
Aggressive Earnings Management and Stakeholders Protection in Listed Companies in Nigeria Exchange

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Abstract

Aggressive earnings management and stakeholder protection as the research topic is. Recently, it has been affirmed in the Enrons, WorldCom, and Oceanic bank cases that there is evidence where management's interests were protected at the detriment of other stakeholders. The empirical framework is the Fraud Diamond and stakeholder theories. The methodology adopted are research design is ex post facto research design. The population is all the manufacturing companies listed in the Nigeria Stock Exchange market, while the sample is one (1) agro-allied company in Nigeria, FTN Cocoa Processors Plc., as listed in the Nigeria Stock Exchange market from the year 2020 to 2024. The descriptive statistics reveal that most of the dependent variables related to the organization's inventory, debtors, and corporate tax—exhibit moderate to strong skewness, with profit and creditors showing more pronounced negative skewness. The independent variable of share market value displays a mild skewness. However, the simple linear regression analysis results showed that share market value has a negative and significant effect on profit. The recommendations are to consider tax expansion, refinancing, deleveraging, and sustainable working capital. Furthermore, institute performance-driven strategies and to be reviewed regularly.

Keywords: Earnings, stakeholders, working capital, shares market value, integrity, and management.

1. Introduction

Background to the Study: The stakeholders are very concerned about their exposure to the earnings of their organization. Earnings are one of the yardsticks used to measure the performance of management. A few other quantitative yardsticks are profit, tax, working capital, interest on loans, and dividends. The performance of an organization tells a lot about the organization and its management.

Corporate earnings are the revenue realized from the ordinary course of business of the organization. The ordinary course of business can be the selling of items or rendering of services

or both. The amount of revenue realized by the organization shows their level of performance over a period of time.

Research Objectives

Main Objective: The effect of stakeholder protection on aggressive earnings management.

Specific Objectives:

1. The effect of stakeholders' protection on corporate profitability.

Research Questions

1. How does stakeholders' protection affect corporate profitability?

Research Hypothesis

1. Stakeholders' protection has no significant effect on corporate profitability.

This study examined the effect of stakeholders' protection on aggressive earnings management, and the research work is titled "Aggressive Earnings Management and stakeholders protection" while most of the other past research works centered on "Corporate Governance and earnings management, The Effect of Corporate Social Responsibility (CSR) on Company Value." Here, the researcher considered if there was a direct relationship between the stakeholders' protection and aggressive earnings management. The Nigeria nation was considered as the geographical location of the study, having considered the prominence of aggressive earnings management practices in companies, while many had wound down twenty century. The dependent variable of the study (aggressive earnings management) was proxied by profitability (PRT).

In this study, the independent variables were stakeholder protection, and the study measured share market value (SMV). The study used time series data for a period of research work, using secondary data from the period of six (6) years covering 2019 to 2024 based on a purposive sampling technique. The period is considered relevant due to the dearth and cost of agro-allied produce and their effects on the survival of the citizens from 2019 up to 2024 and onwards.

Furthermore, the study sourced the data for the period from the websites of the companies, the Nigeria Stock Exchange Market, the National Bureau of Statistics, Google Scholar, and Scopus.

The study on "Stakeholders protection and Aggressive Earnings Management" holds substantial significance due to its prominence as it has affected organizational survival. Understanding the impact of stakeholder protection on aggressive earnings management is crucial for policymakers, economists, and financial analysts. This study provided insights into how stakeholder protection is paramount and, in turn, influences aggressive earnings management. Stakeholders' interests would crowd out the interests of management towards aggressive earnings management.

By analyzing the relationship between stakeholder protection and aggressive earnings management, the study showed that over-ambitious managers would dash away the interests of the stakeholders at their own gain. Examining the correlation between stakeholders' interest

levels and aggressive earnings management can help assess the long-term fiscal sustainability of an organization. If the debt burden becomes unsustainable, it can lead to budgetary constraints, impacting the stakeholders' ability to invest in the organization.

Investors and credit rating agencies closely monitor a company's financial performance and position profile. The study's findings can influence investor confidence and perceptions about Nigeria's economic prospects. Positive outcomes may attract foreign direct investment, while negative implications could lead to reduced investment and hence the winding up of companies. The study provided empirical evidence to guide policymakers in formulating effective investment management strategies. It can inform decisions related to investment limits, share composition, stakeholders' interest schedules, and the prioritization of stakeholders' interests to ensure that management drives the sustainability of the organization. By analyzing the link between stakeholder protection and aggressive earnings management, the study assessed whether investment policies were aligned with sustainability goals and objectives of the organization. Stakeholder protection involves share market value, dividend payout, corporate governance, and external audit, particularly if not managed properly. By investigating how stakeholders' protection affected aggressive earnings management, the study highlighted potential risks associated with the smoothing of earnings, inventory, debtors, creditors, and taxes, which are considered in the design of risk management strategies.

The study's findings contributed to the understanding of how stakeholder interests impacted the stock exchange market.

If debt accumulation hampers sustainable development, it could have far-reaching consequences for Nigeria's economic future. Transparency in stakeholder interest protection management is essential for maintaining public trust and accountability. The study assessed whether the management's stewardship reporting practices are transparent and independently audited.

Research in this area can enrich academic discourse on the complex interplay between stakeholder protection and aggressive earnings management. It contributed to form discussions within the policy and academic communities, fostering a deeper understanding of the economic dynamics at play in Nigeria. In summary, the study on "aggressive earnings management and stakeholder protection" has a significant effect on public, Nigerian Exchange Group (NGX), investor confidence and sustainability of organizations. Its findings can provide valuable guidance to policymakers and stakeholders in ensuring that stakeholder interests are carefully taken into high regard in the day to day management of the organization.

The research work is carried out within the available resources from the company's websites, Scopus, Google Scholar, and the agro-allied sector is considered as foods moving consumer goods as they are relevant due to local consumption and incomes derived from exportation. Agro-allied industries and secondary data are considered. Emphasis is given to the local environment in Nigeria.

2. Review of Literature

This chapter evaluated the existing pool of knowledge while existing gaps were identified and filled. There are four main sections in this chapter. Conceptual review identified, classified, and defined the variables of the study and their existing relationships. Theoretical review explained the basic theoretical assumptions of the study, as described in the literature. Empirical review identified and discussed existing works of other researchers in relation to the variables of aggressive earnings management and stakeholder protections as used in this study. The final section of the chapter summarized the chapter and pointed out gaps in the literature that were addressed in the study.

2.1: Conceptual Review

Corporate Profitability

Profitability is the goal of every manager and a key performance index for measuring both the performance of the manager and the company itself. The aggressiveness played out in the cases of Enron and other companies whose going concerns were threatened. There are instances of false recognition of revenue through the recognition of budgeted revenue, inventory in subsidiary stores, and others. This has posed a huge revenue and profitability issue and misled the stakeholders in their decision-making.

With the profits earned, organizational performances are being measured through any of Return on Capital, Return on Capital Employed, Return on Shareholders' Funds, and others. Management is always aggressive to meet the needs of the stakeholders with creative accounting. However, there is a notion that profitability should not be ascribed to growth all the time as conditioned by stakeholders, management, and the public. (*Ramezani et al., 2002*)

Organization is obliged to publish their Audited Financial Statements for a period of five (5) years. Therein, information regarding sources of revenue, revenue, and expenses incurred will be clearly shown along with their profit. This information will enable potential shareholders and existing stakeholders to make their decisions.

Recently, there have been records of high winding up of banks and other organizations even when their financials showed profitability in the past.

2.2. Theoretical Review

Stakeholder Theory adopted a compromise whereby the various demands of different parties, such as governments, workers, suppliers, and customers, are met. Unlike agency theory, stewardship theory opined that managers (or stewards) will always act in the best interests of stakeholders without much oversight functions from the Board of Directors. Okafor et al., (2002)

Edward freeman published the first paper on stakeholder theory in 1984. In his opinion, while managers are providing value, the emphasis should not be on stakeholders'; rather, all shareholders interests should be considered. Unlike, agency theory, which considered the

relationship between managers and shareholders; stakeholders consider all parties such as government, the public, creditors, debtors, regulators, employees, suppliers, financial institutions, and others.

Contingency Theory posited that management and other practices would not rely solely on general practices like IFRS and GAAP, rather be guided by organizational, social, and environmental (i.e. personal judgment) features in decision-making. Sköldmark et al., (2025) The contingency theory was propounded by Fred Edward Fiedler, an Austrian-born psychologist in 1964. Whereas classical theory focuses on using a general approach to solve problems. Frederick Winslow Taylor propounded the classic theory in 1911.

Fraud Diamond Theory explains the factors that can cause corporate fraud. This study also uses financial distress variables as an intervening variable in explaining the relationship of influence between fraud diamond theory and corporate fraud. Natalis et al., (2022) The theory was propounded by Wolfe & Hermanson in 2004 and the attributes are pressure (or motivation), opportunity (ability to commit undetected fraud), capability (or skills or position), and rationalization (or justification of the act). Whereas, with ethical theory, the four pillars of fraud diamond theory will be addressed. Shafer et al., (2011)

Theoretical Framework provides the theoretical underpinning of the study, the effect of stakeholder protection on aggressive earnings management. A good number of scholarly literature has been reviewed, providing theoretical understanding of the structure of both the dependent variable (aggressive earnings management and the independent, stakeholder protection). Consequently, theories that are reviewed in this study include: Stakeholder, contingency, and Fraud diamond theory. The theoretical framework and the bedrock of this study hang on stakeholder theory of Stakeholder protection and fraud diamond theory, as these theories relate to the underlying nexus between stakeholder protection and aggressive earnings management.

In this study, fraud diamond theory was selected as the underpinning theory to reinforce the dependent variable of aggressive earnings management. Typically, the fraud diamond theory considers deriving aggregate output as a function of aggressive earnings management inputs, which is closely related to the ideals of the essence of aggressive earnings management in creating avenues to endanger the going concern of the organization. The theory was considered appropriate since it situates the danger to the going concern of the organization when the aggressive earnings management is not given appropriate attention to each input while exposing the organization overall. Moreover, the fraud diamond theory highlighted the major possible causes of fraud, with ethical codes of conduct at play to suppress them (Fowler et al., 2023). This implies that there should be a balance between aggressive earnings management and stakeholder protection. Hence, earnings management should be done in the context of ethics and not to the detriment of the stakeholders.

In addition, the study selected stakeholder theory to support the independent variable of stakeholder protection, considering the relevance of stakeholder theory to the philosophies and ideologies proposed in the theory. The stakeholder theory recognizes such changes and critical implications of stakeholder protection for policy formulation and effectiveness. The stakeholder theory approach emphasizes a continuous scrutiny of historical, institutional, structural, technological, and socio-environmental changes of the nexus between stakeholder protection and the significance of optimal discouragement of aggressive earnings management for the growth of the organization.

2.3 Empirical Review

The empirical framework reviews research findings and conclusions previously carried out by other researchers. One of the aims is to identify and fill gaps, especially where previous studies left further research suggestions, and also to expand knowledge in the area related to this study of stakeholder protection and aggressive earnings management. The review of literature was based on the specific objectives of the study.

2.3.1 Stakeholders' protection and corporate profitability.

Hamdani et. al.,2025 focused on analysis of factors affecting financial distress moderated by institutional ownership, and the methodology considered secondary data collection method is the purposive sampling method. Data will be selected according to the criteria. The data analysis used Descriptive Analysis of Statistics, Chow, Hausman, and LM. The hypothesis test uses panel data regression model test and moderated regression analysis, and the findings showed that there is an influence of negative sales growth and tax aggressiveness on financial distress. Institutional ownership is able to moderate sales growth and operating capacity against financial distress. There is limited research sources in Southeast Asian countries related to the roles of institutional ownership as moderating variables curtailing financial distress.

2.3.2 Stakeholders' protection and inventory.

Indarto et al., (2025) described the influence of capital intensity and inventory intensity on tax aggressiveness with independent commissioners as a moderating variable (empirical study on mining companies listed on the idx for the period 2020-2023) This study uses a quantitative research approach using secondary data. company annual reports. The research sample used was mining companies listed on the IDX for the 2020-2023, totaling 40 companies. Determination of the number of samples using the purposive sampling method. The data analysis techniques used were multiple linear regression analysis and moderation regression analysis processed using the SPSS version 25 application. This study's results indicate that capital and inventory intensity have a positive and significant effect on tax aggressiveness. In the future, more variables (other than capital and inventory intensity) that can affect tax aggressiveness should be considered.

2.3.3 Stakeholders' protection and debtors.

Rahman et al., (2026) researched an aggressive investment policy and analyzed the working capital policies of 126 industrial firms in the US market. The study finds a negative relationship between the profitability measures of firms and the degree of aggressiveness of working capital

investment and financing policies. The firms report negative returns if they follow an aggressive working capital policy. These results were further validated by examining the impact of aggressive working capital policies on market measures of profitability, which had not been tested before. The results of Tobin's q were in line with the accounting measures of profitability and produced almost similar results. working capital investment policy. However, investors were found to give more value to those firms that are more aggressive in managing their current liabilities. A suggestion for managers - fraudulent diamond tendencies should be researched in the future.

2.3.4 Stakeholders' protection and creditors.

Теплюк et al., (2025) showed the importance of the financial and credit mechanisms in ensuring the sustainable development of enterprises. The method of critical analysis is used to study the cross-dynamics of statistical data from the period before and after the start of full-scale aggression. The method of analysis and synthesis made it possible to propose approaches to the reconstruction of the FCME architecture. A method of comparative research on trends was used. This confirms the increase in the importance of operational adaptation and regulation. The financial and credit activities are conditioned by deviations from the defined path of development to ensure the sustainable functioning of the enterprise. Further research will be aimed at developing an automated system for supporting management decisions regarding the adaptive use of financial and credit instruments to ensure the sustainable functioning of enterprises in conditions of significant dynamic threats.

2.3.5 Stakeholders' protection and corporate tax.

Indawati e. al., (2025) considered a research topic of Influence Tax Aggressiveness, Debt Policy and Financial Performance Against Company Value using secondary data in the form of report finances that have been audited at the Property and Real Estate sector listed on the Indonesian Stock Exchange in 2018 – 2023. In the Property and Real Estate sector there are 92 using secondary data in the form of report finances that have been audited at the company Property and Real Estate sector listed on the Indonesian Stock Exchange in 2018 – 2023. In the Property and Real Estate sector there are 92. Whereas, Junaidi et. Al., (2025) focused on Corporate Social Responsibility (CSR) on Company Value and Moderating Role of Earnings Management. The research method used was content analysis of the company's annual reports to measure corporate social responsibility. Earnings management was measured using the modified Jones model, and firm value was measured by Tobin's Q . The sample of this research is manufacturing companies listed on the Indonesia Stock Exchange in the period 2020-2022. Data was collected from the companies' annual reports and the companies' websites, while financial data was taken from the Thomson Reuters Eikon database. The data collected covered from 2018 to 2023. However, the current research work extended to 2024.

3. Methodology

This chapter is centered on research design, sources of data, method of data analysis, model specification, a priori expectation, measurement and description of the variables, estimation technique, ethical consideration, and expected contribution to knowledge.

The research design is ex post facto research design. The population is all the manufacturing companies listed in the Nigerian Exchange Group (NGX), while the sample is an agro-allied company from year 2020 to 2024.

Secondary data and sources of data will be employed. The secondary sources are Audited Reports of the companies, the Nigerian Exchange Group (NGX), and the Nigerian Bureau of Statistics. Descriptive and Inferencial (Regression) analyses will be used. FTN Cocoa Processors Plc will be considered as the agro-allied company.

Operationalization of variables and Model specification: In this section, there are two types of variables used in this study, namely: the independent variable (stakeholder protection) and the dependent variable (aggressive earnings management). The independent variables used in this study are the stakeholders' protection, with the following proxies: share market value, dividend payout, corporate governance, and external audit. The dependent variable used was aggressive earnings management, and the proxies are profit, inventories, debtors, creditors, and corporate tax.

This is translated to:

$$Y = f(X)$$

Where:

Y= Dependent Variable: aggressive earnings management (AEM)

$$Y = y_1$$

$$y_1 = \text{PRT} = \text{Profit}$$

X = Independent Variable: Stakeholders Protection (SHP)

$$X = x_1$$

$$x_1 = \text{Shares Market Value (SMV)}$$

Functional Relationship

$$\text{PRT} = (\text{SMV}) \text{_____} \text{eqn. 1}$$

Main Function Relationship

$$\text{AEM} = (\text{SMV}) \text{_____} \text{eqn. 6}$$

Where:

AEM = Aggressive Earnings Management

PRT = Profit

SMV = Share Market Value

4. Results, Analysis and Discussion of Findings

This chapter presents a detailed analysis and discussion of the findings obtained from the study. The main objective of the research is to examine the effect of stakeholder protection on aggressive earnings management. The analysis is based on a 6 -year dataset covering the period from 2019 to 2024, employing secondary data sources. The estimation and statistical analyses were performed using SPSS to ensure precision and reliability.

The chapter is structured to systematically address the study's objectives, beginning with a presentation of preliminary statistics that summarize the dataset's characteristics. These include measures of central tendency and dispersion, such as mean, standard deviation, minimum, and maximum values, alongside higher-order descriptive statistics like skewness and kurtosis.

The correlation analysis highlights the relationships between variables, providing insight into potential linear associations. Furthermore, the Phillip Perron (PP) unit root test is utilized to examine the stationarity of the series, ensuring the data satisfies the requirements for regression analysis and avoiding spurious results.

4.1 Descriptive Statistics: Finding mean, mode, median of the dependable variables of corporate profit.

	FTN - PRT
N	6
	9
Mean	-4136.52
Std. Error of Mean	2059.656
Median	-1160.35
Mode	-10650 ^a
Std. Deviation	5045.106
Variance	25453097.044
Skewness	-0.949
Std. Error of Skewness	0.845
Kurtosis	-1.876
Std. Error of Kurtosis	1.741

Source: Researcher’s Computation, (2025). Note: Table 4.1.1 shows the mean, median, maximum, minimum, standard deviation, skewness, and kurtosis tests for normality of the variables. The dependent variable measures are: Natural Logarithm of Profit (LPRT). The independent variable is Natural Logarithm of Shares Market Value (LSMV) for 6 years period from 2019 to 2024. The estimation process

Interpretation

FTN PROFIT (FTN - PFT)

The variable FTN PROFIT (PRT), with a mean of -4136.52, median of -1160.35 disclosed a non-perfectly symmetric distribution while skewness of -0.949, suggests a negatively left skewed distribution. The standard deviation of 5045.106 reflects extreme dispersion, implying that the Profit of FTN exhibits high fluctuation over the period studied. The skewness of -0.949, which is statistically significant, indicates a distribution that is negatively skewed, suggesting that while most of the observations cluster around negative values, an extreme outlier observations that distorted the symmetry. This negative skewness reflected the under profitability in certain years. Furthermore, the kurtosis of -1.876 is indicative of a flatly platykurtic distribution, where the tails are heavy on the left side of the distribution, implying a lower probability of extreme values.

FTN SHARE MARKET VALUE (SMV)

The variable of FTN Share Market Value (SMV) should have a mean of 1848 and a median of 1320, suggesting a slight right skew in the distribution. The high difference between the mean and median indicates perfectly symmetric of the data, though the asymmetry is not extreme. The standard deviation of 1505.417, which is higher than other dependent variables, indicates significant variability in the share market value, which is likely reflective of the fluctuations in organizational performance as it affects the stock exchange market. The skewness value of 0.677 which is statistically significant, indicates a distribution that is positively skewed, stating that while most of the observations cluster around positive values, there are slight outlier observations that distort the symmetry. This positive skewness reflects the share market price in certain years.

The kurtosis of -1.768 is indicative of a slightly flatter distribution than normal, where the tails are heavier on the sides of the distribution, implying a low probability of extreme values.

Summary of Results

In summary, the descriptive statistics reveal that most of the dependent variables—related to the organization's inventory, debtors, and corporate tax—exhibit moderate to strong skewness, with profit and creditors showing more pronounced negative skewness. The independent variables, share market value, display a mild skewness. The standard deviations indicate high volatility, with profits, debtor and share market value experiencing the greatest fluctuations. Other variables such as inventory and corporate tax rates showed no significant deviation. However, the creditor has a moderate deviation.

4.1.2 Correlation Analysis (Person Product-Moment Correlation Coefficients)

This section discusses the degree of association between the measures of aggressive earnings management (Natural Logarithm of Profit (PRT) and measures of stakeholders protection: Natural Logarithm of Stakeholders' Protection and Natural Logarithm of share market value (SMV). The correlation matrix presented in Table 4.1.2 provides key insights into the linear relationships among the variables in this study. As expected, many of the correlations among the

dependent variables, such as Profit (PRT) is relatively high, reflecting the interconnectedness of these variables in the agro-allied industry. The relationships observed are consistent with the general understanding that variables, particularly those related to financial performance and position, tend to exhibit strong interdependencies.

Table 4.1.2 Result of the Correlation Analysis

	FTN PRT
FTN PRT	1
FTN SMV	-.945**
	6

Source: Researcher’s Computation, (2025) from SPSS. Note: Table 4.1.2 shows the Pearson pairwise correlation matrix for normality of the variables. The dependent variable measures are: Natural Logarithm of Profit (LPRT). The independent variable is Natural Logarithm of Shares Market Value (LSMV) for 6 years period from 2019 to 2024. The estimation process was facilitated using the Data Analysis Tool Pack.

Interpretation

Specifically, in Table 4.1.2, the correlation between FTN Profit (PRT) and Share Market Value indicates a strong but somewhat negative relationship with a value of -0.945. The connection underscores the significance of stakeholders' protection over aggressive earnings management.

Conclusion

Overall, the observed correlation between the dependent and independent variables in the dataset is expected given the interrelated nature of the aggressive earnings management and stakeholders' protection variables involved. The relatively high correlation coefficients reflect the interconnectedness of share market value to other dependent variables. These relationships are typical and a necessary consideration in the world of prevalent earnings management practices, where financial reports influence decision-making on investments. Such correlations are crucial for understanding the broader dynamics at play in organizational performance, which had misled the public in investing their funds and loss of investment.

4.2 Regression Analyses and Test of Hypotheses

This section of the study aims to empirically examine the impact of aggressive earnings management on stakeholder protection, with a focus on profits, inventory, debtors, creditors, and corporate tax. The analysis is grounded in the primary objective of investigating how stakeholder protection influences the agro-allied sector, as outlined in the specific objectives. To achieve this, the study addresses a set of research questions centered on understanding the extent and nature of the relationship between aggressive earnings management and stakeholder protection. These research questions guide empirical investigation, which is pivotal for assessing the broader implications of stakeholder protection, as it is of great concern to the public.

In addressing these research questions, the study tests several hypotheses, all of which are framed to assess the null hypothesis that stakeholder protection does not have a significant effect on aggressive earnings management. Specifically, the study tests the hypotheses that stakeholder protection has no significant effect on profit, inventory, debtors, creditors, and corporate tax. The results from these tests provide critical insights into the role of stakeholder protection in driving or inhibiting aggressive earnings management. To analyze these relationships, the study employs the Autoregressive Distributed Lag (ARDL) approach, which is particularly beneficial in handling variables that are integrated of different orders, as is the case in this study. The ARDL model allows for the estimation of both short-run dynamics, offering a more comprehensive understanding of how stakeholder protection influences earnings management over time.

The ARDL approach is complemented by a Durbin Watson diagnostic test to ensure the robustness of the model. Other tests include R-squared and adjusted R-squared statistics and F-statistic for rigorous evaluation of the hypotheses and provide a robust framework for understanding the complex relationships between stakeholder protection and aggressive earnings management.

4.2.1 Hypothesis One

The results from the Autoregressive Distributed Lag (ARDL) model in Table 4.2.1 provide an in-depth analysis of the relationship between stakeholders protection using a proxy of share market value (LSMV) and FTN profit (LPRT) over the period from 2019 to 2024. The model involves the Error Correction Regression (ECM) shed light on the short-term equilibrium relationship between these variables.

Research Hypothesis One (H₀₁): share market value has no significant effect on profit.

Model One: Profit Model

The combined equation can be structured as:

The ARDL model for the effect can be expressed as follows:

$$LPFT_t = C + \beta_1 LSMV_t + \epsilon_t$$

Short-Run Equation:

$$LPFT_t = 1718.737 - 3.168D(LSMV_t) + \epsilon_t$$

Table 4.2.1: Auto regression Distributed Lag Model (ARDL)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Error Correction Regression				
C	1718.737	1257.315	1.367	0.243
D(LSMV)	-3.168	0.546	-5.803	0.004
Diagnosis tests:				
ARDL Bound Test @ 5%: $F - stat = 33.680$ ($I(0) = -4.684, I(1) = -1.653$)				
$R^2 = 0.894$ Adj. $R^2 = 0.867$; $F - stat = 33.680$ (0.004)				
Durbin-Watson Test = 2.644				

Source: Researcher's Computation (2025) from SPSS. **Notes:** SE: standard error; Durbin watson the test for serial correlation, ECT: Error Correction Term. The dependent variable is the Natural Logarithm of Profit (LPRT). The independent variables are Natural Logarithm of share market value (LSMV) for 6 years period from 2019 to 2024 in Nigeria. The estimation process was facilitated using SPSS.

Interpretation

For the ARDL Bound Test, the value of F-Stat of 33.680 which is greater than the critical values bound at upper bound I (1) of -1.653 at 10 percent, is an indication of the existence of a relationship between the dependent variable Profit and share market value as stakeholders' protection and aggressive earnings management. Having found a short-run relationship, the study then estimates the conditional ECM and level equation results as well as the diagnostic tests, and the results are presented in Table 4.1.2

Diagnostic Test:

The Linearity Test

The linearity assumption of the ARDL test was estimated using the Durbin watson test, the ρ -value of the F-statistic of 2.644 showed that there is no autocorrelation, as it is greater than zero, that there exists a linear relationship between the dependent variable Profit (PRT) and the independent variable shares market value (SMV).

Normality Test

The probability value of the Durbin watson statistic is 2.644, which implies that the estimated model is not autocorrelated and normally distributed.

Furthermore, the significance of the effect of the share market value (SMV) on Profit is assessed using the F-statistic. The F-statistic value is 33.680 with a p-value of 0.004 (F stat P value of $0.004 < 0.05$ of Sig. Level), indicating that the effect of the share market value on profit is

statistically significant at the 5% chosen level of significance. This result implies that the shares market value measure has a substantial impact on profit, leading to the rejection of the null hypothesis that the share market value has no effect on profit.

Further findings from the model reveal a high degree of explanatory power, as shown by an R-squared (R^2) value of 0.894. The R^2 value indicates that approximately 89.4% of the variation in Profit (LPRT) is explained by the changes in share market value (LSMV) based on the specified model. The remaining 10.6% of the variation is attributed to other factors not captured within the model, represented by the error term. This goodness-of-fit confirms the model's robustness in explaining the dependent variable (LPRT) based on the independent variables analyzed. The adjusted R-squared value of 0.867 indicates that after adjusting for the number of predictors in the model, approximately 86.7% of the variation in Profit (LPRT) can be explained by the significant changes in share market value, reflecting that there is a substantial impact of these factors on the dependent variable.

Decision:

At 5% level of significance, the F-statistic is 33.680, with degrees of freedom of (1, 4) and a probability of F-statistic of 0.004 which is less than the chosen significance level of 0.05 for this study. Therefore, judging by the probability of the F-statistic of 0.004 which is less than the 5% level of significance, the study rejects the null hypothesis, which states that the shares' market value has no significant effect on profit, and accepts the alternate hypothesis, concluding that the shares' market value has a significant negative effect on profit.

Discussion of Findings

The result obtained is consistent with some prior study which has found similar results (Khan et al., 2025). and the result of the findings has significant negative effects.

Conclusion and Recommendation

5. Conclusion and Recommendations

Restructure operations: Corporate tax expansion is hurting profitability. Focus on efficiency over scale.

Reduce debt exposure: Debtor is linked to worsening profits. Consider refinancing or deleveraging.

Align market value with fundamentals: Shares Market Value growth should reflect real performance, not speculation.

Continue investment strategy: Inventory is driving SMV and profit growth.

Optimize operations: Address corporate tax inefficiencies to protect margins.

Monitor debt and distribution: Keep debtors and creditors in check to avoid future drag on profit.

6. Contribution to future research.

To the best knowledge of the researcher, there is dearth of empirical evidence researching the effect of aggressive earnings management on stakeholders protection. In addressing these gaps, the study leveraged valuable assistance received from the study supervisors, and the faculty members in carrying out this novelty research and making the study a reality. In contributing to knowledge, this study has provided a useful information for and provide sufficient empirical evidence and the possible implications of aggressive earnings management on stakeholders protection. This study has contributed to knowledge in so many ways which include a contribution to aggressive earnings management and stakeholders protection related literature which will serve as a reference point for future studies in this area.

Consequently, this study provides a deepening understanding and information for the public, policymakers, regulatory bodies and other stakeholders in making useful and impactful decisions in respect of aggressive earnings management on stakeholders protection.

Theory: The study reviewed a significant number of theories which are addition to the existing theoretical literature. In addition, the study highlighted the several scholars who advanced these theories, the time they were propounded, and the underlying presuppositions of each theory under consideration during the theoretical review process. The study also included some assumptions made by other scholars in addition to the scholars who did endorse each of the propositions. From a theoretical perspective, the research made significant and pertinent contributions to the body of knowledge by taking into account the applicability of each theory in equal measure.

Concepts: From the conceptual perspective, the researcher carefully reviewed the concepts of all the variables used in this study. The concepts of aggressive earnings management and stakeholders protection and their proxies were carefully considered in this study. All these concepts were defined and contextually explained from both the researcher's operational angle and contextual viewpoint of other previous studies and, in addition, from the prior studies opinions and positions in respect to each of the variables used in the study.

Empirical: In contributing to empirical literature, in this study, some empirical results were obtained from the analyses conducted, making each model unique and distinct from each other judging from the results found from the descriptive analyses carried out in each objected answered and hypotheses tested. The correlation analysis in complementing the descriptive results exhibited mixed results, while some models exhibited significant effects, others revealed insignificant effects. The empirical results obtained were analyzed with detailed syntheses using prior studies, while some of the study results were found to be consistent with some prior studies, others were found inconsistent, thereby making new contributions to the body of literature in relation to aggressive earnings management and stakeholders' protection.

Policymakers: In contributing to knowledge, the policymakers will find this work useful in policy direction and in making impactful future policies in relation to providing an enabling environment for stakeholders' protection in Nigeria, to such an extent does not affect aggressive earnings management in Nigeria in the future. It will serve as vital information to the

policymakers in Nigeria, the extent to which stakeholders' protection could impact the capital budget allocation and implementation, and the extent the existing policies will be reviewed towards mitigating the effect of stakeholders protection on aggressive earnings management in Nigeria.

Investors: Strong information on stakeholder protection and aggressive earnings management sustainable strategies are vital to every potential investor in Nigeria. While the government will desire continuous aggressive earnings management from private and corporate investors, the investors should also demand the provision of enabling structures from the government. This study would give local and international investors much-needed financial information on the abilities and capabilities of aggressive earnings management. Consistent reporting as evidence of transparency and information disclosure are some of the hallmarks of effective aggressive earnings management.

Accounting Profession: This study would be useful to the accounting profession, financial consultants, academia, and the public as an addition to the existing literature on aggressive earnings management and stakeholders protection drive of Nigeria. Furthermore, contributions have been made through this study to the accounting practice with respect to the quality of stakeholder protection decision and their effects on aggressive earnings management objectives. The professional accountants and accounting firms would find this study useful in making informed investment and divestment decisions regarding stakeholders protection.

Academia: Studies and implications of stakeholders protection as expounded in this study would be a useful teaching expository guide in the field of accounting and finance. Besides, the result from this study would serve as additional data to the existing pool of studies and would be useful to researchers, lecturers and studies for future references in teaching and research in relation to stakeholders protection and aggressive earnings management.

Literature: This study would be found useful as an addition to the existing literature that had considered stakeholder protection as well as aggressive earnings management. The empirical results and mixed results recorded will give rise to comparative studies in the literature in the future.

The General Populace: The public will be more informed by going through this study. Apparently, the level of awareness of aggressive earnings management in each company seems quite low because of shares market value, dividend payout, corporate governance, and external auditor. Through this study, sufficient information has been revealed about the implications of stakeholder protection and the effects on the organization within the scope covered in this study. The public could also benefit from this study for their businesses by understanding the dynamics of stakeholder protection in the public.

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