly drive valuation in multinational Nigerian DMBs. Instead, its influence is conditional upon mediating factors such as audit quality, corporate governance practices, and broader institutional frameworks that enhance the credibility of financial reporting and help the market better incorporate earnings information into valuation.

Summary Conclusion and Recommendation

Summary

The findings of this study show that earnings quality, measured through proxies such as the cash conversion ratio, board size, and accrual ratio, does not have a statistically significant direct effect on the valuation of listed multinational deposit money banks in Nigeria, thereby supporting the acceptance of H₀₁. However, evidence from the Hausman test and the cross-section random effects comparisons demonstrate that corporate governance mechanisms, particularly board size, significantly influence the relationship between earnings quality and firm valuation, leading to the rejection of H₀₂. This indicates that while earnings quality alone may not drive valuation outcomes, the effectiveness of corporate governance structures enhances the credibility and market relevance of reported earnings, thereby shaping firm value in the Nigerian multinational banking sector.

Conclusion

This study set out to examine the impact of earnings quality on the valuation of listed multinational deposit money banks (DMBs) in Nigeria, while also assessing the role of corporate governance mechanisms. The findings reveal that earnings quality, as measured through cash conversion ratio, accrual ratio, and board size, does not exert a statistically significant direct effect on firm valuation, confirming the acceptance of H₀₁. However, the Hausman test and related

results highlight that corporate governance factors, particularly board size, significantly influence how earnings quality relates to valuation, leading to the rejection of H_02 . This suggests that firm-specific governance mechanisms play a critical role in shaping investor perceptions of reported earnings and, by extension, firm value.

In essence, the study concludes that in the Nigerian multinational banking sector, earnings quality alone is insufficient to explain variations in firm valuation. Instead, strong corporate governance frameworks are required to enhance the reliability and market relevance of financial reports. These findings underscore the importance of strengthening governance practices in multinational DMBs as a pathway for improving market confidence, ensuring transparent financial reporting, and supporting long-term valuation growth.

Recommendations

To improve the credibility of financial reporting and enhance the market's ability to incorporate earnings information into firm valuation, multinational DMBs in Nigeria should adopt targeted reforms within their corporate governance and reporting frameworks. First, enhanced whistleblowing frameworks should be institutionalized to encourage early detection and reporting of earnings manipulation or governance breaches. Finally, regulators such as the Financial Reporting Council of Nigeria (FRCN) and the Central Bank of Nigeria (CBN) should introduce stricter penalties for non-compliance with disclosure standards and corporate governance codes, while also incentivizing best-performing banks with recognition schemes to promote compliance through reputational rewards.

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