MANAGEMENT ENTRENCHMENT AND EARNINGS MANAGEMENT OF CONSUMER GOODS FIRMS IN NIGERIA

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Abstract

This study analyzed the management entrenchment and earnings management of consumer goods firms in Nigeria from 2013-2022. The specific objectives were to examine the effect of Staggered Board, manager's tenure, and manager's emolument on earning management of consumer goods firms in Nigeria. Secondary sources of data were employed. The interested variables were sourced from the annual report of the quoted consumer's goods firms. The variables were earnings management as the dependent variables while Staggered Board, manager's and tenure, manager's emolument were independent variables. Expo facto research design was introduced in this study which implies that the data is a secondary data set. Panel Least Squared (PLS) method of data analysis was used. The study employs' descriptive statistics, correlation and regression analysis in the analysis. From the analysis result the study found that; Staggered Board has no significant effect on earning management of consumer goods firms in Nigeria. (t-test 0.538188, p=0.5931) Manager's tenure has no significant effect on earning management of consumer goods firms in Nigeria**.** (t-test 1.324076, p=0.5357). Manager's emolument has significant effect on earning management of consumer goods firms in Nigeria. (t-test 4.336814, p=0.0000). It was recommended that competent board members should supervise managers' activities in such a way that the managers are compelled to minimize debt ratio in their earning management. Management should ensure that managers do not over stay their tenure and also tender comprehensive audit report while vacating office.

Keywords: management entrenchment, earnings management, Staggered Board, manager's tenure, and manager's emolument

INTRODUCTION

Over time, there has been a controversial issue to deal with in the corporate world where the managers serve as an agent to carry out the daily business activities of the business on behalf of the shareholders and take value-maximizing decisions (Fagbemi, et al 2020), Because of their individualism and their opportunism, there is a conflict of interest as executives acting as shareholder agents indulge in conduct that provides them a financial advantage to shareholders' detriment, and take measures which do not optimize shareholders' interests (Vihi, et al 2019). This self-interest is perpetuated based on the extent to which the managers can wheel their power in the organization which is often referred to as management entrenchment.

Management entrenchment constitutes one of the most controversial forms of disagreement between shareholders and executives, which has a long-established history of agency analysis literature (Ehikioya, et al 2021). Managerial entrenchment occurs when the managers entrusted with a firm's affairs now have considerable power to make decisions based on their interests and at the expense of the shareholders. According to Berger et al. (2017), entrenched managers may prefer less debt than the optimal level to prevent pressure, monitoring, and bankruptcy risk. In contrast, entrenched managers may accrue more debts to improve the business or discourage takeover and dismissal threats.

This action or strategy has remained a common phenomenon among managers in developing countries, especially where there is a weakness or breakdown in corporate governance and control mechanisms. It is also common in places where there is a dispersed ownership structure or high levels of managerial ownership such that the shareholders may find it challenging to take action in contrast to non-value maximization behavior.

Entrenchment allows managers to focus on personal own interests, which might or might not be profit-raising for the organization (Baratiyan & Salehi, 2013). The incompetency of the applied corporate governance regulations to establish administrative authority is referred to as entrenchment (Berger, et al 2017). Entrenched managers are incentivized to engage in their own interests instead of shareholder welfare. By inflating their salary levels, strong and authoritative manger are able to obtain personal benefits and managerial supremacy has a major influence on manger salary (Ibrahim, et al 2022). A decline in performance of the business is likely to add to the probability of manger replacement. Nevertheless, when manger gains more power and influence within the organization, the relationship between turnover and performance may become less sensitive, resulting in an over-entrenched manger

On the other hand, earning as a line item is a very interesting feature in financial reporting. Earning management refers to a company deliberate use of accounting techniques to make its financials reports looks better. Earning management can occur when a company feels pressures to manipulate earnings in order to match a pre-determined target, the most common of earning management techniques involves simply using the flexibility that exists in gap (including changing depreciation methods, changing the useful lines and the estimates of salvage value for depreciation, determing the allowance for uncollectible accounts receivable, estimating the stage of completion of percentage of completion of contract). Studies show that management who entrenched are more probable to be manipulating their earnings or engage in earning in their remuneration as the remuneration of the managers grows with the growth of managers authority within the company (Ibrahim, et al 2022). However, some managers are believed to manipulate earring in order to achieve their purpose, which is a concern for stakeholders. As a result, the study examines the management entrenchment and earnings management of consumer goods firms in Nigeria.

1.2 Objectives of the Study

The broad objective of this study is to evaluate the management entrenchment and earnings management of consumer goods firms in Nigeria. Specifically, the study set to:

i. Determine the effect of Staggered Board on earnings management of consumer goods firms in Nigeria.
ii. Evaluate the effect of manager's tenure on earning management of consumer goods firms in Nigeria.
iii. Determine the effect of manager's emolument on earning management of consumer goods firms in Nigeria

1.3 Hypotheses

This study was guided by the following null hypotheses:

H0: Staggered Board has no significant effect on earning management of consumer goods firms in Nigeria

H0: Managers tenure has no significant effect on earning management of consumer goods firms in Nigeria

H0: Managers emolument has no significant effect on earning management of consumer goods firms in Nigeria

2.0 REVIEW OF RELATED LITERATURE

2.1 Theoretical Framework

Agency Theory

Agency theory states important relationships between principals and their relative agent. In the most basic sense, the principal is someone who heavily relies on an agent to execute specific financial decisions and transactions that can result in fluctuating outcomes.

Agency "theory is one of the means or approaches of studying corporate governance. This theory has its underlining foundation or origins in the 1970s in the field of economics and finance by Jensen and Meckling (1976). The agency theory comes as a result of agency relationship, which is "one or more persons (the principal[s]) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent" (Jensen & Meckling, 1976). The agency relation result in the separation of ownership (risk-bearing) and control (decision-making) function of a firm leading to agency conflict. The principal-agent conflict (agency conflict) comes about as a result of management not acting in the best interest of the shareholders or pursuing goals at the expense of shareholders, since the latter bear more of the wealth effect." The "theory further posits that the agents are autonomous and are prone to increasing their personal gain at the detriment of principals (Sharma,1997)."

"Agency theory studies the agency relationship and the issues that arise from principal-agent relationship. The literature on agency theory try to align the interests of the principal and agent largely focuses on methods and systems, and their consequences (Delves & Patrick, 2008). The main objective is to minimize agency costs, protect shareholder interests and ensure principal-agent interest alignment is the governance structure." The key intuition of "Jensen and Meckling (1976) was to display or model the relationship between owners and managers as that of the relationship between principal and an agent (Laiho, 2011).

Meckling's approach mainly improve generalization, as this same approach can also be used to describe an agency problem between large and small shareholders, thus agency relationships are all around us. Jensen's and Meckling's insight have also prompt models, where not only how much the company insiders own in terms of ownership structure matters, but also in the sense of how concentrated the holdings of the outside shareholders are. Concentrated shareholders or large-block shareholders are argued to monitor the management better than small shareholders as they internalize larger part of the monitoring costs and have sufficient voting power to influence corporate decisions (Laiho, 2011). While higher ownership levels might align the incentives between principal and agent or stakeholders, it also means better ability for the controlling owners to acquire private benefits." There is a different view that owners with high ownership share might use their position to acquire private benefits, which are not enjoyed by other shareholders.

Jensen and Meckling (1976) "suggested in their seminal work that managerial ownership could have a positive effect on agency relation by serving as monitoring substitute which align the managerial interest with those of outside shareholders (convergence of interest effect or hypothesis). The convergence of interest hypothesis is an assumption that the higher the managerial ownership translate to lower agency cost and higher firm value (Javaid, 2017). The hypothesis of the theory is of the view that increase in managerial ownership aligns the interest of managers and shareholders by making managers to be part of the risk bearing function of the firm. In contrast there is entrenchment effect or hypothesis which posit that a rise in the managerial share-ownership stakes may have adverse (entrenchment) effect on mitigating principal-agent problem and these can lead to an increase in managerial opportunism because the greater the percentage of managerial ownership the lesser other shareholders can compel the manager to work in their interest (Javaid, 2017).This imply conflict of interest on the part of corporations agents and hence hurting overall performance of the firm or firm value." The "agency theory will help the researcher to link the regressor and regress and variables in the study and to examine whether ownership structure (block shareholders, managerial ownership) is beneficial or detrimental to firm performance.

2.2 Empirical Review

Fareeha, et al (2022) this research attempts to analyze the impact of managerial entrenchment on firm performance in the context of KSE-100 index companies in Pakistan. The given study

engages the CEO share as the measure of managerial entrenchment and investigate its impact on financial performance of companies. In pertinent to this, regression analysis has been utilized by employing the top performing corporations listed on KSE-100 index. For measurement of firm performance, this study employs the two variables used to quantify firm performance as "return on assets (ROA)" and "Tobin's Q". This study comprises 318 observations, from 53 non-financial companies of Pakistan Stock Exchange (PSX), over 6 years period (2015-2020) from annual reports. The results of this study indicate that there is a significant negative relationship between the managerial entrenchment measured through CEO share and financial performance measured through ROA and Tobin's Q. The study has some limitations. The future researchers can add other parameters of managerial entrenchment such as board independence, board compensation, tenor and management duality to get more insights on this association. The research findings are giving implications for managers, investors and shareholders. Managers may adopt techniques that allow them to strengthen their position thus gaining investors' confidence. This research extends the literature by comprehensively employing the impact of managerial entrenchment on financial performance of companies in KSE-100 index companies that was predominately neglected by the previous researchers in context of Pakistan.

Fagbemi, et al (2020) investigated the impact of managerial entrenchment, firm characteristics and earnings management of conglomerate companies in Nigeria. Employing the ex-post facto research design, the data was gathered from a secondary source of the 6 listed conglomerate companies for the 11 years running (2008-2018). As an indicator for managing earnings of a corporation, the study employed discretionary accruals and applied the adjusted Jones model. The result showed that management entrenchment and firm characteristics have impacted on multinational firms' earnings management in Nigeria. Specifically, from the conglomerate's entrenchment proxies, CEO's tenure has a positive and significant impact on earnings management (coff. =1.062821, p-value =0.0367) and management entrenchment as measured by CEO's shareholding has a negative and insignificant effect on earnings management (coff. =-6252391, p-value = 0.4090) while firm size, profitability and leverage indicated a significant and positive impact on earnings management (coff, = 0.124587, p-value = 0.0000; coff. = 0.006647, p-value = 0.0431 and coff. = 0.032065, p-value = 0.0000). The study, therefore, recommended among others that management should reduce the debt in their capital structure in order to improve their companies' value and their capital structure should be majorly financed by equity rather than debt and reduce CEOs' tenure to minimize earnings management practices.

Ehikioya, et al (2021) examines the impact of managerial entrenchment on the financial structure of companies listed on the Nigerian Stock Exchange (NSE). The study employed a regression technique to analyze data from 2010 to 2019. The results reveal evidence that managerial entrenchment is essential to explain the proportion of debt in listed firms' capital structure in Nigeria. The significant negative connection between executive shareholding, CEOs' tenure, and debt, suggests managerial entrenchment's power to alleviate agency problems and pressure the managers to deploy optimal financial structure in Nigerian listed firms. However, CEO duality, board composition and board size reveal a positive connection with the debt ratio of listed firms in Nigeria. These findings offer empirical evidence on the importance of adopting a mix of monitoring and control mechanisms during decision-making to ensure optimal capital structure and protect stakeholders' interests.

Mawardi, et al (2021) determined the role of management entrenchment and audit quality on earnings quality. The population in this study are mining sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020. The sample selection in this study used a purposive sampling method with a research sample of 168. The results of regression analysis using the SPSS 26 program showed that the variables of management entrenchment, audit

quality, profitability, and firm size affected earnings quality. However, the leverage variable does not affect earnings quality.

Elhabashy, (2023) investigated the impact of a firm's business strategy and managerial entrenchment on stock price crash risk. A sample of 40 non- financial firms from the EGX-100 index was collected during 2017 – 2021 with 200 balanced observations. The study utilized three different measures to calculate the firm-specific crash risk. It also followed a composite strategy score using accounting indicators established by Bentley et al. (2013) as a proxy for business strategy. Exploratory factor analysis was applied to calculate the managerial entrenchment index for six governance mechanisms based on Lin et al. (2014). Panel regression models were then used for data analysis. The results show a significant positive association between business strategy and stock price crash risk. They indicate that firms with prospector strategies are more prone to crash risk than those with defender strategies. The findings also show that firms with a high managerial entrenchment have a lower stock price crash risk. Likewise, the results demonstrate a significant negative influence of average weekly returns on the crash risk indicators. However, the firm size and sales growth rate positively affect crash risk. To the author's knowledge, none of the existing literature has examined managerial entrenchment's impact on crash risk. Further, no studies have been conducted to examine how various strategies affect crash risk in Egypt or Middle Eastern countries. The study gives a fundamental perception of crash risk determinants to assist Egyptian investors in decision-making and investing in less risky companies. In addition, the current research results recommend changing the negative perception of managerial entrenchment, which is not always synonymous with inefficiency.

García-Sánchez, et al (2020) examined the role of managerial entrenchment in creating organizational facades related to CSR and EM. More specifically, it examines the relationship between CSR performance and EM in the presence of managerial entrenchment and the direct effect of managerial entrenchment on CSR decoupling. In doing so, this article provides evidence of a previously underappreciated yet fundamentally important aspect, that is, managerial entrenchment, that may significantly affect the quality of earnings as well as the level of alignment between CSR disclosure and performance. Our analyses of longitudinal data of an international sample for the period of 2007–2016 supports that managerial entrenchment significantly moderates the relationship between CSR performance and EM. Furthermore, our study reveals that entrenched managers decouple CSR disclosure and performance.

Baratiyan and Mahdi (2013) examined the impact of managerial entrenchment on cost of capital stock by analyzing of changes in levels. The present paper examines the relationship between managerial entrenchment, Systematic risk, rate of sales growth, the ratio of CEO and the cost of capital stock. Thus, 55 listed companies were analyzed during 2006-2010. The results indicate there is a significant relationship between the difference of managerial entrenchment period and cost of capital stock period and also significant relationship exists between rate of long sales growth, the ratio of CEO and the cost of capital stock, whereas, there is not significant relation between systematic risk and cost of capital stock.

Aymen and Boutheina (2017) examined the relationship between managers' entrenchment, governance and financial and stock market performance of Tunisian banking institutions listed on the Tunis Stock Exchange. We first propose to model the level of managers' theoretical entrenchment. Second, we examine a panel data to determine the relationship between the different internal banking governance mechanisms, including managers' entrenchment, on banking performance. To this end, our study examines a sample of 11 Tunisian banks over a period stretching from the first half of 2006 to the second half of 2013.The results indicate that "good" governance practice codes of banking institutions often represent poor performance. On the other hand, managers' theoretical entrenchment contributes to improving the financial performance of Tunisian banking institutions.

Bousetta, (2021) investigated the relationship between dimensions and mechanisms through which managers entrench them-selves and influence firm performance. The article uses OLS regression to explain the assumed relationships between managerial entrenchment and firm performance. The study is based on a sample of 55 Moroccan listed companies over the period 2010–2015. Taken together, the findings contribute to a better understanding of the effect of several entrenchment pathways on firm performance. These findings imply that managerial entrenchment is not necessarily detrimental, as suggested by some governance theories. On the contrary, it can have a beneficial effect on wealth creation. This study faces several limitations. The first appears in the sample size of its quantitative element. The second is related to the variables used to measure managerial entrenchment. The current research explores the effects of the most commonly used measures and some non-retained measures could be pertinent in verifying the assumed relationships. This analysis is one of the few studies conducted in the African countries that scrutinize the impact of managers' entrenchment determinants (ownership, duality, age, and tenure) on firm performance.

METHODOLOGY

3.1 Research Design

This study adopted ex-*post facto* research design that focused on secondary data. This research focus on consumer goods firms in Nigeria under NEL from which the data required for a thorough analysis were derived. Consumer goods are chosen because they are made of larger firms. Since the number of consumer goods firms listed is too large the study selected 10 firms, such as Dangote Flour Mills, International Breweries, Nascon Allied Industries, Nestle Nigeria, PZ Cussons Nigeria, Okomu Oil Palm, Presco, Nigeria, 7-Up Bottling Company, Unilever Nigeria. and ABC Transport were gathered from the published financial statement, for a ten (10) years period spanning from 2013-2022. The study use convenience sampling to select the convenience consumer goods. The choice of the selected firm is because of their performance for the last 10 years and as well their data is up to date The study employ panel data set from the annual report and financial statement of firms listed on the Nigerian Exchange Group. The panel covered a period of ten (10) years from 2013 to 2022, and a cross section of consumer goods firms. It is a secondary data set. The methodologies employed in this study were the regression method. The study's choice of Fixed/Random effect was guided by the fact that it has optimal properties which includes, linearity, neutrality, sufficient, least variance and mean square. These attributes, shows that the properties of the estimators can be obtained from any techniques, but the minimum variance property, distinguished the Panel Least Square (PLS) estimates as the best when compared with other linear estimates from other econometric techniques. This particular, property of small least variance is the reason for the popularity of the PLS method.

3.2 Model Specification

The study modifies the work of Fagbemi, Osemene and Agbaje (2020) who examined examines the impact of managerial entrenchment, firm characteristics and earning management of conglomerates companies in Nigeria

The model is stated thus:

FP= F (MAE, FCH) ------------------------------------ (i)

Where

FP= Firm performance

MAE= Managerial entrenchment

FCH=Financial characteristics

The model was modified to enable us look at the topic from another dimension. Thus we state our modified model as:

The model to be regressed in this study is presented in a relational form as follows

EM =F (STB MAT, MEM,) --(ii)

Where

EM = Earning Management

STB = Staggered board

MAT = Managers' Tenure

MAE = Mangers' emolument

$EM=bo+b_1 STB+ b_2 MAT + b_3 MAE +u$

Where

Bo= constant

βi-$\beta 4$ is parameters to be estimated

3.3 Variables and their Measurement

s/n	Variables	Measurement	Sources
1	Earning Management	Firms net income to total assets in the same year	Dechow et al 2012
2	Staggered board (STB)	Receives number one if the board of directors rotates every three years, zero if it is not given.	Elhabashy, 2023
3	Managers Tenure (MAT)	Number of years the CEO had held the position	Elsayed (2017)
4	Managers emolument (MEM)	Total emolument = basic pay + allowances.	Hamid (2015)

DATA PRESENTATION, ANALYSIS AND INTEPRETATION

4.1 Descriptive Analysis

The descriptive statistics for the dependent and independent variables used in this study were presented in table 4.1 below:

Table 4.1: Summary of descriptive statistics for the variables employed in this study:

	EM	STB	MAT	MAE
Mean	8.102000	0.660000	12.18000	139866.5
Median	8.125000	1.000000	11.00000	61903.50
Maximum	14.32000	1.000000	18.00000	525431.0
Minimum	6.060000	0.000000	9.000000	10162.00
Std. Dev.	1.370850	0.478518	2.584806	165389.6
Skewness	-0.003921	-0.675521	1.067105	1.535698
Kurtosis	1.544391	1.456328	2.796142	3.621083
Jarque-Bera	4.414292	8.767157	9.575848	20.45670
Probability	0.110014	0.012481	0.008330	0.000036
Sum	405.1000	33.00000	609.0000	6993325.
Sum Sq. Dev.	92.08220	11.22000	327.3800	1.34E+12
Observations	100	100	100	100

Source: Researchers' computation (2024) from E-view 9

*Note: *1% level of significance **5% level of significance*

The variables' descriptive values, standard deviation, minimum, median, and maximum values, as well as the Jarque-Bera (JB) Statistics normalcy test, are displayed in the table. For ten years, from 2013 to 2022, the study used data from the Nigerian Exchange Limited's 50 years of annual reports. Based on the aforementioned table, the management of earnings is the dependent variable, while the managerial shareholding, tenure, remuneration, and staggered board were the independent variables. The average means of earnings management are approximately 8.10% and staggered board is 0.60%, according to the summary statistics. The average means of manager tenure, managerial shareholding, and manager emolument are 12.18000, 139866.5, and 1508596, respectively. The management entrenchment variables, namely the staggered board, managerial emolument, managerial shareholding, and manager's tenure, had standard deviations of 1.370850, 0.478518, 2.584806, 165389.6, and 3007048, in that order.

The standard deviation values show that the management entrenchment variables in Nigeria are widely distributed. The large difference between the maximum and minimum readings further supports this. For instance, there is a 7.72 discrepancy between the minimum and

maximum values of earnings management (EM), which are 0.60000 and 14.32000, respectively. Similar to this, a staggered board has a minimum of 0.000 and a high of 1.00. These variances in leverage are not very high. The maximum and lowest tenure for a manager are 18.0000 and 9.0000, respectively. It has also been noted that managerial shareholding has changed significantly over time. For example, management shareholding has a minimum value of 3308.000 and a maximum value of 8578311. A high degree of fluctuation in managerial shareholding, which impacts earnings management, is indicated by the vast variation over time. The variance between the highest and lowest performance values of the chosen consumer companies showed that the firms in our sample are homogeneous, and the chosen estimation approaches do not need to account for the heteroscedasticity issue. Last but not least, table 4.1's Jarque–Bera (JB) test, which looks for extreme values or outliers among the variables, indicates that managerial shareholding, staggered board, and manager's tenure are all normally distributed at the 5% level of significance, but earnings management (EM) and manager's emolument are at the 1% level of significance. This indicates that, even in the unlikely event that there are any outlier variables, the conclusions will not be distorted and may be relied upon for making generalizations. Overall, the descriptive statistics showed that the data did not contain any outliers or bias in the sample selection that would have hampered the study's ability to be generalized. This also justifies the use of panel Least Square estimation techniques. Hence, any recommendations made to a very large extent would represent the characteristics of the true population of study.

4.2: Correlation Analysis

Finding the degree of relationship between the variables and identifying any multi-collinearity issues are the two main goals of utilizing a correlation matrix. Shukeri and Islam (2012) cite Tabachnick and Fidell (2007) as saying that the problem of multi-collinearity ends if independent variables have a strong or perfect correlation with each other, with correlation values reaching 0.90%. In order to ascertain the nature or degree of association, i.e., positive or negative correlation, and the significance of the relationship between dependent variable and independent variables, Pearson's correlation matrix was used to examine the degree of association between management entrenchment and earnings management of consumer goods firms in Nigeria. Thus, we used the Pearson correlation coefficient (correlation matrix) to investigate the relationship between the variables, and the outcomes are shown in table 4.2 below.

Table 4.2 Result of Pearson Correlation Matrix

	EM	STB	MAT	MAE
EM	1.000000	-0.007653	0.012682	-0.449336
STB	-0.007653	1.000000	0.000990	-0.028439
MAT	0.012682	0.000990	1.000000	-0.117415
MAE	-0.449336	-0.028439	-0.117415	1.000000
MAS	-0.350492	-0.124547	-0.301873	-0.143456

Source: Researcher's summary of correlation analysis (2024). E-view 9

According to the correlation matrix table, there is a positive association between managers tenure (MAT) and stakeholders, but a negative correlation between stakeholders and the two variables staggered board (STB), and managerial emolument (MAE), The aforementioned

findings demonstrate that there is a significant and negative correlation (EM/STB=-0.00) between earnings management and staggered boards. Additionally, there is a significant and negative correlation (EM/MAE = -0.44) between managerial emolument and earnings management. The relationship between management emolument and staggered board is strongly inverse (MAE/STB=-0.44/0.02). Additionally, a substantial and negative correlation was found between MAE and MAT (-0.44/-0.11). None of the factors, nevertheless, was discovered to be greater than 0.80. All of the factors have a strong link with return on assets, according to a detailed examination of the Pearson correlation coefficient values. Therefore, in checking for multicollinearity problem, the study noticed from the correlation table above that no two explanatory variables were perfectly correlated and thereby ruled out the case of having an outlier. This indicates the absence of multi-collinearity problem in the model used for the analysis. This also justifies the use of the Panel Least Square (PLS)

4.3 Fixed and Random Effect Test (Hausman Test)

The Hausman test can be used to determine which of these two regression models is better by determining whether there is a zero difference between the fixed effects and random effects regressions. To put it another way, H0: random effect is favored. The random effects model was favored because Hi was severely rejected (p-value = 0.000) based on the current analysis.

Table 4.3 Hausman Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	3.783648	4	0.0061

** WARNING: estimated period random effects variance is zero.

Period random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
STB	-0.321170	-0.244651	0.048628	0.7286
MAT	-0.146536	-0.107502	0.000526	0.0888
MAE	-0.000000	-0.000000	0.000000	0.1233

Result of Hausman test in Table 4.5 revealed high Chi-Sq. Statistic value to the tune of 3.783648, alongside p-value of 0.0061**.** Based on the results of post estimation test carried out, it is established that random effect estimator is appropriate

4.4 Test of Hypotheses

In order to examine the relationship between the dependent variable (Earnings Management) and the independent variables (STB, MAT, MAE,) and to test the formulated hypothesis, we employed a Panel Regression Analysis since the data had both time series (2013-2022) and longitudinal properties (10 quoted Consumer firms) our analysis is presented in table 4.3 below

Table 4.4: Summary of regression result

Dependent Variable: EM

Method: Panel EGLS (Two-way random effects)

Date: 05/09/24 Time: 23:49

Sample: 2013 2022

Periods included: 10

Cross-sections included: 10

Total panel (balanced) observations: 100

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STB	0.197707	0.367356	0.538188	0.5931
LMAT	0.543559	0.870982	1.324076	0.5357
LMAE	0.797566	0.183906	4.336814	0.0000
C	0.145678	0.402617	3.012073	0.0009

Effects Specification

	S.D.	Rho
Cross-section random	1.448480	0.8306
Period random	0.000000	0.0000
Idiosyncratic random	0.654162	0.1694

Weighted Statistics			
R-squared	0.838092	Mean dependent var	1.455833
Adjusted R-squared	0.801801	S.D. dependent var	0.752005
S.E. of regression	0.712700	Sum squared resid	48.25446
F-statistic	18.80556	Durbin-Watson stat	1.817967
Prob(F-statistic)	0.006499		
Unweighted Statistics			
R-squared	0.579597	Mean dependent var	10.29730
Sum squared resid	517.1097	Durbin-Watson stat	1.076329

Sources: E-view Output 2024

Source: Researchers' summary of Panel Regression Result (2024) from E-view 9

The results presented above will be analyzed using three criteria; Accounting a priori criteria, statistical criteria and econometric criteria.

A. Accounting a priori Criteria

The a'priori expectation is used to determine the existing Accounting theories and this indicates the signs and magnitude of our variables.

1. From the result in table 4.3, the result shows a regression line intercept of 0.145678. The value for t-test is positive and statistically significant 3.012073, with p-value of 0.0000 which is less than 0.05. Hence this is an indication that the earning management value will be constant at 24. % per percent per annum when there is no change in the explanatory variables.
2. The regression result shown in Table 4.3, shows a significant positive relationship between staggered board and earning management. The value for staggered board is 0.197707; this implies that One percent increase in staggered board, ceteris paribus, will lead to about 19 percent increase in earning management. This is consistent with apriori expectation. This result supports the fact that increase in staggered board will enhances earning management and experience of firm performance.
3. Manager's tenure has a positive correlation with earning management. The value for Manager's tenure is 0.543559 this implies that One percent increase in Manager's tenure, ceteris paribus, will lead to about 54 percent increase in earning management. This is consistent with apriori expectation. This result supports the fact that increase in Manager's tenure improves the earning management of consumer goods in Nigeria.
4. Manager's emolument has a positive correlation with earning management. The value for Manager's emolument is 0.797566; this implies that 1 percent increase in Manager's emolument, ceteris paribus, will lead to about 1 percent increase in earning management of consumer goods in Nigeria. This is consistent with apriori expectation. This result supports the fact that increasing Manager's emolument will improve the earning management of consumer goods in Nigeria.

B. Statistical Criteria

1. From the results obtained, the staggered board revealed positive and insignificant with their t- value (0.538188) and p-value of (0.5931) respectively. This is because their p-value was greater than 5% level of significance. This result means that staggered board is positive and has insignificant impact on earning management of consumer goods in Nigeria.
2. The managerial tenure has a positive significant impact on earning management of consumer goods in Nigeria. This was revealed through their t -value which is 1.324076 while the p-value of 0.5357 was greater than five percent level of significance. This result means that managerial tenure is significant in causing changes in earning management of consumer goods in Nigeria.
3. The managerial emolument has a positive and has significant impact on earning management of consumer goods in Nigeria. This is because the t-value is 4.336814 while the t-value of 0.0000 was less than five percent level of significance. This result means that managerial emolument because positive changes in earning management of consumer goods in Nigeria.

   From the result, the value of the coefficient of determination R^2 is 0.838092 which implies that 83% of the variation in earning management is explained by the independent variables (STB, MAT, MAE,) included in the model. While about 17 % are accounted for by variables outside our model. This further show that there is a high goodness if fit in the model

   The f-statistics value of 18.80556 in the model, which are a measure of the joint significance of the explanatory variables, is found to be statistically significant at 1 percent level as indicated by the corresponding probability value of 0.006. This indicates that there are a significant differences between the dependent and independent variables.

4.5 Hypotheses Testing

The need to examine the relationship between the collected data and the stated hypothesis has called for this section. This result will be compared with the statistical criteria to see if the preconceived notion in this research work holds or not. However, if the probability value is less than 0.05%, alternative hypothesis is accepted, but when it is greater than 5% hull hypothesis is accepted

Hypothesis One

H0: Staggered Board has no significant effect on earning management of consumer goods firms in Nigeria

From the result report of our t-test in table 4.3 above, it was observed from Staggered Board the value of 0,538188 with the probability of 0.5931 which is not within the desired level of significant (0.05), we therefore reject alternative hypothesis and accept the null hypotheses and conclude that Staggered Board has no significant effect on earning management of consumer goods firms in Nigeria

Hypothesis Two

H0: Managers tenure has no significant effect on earning management of consumer goods firms in Nigeria

From the forgoing result we find out that computed value for Managers tenure is 1.324076 while it's probability is 0.5357 this shown that the Managers tenure is statistically significant. Based on this analysis we reject (HI) and accept (H0), which implies that Managers tenure has no significant effect on earning management of consumer goods firms in Nigeria

Hypothesis Three

H0: Managers emolument has no significant effect on earning management of consumer goods firms in Nigeria

Drawing inference from our regression result in table 4.3, we found that the value of Managers emolument is 4.336814 while its probability is 0.0000 this shows that Managers emolument has significant effect on the earning management of consumer goods firms in Nigeria. We therefore accept the alternative hypothesis which states that Managers emolument has significant effect on earning management of consumer goods firms in Nigeria

5.1: Conclusion

The study used panel data for the period from 2013 to 2022 and a fixed effects regression model for analysis. The study provides evidence that managerial entrenchment prevents managers from issuing the optimal amount of debt except when under pressure to align with a firm's objectives. Given the degree of uncertainty in the environment and the expectations from stakeholders, we believe the results of this study will be of interest to policymakers, practitioners, and other agents of firms in Nigeria and other emerging countries with similar characteristics. One primary focus of this study was to investigate how mangers tenure, staggered board, mangers emolument has influences managers to make suboptimal decisions.

The results suggest that managerial shareholding has significant positive effect on earning management. The study also demonstrates that entrenched managers, as a result of their period of service in the capacity of CEO, and through holding the positions of CEO and chairman in the same firm, tend to employ more debt due to inadequate monitoring and the absence of control mechanisms in place. However, these challenges can be reduced where there is effective managerial tenure,

5.2: Recommendations

Based on the findings and conclusion of the study, the following recommendations were made as follows:

1. Competent board members should supervise managers' activities in such a way that the managers are compelled to minimize debt ratio in their earning management.
2. Management should ensure that managers do not over stay their tenure and also tender comprehensive audit report while vacating office.
3. Management should develop robust policies that will help improve manager’s emolument in Nigeria. Moreover, a well-defined standard sanctioned by law should be put in place to regulate manager’s emolument if need arises

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