IMPACT OF FIRM LEVERAGE ON EARNING MANAGEMENT: AN ASSESSMENT OF LISTED PHARMACEUTICAL COMPANIES IN NIGERIAN STOCK EXCHANGE

BY

Onifade Hakeem Olayinka: Department of Accounting, Crescent University, Abeokuta, Ogun State; E-mail: hakeemonifade@gmail.com

Momoh Yusuf Chris: Department of Accounting, Crescent University, Abeokuta, Ogun State; E-mail: momohyusuf14@gmail.com

&

Ajulo Olajide Benjamin: Department of Management and Accounting, Ladoke Akintola University of Technology, Ogbomosho, Oyo State; E-mail: ajulobenjamin@gmail.com

Abstract

The study investigated impact of firm leverage on earnings management of companies. An assessment of listed pharmaceutical companies in Nigeria. The population of the study consists of 10 pharmaceutical companies quoted on the floor of the Nigerian Stock Exchange as at 31^{st} December 2020. A sample of seven (7) pharmaceutical companies were selected from the population using judgmental sampling techniques based on data availability. Secondary data from the financial results of the sampled companies between 2011-2020 was used. Earnings Management (dependent variable) was determined using earnings growth (EG) as a metric, debt financing ratio (DF) and equity financing ratio (EF) was used as proxy for firm leverage. Descriptive, analysis of variance and multiple regression were used to analyze the data obtained. The study revealed the coefficient of DF for pharmaceutical companies was (1.880) respectively with p-values of (0.000). EF has coefficient of 1.141 and probability-value of 0.000. The study discovered that debt financing ration and equity financing ratio have a strong effect on earnings management of selected pharmaceutical companies. The result of the model summary of regression indicates 0.66 of firm leverage can only be used to predict 66% of the movement in earnings growth (EG). In light with this status-quo, the conclusion drawn from these findings is that leverage structure remains relevant in mitigating earnings management and therefore recommended that the debt financing and the equity financing should be employed by managers and professional financial analyst in such a way that the cost of borrowing do not outweigh firms' returns so as to meet the overall firms' objective of shareholders wealth maximization.

Keywords: Firm leverage, Earnings management, Trade-off theory, and Capital structure

Introduction

Earnings management is a controversial and important area in financial accounting. Earnings management is not always seen as a negative action since it is a way to encourage profit-oriented management of earnings manipulation and as well attract potential investors. According to Ghazali, Shafie and Sanusi (2015), Earnings management is not always associated with an attempt to manipulate the data or accounting information, but more associated with the selection of accounting methods that are purposefully chosen by the management for important purposes within the limits of the General Accepted Accounting Principles (GAAP). The financial statements are the source of information used to assess the financial position and performance of the company including balance sheet, income statement, statement of changes in equity and cash flow statement (International Accounting Standard No.1,2015). Managers may modify the financial statements prepared to produce the desired amount of profit. The management of a company's financial statements prepared using diversmeans with the goal of their respective companies. The financial statements must comply with financial accounting standards in other to give clarity to various stakeholders, such as shareholders, creditors, employees and the general public as well as to give managers the flexibility to choose the method of accounting in preparing the financial statements.

Earnings management is to intervene in the management of external financial reporting process in order to favor a specific party destination. Add to earnings management bias in the financial statements and may interfere with the statement users trust the figures modified as earnings figures without engineering. (Setiawati & Naim, 2000). Leverage can be seen as the capability of the company to use the assets or funds that have a fixed load to increase the level of income for the owner of the company (Syamsudin, 2001). Leverage is used to ascertain the amount of financial resources needed to consider the composition of the financial company that aims to increase profits. There are two kinds of leverage namely: operating leverage and financial leverage. Operating leverage demonstrate the use of fixed operating costs by the company in respect of company investment activities, while financial leverage

E-ISSN 2756-4452

emphasizes the use of funds from debt or issue preferred stock. The use of these funds raises fixed costs which can be either interest or dividends.

Schipper, (2017), argues that, earnings management (EM) has a purposeful intervention in the external financial reporting process, with the intent of obtaining some private gain. The issue of EM does not only exist in specific countries but also in Nigeria. Aini, Pourjalali, and Teruya (2006), find the evidence that, managers engage in EM to improve the financial picture portrayed by the financial statement in order to attract security brokers and investment trusts. According to prior studies (Yan, 2006 and Aini et al., 2006), opportunistic EM practice via accrual accounting may result in an inaccurate and misleading financial report. This, in turn reduces the quality of financial reporting and accounting number. Goddess (2007), Suwito and Herawaty (2006) examined the effect of leverage, size of company and corporate governance on earnings management in manufacturing companies listed on the Stock Exchange in 2003-2005. The results show that companies with high operating leverage are more motivated to expand earnings management by implementing policies increasing accrual income, but do not affect the manager's financial leverage in earnings management action. The size of the company encourages managers to manipulate earnings by lowering discretionary accrual to reduce the demands of external parties. While corporate governance proxy for the size of the firm does not directly impact on earnings management actions.

The need for an adequate and reliable financing structure has prompted most scholars to examine the effect of firm leverage and earnings management, for example Previous studies (Ogiriki & Iweias, 2020) on earnings management and performance focused on other measures of earnings management like operational risk and total accruals. Other studies that used loan loss provision have a different time period or were conducted in a different sector (Wael 2019 and Amarjit, Nahum, Harvinder & Neil, 2013: Hauwa, Ocheni and Jamila, 2017). Most studies that used loan loss provision used return on capital employed (ROCE) as a proxy for earnings management (Okafor, Ezeagba & Onyali, 2018 and Ogiriki & Iweias, 2020). This study however used earnings growth as the measure of earnings management because it is the best measure given the nature of the pharmaceutical sector. In addition, this study uses debt and equity financing as a proxy for firm leverage. The study focuses on finding the impact of firm leverage practices on the earnings management of pharmaceutical companies in Nigeria. This research study is structured as follows: the second section reviews literature. Third section discusses the methodology, model specification and method used in analyzing the data used. Fourth section presents the results and findings while fifth section provides the conclusion and recommendations.

Objectives of the Study

The study intends to examine the nexus between leverage on Earnings management, in line with this, the following are set objectives to be ascertained at the end of the study:

- 1. To determine the extent of the effect of debt financing on earning growth in the selected pharmaceutical companies in Nigeria
- 2. To examine the effect of equity financing on earning growth of the selected pharmaceutical companies in Nigeria

Research Hypotheses

 H_{01} : Debt financing does not significantly influence Earning Growth in selected pharmaceutical companies in Nigeria

H₀₂: Equity financing does not significantly influence Earning Growth in selected pharmaceutical companies in Nigeria.

Literature Review

Concept of Leverage

Leverage implies the capability of the company to use the assets or funds that have a fixed load to increase the level of income for the owner of the company (Syamsudin, 2001). Leverage is used to ascertain the amount of financial resources needed to consider the compilation of the financial company that aims to increase profits. The most popular used measures of firm leverage according to Bierman (2018), are debt ratio, debt-equity ratio and interest coverage. Debt ratio and debt-equity ratio can be stated either in terms of book values or market values. The market value to firm financial leverage is theoretically more relevant because market values reflect the present behavior of investors. But it is hard to get reliable information on market values in practice. The market values of securities changes quite frequently. Bowman (2016) shows that the cross-sectional relationship between book value and

market value of debt is very large, so that misspecification due to using book value measures is probably fairly minimal.

According to Myers (1977), managers focused on book value leverage ratios because debt is better assisted by assets in position than it is by growth opportunities implicit in asset market prices. In favour of this, Fama and French (2019) opined that most of the theoretical assumptions on firm leverage apply to book value. Similarly, Thies and Klock (2017) argued that book ratios better reflect management's specific debt ratios. The market value of shares is dependent on a number of criteria which are beyond the direct assessment of a firm. Therefore, adopting market values according to Thies and Klock (2017) may not posits the underlying manipulation within the firm. In fact, corporate accountants often explicitly take responsibility to use book ratios to erode errors in their financial planning caused by the volatility of market prices. Chen (2020), also suggests that the use of book values assists to avoid the restrictions of missing information such as the information relating to the rate of firm equities issued and openly transacted on the stock exchange as well as capital benefits arising from a dramatic rise in asset prices. Popular among all the arguments in supports of book values is the fact that from a more feasible point of view, the market value of debt is not often available.

Consequently, the finance cost coverage as a determinant of financial leverage is commonly known as coverage ratio. Coverage ratio indicates the ability of a firm to achieve fixed financial charges. The reciprocal of finance cost coverage, that is, interest divided by earnings before interest & taxes (EBIT), is a component of the company income gearing. Subsequently, by examining a firm's coverage ratio with a stipulated industry standard, shareholders can get a clear view of financial risk. However, this measure according to Bierman (2018) suffered from some setbacks. First, to examine the firm's capacity to achieve stable financial obligations, it is the cash flow information, which is important, not the reported earnings. During inflationary economic situations, there can be large differences between the earnings and the net cash flows realized from operations. Second, this ratio, when analyze on previous earnings, does not give and protect regarding potential riskiness of the firm. Third, it is only a determinant of short-term liquidity rather than of leverage.

Harris and Raviv (2019) opined that previous analysis of financial leverage is faced with challenges, and discussion of results must be subjected to an openness of the challenges involved in determining both firm leverage and performance. Empirical studies have shown that both stage of firm leverage (Bevan & Danbolt, 2017; Rajan & Zingales, 2019; Titman & Wessels, 2017) and measurement of leverage (Bevan & Danbolt, 2017) differ significantly according to definition of leverage adopted. Additionally, Titman and Wessels (2017), purported that the total measure of total debt ratio could not be used in isolation because theory of firm leverage structure have divergent effects for different kind of debt, and the forecasted coefficients in the structural model may differ according to possibility of which debt ratios are measured in terms of book or market values. In examining this postulations, Bevan and Danbolt (2017), observed that given the dominance of short-term debt instruments in firm financial structure, analysis based solely upon long-term debt which gives restricted insight into the mechanisms thatfocus in the financial and corporate sectors. Based on the foregoing arguments, this study adopted two measures of firm leverage namely: aggregate measure of total debt ratio; and measure of equity ratio.

Trade-off Theory

Modigliani and Miller (1963) argued that, when corporate taxation is introduced to their original Modigliani and Miller (1958) irrelevance proposition, firms should be 100% debt financed because of the tax advantage of debt. However, introducing bankruptcy costs into this model implies that the optimal capital structure becomes a trade-off between the tax advantage of debt and the costs of bankruptcy (Ahmadu, 2016). Similarly, the trade-off theory of leverage is that in which firms' trade-off the benefits of debt financing against the cost of debt. In other words, firms' trade-off the benefits of debt (tax shields) against the higher interest rates and bankruptcy cost. A firm's optimal debt ratio is usually viewed as determined by a tradeoff of the costs and benefits of borrowing, holding the firm's assets and investment plans constant. The firm is portrayed as balancing the value of interest tax shields against various costs of bankruptcy or financial embarrassment (Ahmadu, 2016). The trade-off theory suggests that those companies with increased level of retained earnings, i.e. profitable companies tend to have increase debt levels due to the fact that they can effectively take benefits of tax shields on interest. In addition, since these companies have higher operating gains, the probability and costs of financial distress are also lower. Consequently, the trade-off theory predicts positive relationship between firms' leverage ratios and their performance.

Empirical Review

E-ISSN 2756-4452

Empirically, studies have been conducted on firm leverage and earnings management of different sectors which are well documented in literature. In Nigeria, Anifowose, Soyebo and Tanimojo (2020), investigated the effect of financial leverage on firms performance, the study adopted an annual panel data for a period of 16 years ranges from 2003 to 2018. The result from the findings shows that financial leverage has significant effects on profitability and efficiency of firms performance, especially quoted pharmaceutical companies in Nigeria. Afolabi. Olabisi. Olugboyega and Olufemi (2019) adopted the ex-post facto design to analyze the effect of leverage on firm financial performance between the years of 2007 and 2016. The random effects generalized least squares (REGLS) revealed a positive and significant effect between leverage (DR and DER) and ROCE. This outcome was consistent with the static trade-off theory of capital structure.

Efuntade and Akinola (2020) employed panel least square regression model to examine Firm characteristics and Leverage on financial performance in quoted manufacturing companies in Nigeria a period of 14 years (2005-2018) was considered. The study however concluded that explanatory variables such as firm age, firm size, sales growth, liquidity and leverage were significantly associated with return on assets, Ahmadu (2016) examined Financial Leverage and Firm Performance, the study considered quoted companies in the Nigeria Stock Exchange using 66 non-financial firms' from all the 10 sectors of the Nigerian Stock Exchange over the period 2005-2014, the study adopted the panel survey technique to analyze data The major findings of the study revealed that an increase in the equity portion of total-debt equity ratio (TDER) has a significant positive effect on firms' financial performance measured by return on equity (ROE).

Hauwa, Ocheni and Jamila, (2017) also examined the impact of earnings management on financial performance of listed deposit money banks in Nigeria of which Data was extracted from the annual report and accounts of 5 sampled banks for the period 2011-2015. Loan loss provision was used as a proxy for earnings management while return on assets (ROA) was used as proxy for banks performance. The study employed linear regression of pooled ordinary lease square for data analysis. Findings from the study revealed that earnings management exist in the Nigerian Money Deposit Banks. However, the study could not establish any statistical significant impact of earnings management on ROA. Aburub (2012) investigated the impact of capital structure on the performance of 28 companies listed in Palestine Stock Exchange during 2006 to 2010. Results showed that capital structure has a positive effect on firm performance. Onaolapo and Kajola (2010) investigated the effect of capital structure on financial performance of companies listed on Nigeria Stock Exchange. This study was performed using 30 nonfinancial companies in 15 industry sectors in a 7-year period from 2001 to 2007. The results showed that financial leverage (debt ratio) has a significant negative effect on financial performance (ROA and ROE) of sampled firms.

Okafor, Ezeagba and Onyali (2018) carried out a study on effect of earnings of management on performance of corporate organization. The data for the study were extracted from corporate annual reports and accounts of sixteen selected firms for the period 2010-2014, the study however finds out that earnings management has negative, but insignificant effect on the performance of corporate firms. The above reviewed studies are not consistent and do not give an exact picture of firm leverage as well as earnings management. Studies that used loan loss provision have a different time period or were conducted in a different sector and mostly used return on capital employed (ROCE) as a proxy for performance (Okafor, et al 2018), it can also be observed that while most of the studies have focused on financial sectors, only few of these studies has considered the pharmaceutical sector as a reference point. This study is different in the use of its proxies and the time period. Thus, this study uses earnings growth as proxy for earnings management in finding the impact of firm leverage practices on the performance of selected pharmaceutical companies in Nigeria.

Methodology

The study employs *ex-post facto* research design and the population of the study is made up of the ten listed pharmaceutical companies on the floor of the Nigeria Stock Exchange as at 31st December, 2020. A total of seven (7) listed pharmaceutical companies were selected using the judgmental sampling on the basis of the following: Pharmaceutical companies with regular annual report and account for the study period. This is because the companies without consistent financial report covering the period under consideration will invalidate the findings of the study. According to Kabir (2012) firms without regular financial report will distort the conclusion of the research if selected as part of the sample. Also, companies were selected based on availability of the required data for the study. After the application of the above filter, only companies with data for the period were included in the sample and these comprise the following companies: Evans Medical Plc., Fidson Healthcare Plc., Glaxo Smithkline

E-ISSN 2756-4452

Consumer Nig. Plc., May & Baker Nigeria Plc., Neimeth International Pharmaceuticals Plc., Nigeria-German Chemicals Plc., and Pharma-Deko Plc. Data were collected from the annual reports and accounts of the companies covering a ten years period 2011-2020. Considering the nature of the data which is time series, the study therefore employs multiple regressions via the aid of Statistical Package for Social Science (SPSS).

Model Specification

The panel data regressions that are used to estimate the relationship are as follows:

$y = f(x) + e_{it}$

where:

y = Earnings Growth (EG) – Dependent Variable

x₁= Debt Financing (DF) – Independent Variable

 x_2 = Equity Financing (EF) – Independent Variable

e = Error Term

As adopted from the work of Hauwa, Ocheni and Jamila (2017) but was modified in this study because of the fact that the sector under consideration is pharmaceutical companies which differ from the sector studied by (Hauwa, Ocheni and Jamila, 2017). The modified functional model is therefore as follows:

Particulars	Variables	Abbreviation	Measurements
Total Debt Financing Ratio	Independent	DF	Total debt/total assets
Total Equity Financing Ratio	Independent	EF	Total equity/total assets
Earnings Growth	Dependent	EG	Earnings Per Share(EPS)/EPS Growth Rate
	(2021)		

Source: Authors' Compilation (2021)

Apriori Expectation

Based on empirical studies by past financial analysis, it was expected that firm leverage has strong positive correlation with earning management. This can further be expressed as follows $\beta_1\beta_2>/=0$

Results and Discussion of Findings

The purpose of this section is to present, analyze and interpret the results of the data collected and used for the purpose of this research. The data are presented in tables and subsequently analyzed. The interpretation of the data shows the usefulness of the data in relation to the study. In this section, the researchers' carried out analysis on the relationship that exist between Leverage of firm and Earnings Management (studies of Evans Medical Plc., Fidson Healthcare Plc., Glaxo Smithkline Consumer Nig. Plc., May & Baker Nigeria Plc., Neimeth International Pharmaceuticals Plc., Nigeria-German Chemicals Plc., and Pharma-Deko Plc. [2011-2020]).

Descriptive Statistics

 Table 2: Summary of Descriptive

	/ = = = = = · · · · · ·				
	Ν	Minimum	Maximum	Mean	Std. Deviation
EG	70	2.89	8.09	16.6589	10.02895
DF	70	1.56	15.09	7.2972	4.30552
EF	70	.88	13.03	4.5459	3.78173

Valid N (listwise)

E-ISSN 2756-4452

Source: Output from SPSS Using Secondary data Collected from Case Studies, 2021

70

Table 3:	Model	Summary
----------	-------	---------

				Std. Error of the	Dubin-Watson
Model	R	R Square	Adjusted R Square	Estimate	
1	.900ª	.81	.66	.97070	1.896
~	(A				

a. Predictors: (Constant), DF, EF

b. Dependent Variable: EG

Source: Output from SPSS Using Secondary data Collected from Case Studies, 2021

Table 4: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	231.369	2	231.369	245.549	.000 ^b
	Residual	92.341	7	.942		
	Total	323.710	9			

a. Dependent Variable: EG

b. Predictors: (Constant), DF, EF

Source: Output from SPSS Using Secondary data Collected from Case Studies, 2021

 Table 5: Coefficients^a

				Standardized		
		Unstandardized	Coefficients	Coefficients		
Model		В	Std. Error	Beta	Т	Sig.
1	(Constant)	5.718	1.465		4.902	.000
	EF	1.141	.118	.900	15.562	.000
	DF	1.880	.91	.876	12.344	.000

a. Dependent Variable: EG

Source: Output from SPSS Using Secondary data Collected from Case Studies, 2021

Table 2 above reported the descriptive statistics of the variables employed for the purpose of this study presenting the mean, standard deviation and the number of variable input. On the average; Earnings growth is given as #16.66, meanwhile Debt Financing Ratio of the Firms is given as #7.30 while the Equity Financing ratio of the firm is given as #4.55. Hence, it is appropriate to establish that the Pharmaceutical firms are doing well in terms of performance because the mean values are above 1. The standard deviation was also given as follow for each of the variables respectively: EG, DF, EF as 10.02, 4.30 and 3.78. Table 3 showed the model summary of the regression where the earnings growth is the dependent variable and Debt Financing (DF) and Equity Financing (EF) are the independent variable. The R is shown as 0.900 and after adjusting for the errors in the model, the adjusted R squared is given as 66% i.e. the independent variables can only be used to predict 66% of the movement in the Earnings Growth. The Durbin-Watson value is the result of the auto-correlation test carried out on the model and that is used to test for the validity and reliability of the data employed. The Durbin -Watson test can be said to be strong about the autocorrelation status of the data employed as the value presented is 1.986. hence, this research employs more reliable data that meet up with the goodness of fit.

The analysis of the variance of the model is shown in Table 4, where the sum square, degree of freedom, mean square, f-statistics and the F-statistics probability are shown. From the F-statistics which shows 0.000 which is statistically significant at the significant level of 0.05. Hence, the researchers shall conclude that there is relationship between financing leverage (debt and equity) and earnings growth for the firms under review. Table 5 shows the coefficients of the regression model, the standard error, beta, the t-statistics and its probability. The coefficient can be used to rewrite the model summary as:

EG = 5.718 + 1.141*EF* +1.880 *DF*Equation 1

The model rewritten implies that an increase in equity financing of firms will lead to an increase of 1.141 in the firm earnings growth, an increase in the firm debt financing will also influence an increase of 1.880 on the firm earnings growth.

After adjustment for errors and other abnormalities, the model was redefined as follows:

EG = 5.718 + 0.900 EF + 0.876 DFEquation 2

E-ISSN 2756-4452

Also table 5 presents the t-cal value of the variables where t-cal value of equity financing (EF) is given 15.562 with probability of 0.000 and debt financing (DF) value is given as 12.344 with probability of 0.000, all are seen to have a significant effect on earnings growth of a firm because the probability value is less than 5%.

Hypothesis One

H₀₁: There is no significant effect of Debt Financing on Earnings Growth

Table 5 presented above is detailed enough to provide response to the scientific guess as stated above. The table showed the coefficient for DF 1.880 which implies that a unit increase in pharmaceutical companies' debt financing will lead to increase of 188% in earnings growth which is true in various existing postulations. However, the t-calis given as 12.344 (Debt Financing is relatively related to firms earning growth) and a probability value of 0.000 which is less than 0.05. Hence it is significant at a significant level of 5%. Thus, the study shall reject the null hypothesis and accept the alternative hypothesis and conclude that there is a significant effect of debt financing on earnings growth because the t-cal is greater than the probability value and the probability value is less than 0.05 at 95% confidence interval level.

Hypothesis Two

 H_{02} : There is no significant effect of Equity Financing on Earnings Growth

Table 5 presented above is detailed enough to supply statistical response to the scientific guess as stated above - previously established in the early section of this study. The table shows the coefficient for EF 1.141 (Equity Financing is related to the earnings growth of a firm) which implies that a unit increase in pharmaceutical companies' equity finance will lead to an increase of 114.1% in earnings growth of the firm which is in line with various existing economic postulations and research findings. However, the t-cal is given as 15.562 and a probability of 0.000 (<0.05) which is statistically significant at a significant level of 5%. Hence, we shall reject the null hypothesis and accept the alternative hypothesis and conclude that there is a significant effect of Equity financing on earnings growth because the t-cal value is greater than the probability value and the probability value is less than 0.05 at 95% confidence interval.

Conclusion

Leverage implies the ratio of a company's loan capital (Debt) to the value of its ordinary Shares (Equity) and Earnings Per Share. This study however focused on the effect of Leverage on Earnings management. In light with this status-quo, the conclusion drawn from these findings is that leverage structure remains relevant in mitigating earnings management. The other analysis reflects that there is a significant relationship between Equity Financing and Earnings Growth. This also indicates that injection of funds by shareholders via share equity will have a significant effect on the earnings growth which in turn will have a significant impact on the earnings management. This has been the phantom for earnings growth of the firm. This shows that the priori expectation is significant as there is relative correlation of findings between the current study and previous studies. The findings of the study were also considered suitable as it is in line with the trade off theory which postulates the significance of debt and equity in firm leverage financing.

Recommendations

In order to further complete findings and add to the wealth of this scientific context on the effects of firm leverage on earnings management, the following recommendations are given to the management of the selected pharmaceutical companies, Management of firms and future scholars of this subject:

- 1. That Following the outcome of this study, it is recommended that the debt financing and the equity financing should be employed by managers and professional financial analyst in such a way that the costs of borrowing do not outweigh firms' returns so as to meet the overall firms' objective of shareholders' wealth maximization.
- 2. Also, the use of Financial Indicators Performance and Non-Financial Performance Indicators should be used to ascertain the degree of financial needs. While financial indicators (FPI's) indicate ratio analysis, non-financial indicators (NFPI's) indicate quality, turnover rate of workers, productivity level.
- 3. More so, regulatory agencies of the capital market must come up with a robust institutional framework that will enhance the acquisition of firm leverages, the essence of which will attract potential investors to the market in other to enhance effective finance of their projects.
- 4. The study clearly shows the importance of firm leverage as a determinant factor of performance in listed pharmaceutical firms in the NSE market, Nigeria. This outcome of the study encourages firms to make good use of debt financing as well as equity financing in their leverage structure because of the advantage of the tax benefits.

References

- Amarjit, G., Nahum, B., Harvinder, S., and Neil, M. (2013). Earnings Management, Firm Performance and the Value of Indian Manufacturing Firms, *International research Journal of Finance and Economics*, 1(16), PP 121-131.
- Aini, A., Takiah, M., I., Pourjalali, H., and Teruya, J. (2006). Earnings Management in Malaysia: A study on Effects of Accounting Choices. *Malaysian Accounting Review*, 5(1), 185-207.
- Aman, A., Iskander, T. M., Pourjalali, H., & Teruya, J. (2006). Earnings Management in Malaysia: A study on Effect of Accounting Choices. *Malaysia Accounting Review*, 5(1), 185-209.
- Afolabi, A., Olabisi, J., Olugbeyega, K., and Olufemi, A. (2019). Does Leverage affects the performance of Nigerian firms? *Journal of Economics and Management*, Vol. 37(3), Pp 1-18.
- Anifowose, A., D., Soyebo, Y., A., and Tanimojo, T., A. (2020). Effect of financial leverage on firm performance: Case of Listed Pharmaceutical Firms in Nigeria. *International Journal of Academic Accounting, Finance and Management Research (IJAAFMR)*. Vol 4(04), Pp 1-9.
- Aburub, N. (2012). Capital Structure and Firm Performance: Evidence from Palestine Stock Exchange. *Journal of Money, Investment and Banking, 23,* 109-117.
- Ahmadu, A. (2016). Financial Leverage and Firm Performance: A Study of Quoted Companies in Nigerian Stock Exchange. *Research Gate Publication Conference Paper*, PP 1-33.
- Bierman, H. (2018). Financial Policy (10th ed.). Macmillan Companies, U.S.A.
- Bowman, R.G. (2016). The Importance of a Market-Value Measurement of Debt in Assessing Leverage. *Journal of Accounting Research*, 18 (1), 242-254.
- Bevan, A.A., & Danbolt, J. (2017). Capital Structure and its Determinants in the United Kingdom- A Decomposition Analysis. *Applied Financial Economics*, 12 (3), 159-170.
- Chinaemerem, O.C., & Anthony, O. (2012). Impact of Capital Structure on the Financial Performance of Nigerian Firms. *Arabian Journal of Business and Management Review* (OMAN Chapter), 1 (12), 43-61.
- Chen, J. J. (2020). Determinants of Capital Structure of Chinese Listed Companies. *Journal of Business Research*, 57, 1341-1351.
- Efuntade A., O., and Akinola A., O., (2020). Firm Characteristics and Financial Performance in Quoted Manufacturing Companies in Nigeria. *International Journal of Business and Finance Management Research*, Vol. 25 (32), Pp 1-10.
- Fosu, S. (2013). Capital Structure, Product Market Competition and Firm Performance: Evidence from South Africa. *Working Paper No. 13/11*. Pp. 1- 13.
- Fama, E. F., & French, K.R. (2019). Testing Tradeoff and Pecking Order Predictions about Dividends and Debt. *Working Paper, University of Chicago and Sloan School of Management (MIT)*.
- Ghazali, A., Shafie, A., and Sanusi, M. (2015). Earnings Management: An Analysis of Opportunistic Behavior, Monitoring Mechanism and Financial Distress. *Procedia Economics and Finance Journal*, Vol. 28, Pp 190-201.
- Goddess, M. (2007). Effect of Leverage Company, Company Size, and Corporate Governance Against Profit Management (Case Study Manufacturing Company Listed on the Stock Exchange). Malang: Faculty of Economics, University of Brawijaya.
- Hauwa, S., Ocheni, I., and Jamila, M. (2017). The impact of earnings management on financial performance of listed deposit money banks in Nigeria. *Journal of Accounting and Financial Management*, Vol. 3(2), PP 39-50.
- Harris, M., & Raviv, A. (2019). Capital Structure and Information Role of Debt. Journal of Finance, 46, 279-355.
- Kabir, M. H. (2012). Earnings management during initial public offering in Japan, "Journal of Business Administration, Vol.28 57-80.
- Ibama, K., & Ibama, T. (2021). Corporate Governance and Earnings Management of Quoted Deposit Money Banks in Nigeria. *The international journal of business and management*. ISSN 2321-8916, Pp 64-70
- Modigliani, F., & Miller, M. H. (1958). The Cost of Capital, Corporation Finance and the Theory of Investment. *The American Economic Review*, 48 (3), 261-297.
- Modigliani, F., & Miller, M. (1963). Corporate Income Taxes and the Cost of Capital: A Correction. American Economic Review, 53, 443- 453.
- Myers, S., & Majluf, N. (1984). Corporate Financing and Investment Decisions when Firms have Information that investors do not have. *Journal of Financial Economics*, 13 (2), 187-221. Correction. *American Economic Review*, 53, 443-453.
- Myers, S. C. (1999). The Capital Structure Puzzle. Journal of Finance, 39 (3), 575-592.
- Myers, S.C. (1977). Determinants of Corporate Borrowing. Journal of Financial Economics, 5, 147-175.

- E-ISSN 2756-4452
- Okafor, T. G., Ezeagba C. E., and Onyali C. I. (2018). Effect of earnings management on performance of corporate organizations in Nigeria. *International Journal of Business Management and Economic Review*. Vol. 1(3), Pp 88-103.
- Ogiriki, T., and Iweias S. (2020). Financial Leverage on Earnings Management of Quoted Manufacturing Companies in Nigeria. *International Journal of Management Science and Business Administration*. Vol. 6(4), Pp 7-21.
- Parveen, S., Malik, N., Mahmood Y., & Jan, F. (2016). Impact of ownership structure on earnings management from Pakistani banking sector. *Journal of Poverty, Investment and Development*. ISSN 2422-846X, 23(1), 15-18.
- Rajan, R., & Zingales, L. (2019). What Do We Know about Capital Structure? Some Evidence from International Data. *Journal of Finance*, 50 (5), 1421- 1460.
- Syamsudin, L. (2001). Corporate Financial Management. (Concept Application in Planning, Monitoring, and Decision Making). Jakarta: PT.RajaGrafindoPersada
- Setiawati, L., and Naim, A. (2000). "Earnings Management." *Journal of Economics and Business of Indonesia*. Vol. 15, No. 4, pp 424-441.
- Schipper, K. (2017). Commentary on earnings management, Accounting Horizons, Vol 3, No 4, Pp 91-102.
- Titman, S., & Wessels, R. (2017). The Determinant of Capital Structure Choice. Journal of Finance, 43, (1), 1-19.
- Thies, C., & Klock, M. (2017). Determinants of Capital Structure. Review of Financial Economics, 26, 3-27.
- Wael, M. (2019). Firm Performance and Earnings Management. Academy of Accounting and Financial Studies Journal. Vol 23(3), 1-17
- Yan, X. (2006). Earnings Management and its Measurement: A Theoretical Perspective, *Journal of American* Academy of Business, 9(1), 214-219.