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ACCOUNTING CONSERVATISM AND THE VALUE OF LISTED COMMERCIAL BANKS IN NIGERIA

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Abstract

This study investigated the influence of accounting conservatism on the value of listed commercial banks in Nigeria. Ex-post facto research design was used and secondary data were obtained from the annual reports and accounts of twelve (12) publicly listed commercial banks in Nigeria. Results revealed that market-to-book value of shares(t-value = 51.60; p-value = 0.000 < 0.05) and accruals to cash flow relation (t-value = 12.90; p-value = 0.000 < 0.05) had significant positive relationship with the value of publicly listed commercial banks. Conversely, earnings to stock returns (t-value = 0.99; p-value = 0.325 > 0.05) and operating accruals (t-value = 1.56; p-value = 0.121 > 0.05) were found to have no significant effect on the value of publicly listed commercial banks in Nigeria, hence suggesting that these variables may be less relevant in influencing firm value. The study concludes that while market-to-book value of shares and accruals to cash flow relations are pivotal in enhancing firm value, size-related inefficiencies must be addressed to optimize the value of firm. Also, firms should focus on improving market perceptions and adopting robust value-enhancing management practices to improve their value. In addition, firms should focus on strategies that improve their market-to-book value of shares such as maintaining stronger financial performance, transparent reporting, and engaging in activities that boost investor confidence.

Keywords: *Accounting conservatism; Value of firm' Accruals to cash-flow; Market-to-book value; Earnings-stock returns*

JEL Classification:*M41; M49*

1. INTRODUCTION

Accounting conservatism, characterized by its principle of prudence in financial reporting, ensures that liabilities and losses are recognized promptly, while gains and revenues are recognized only when they are assured. This conservative approach provides a safeguard against overstatement of a firm's financial health, which is particularly significant in Nigeria's volatile economic environment (Jacob & Emmanuel, 2020). The interplay between accounting conservatism and firm value has been a subject of academic debate, especially for publicly listed firms that must balance investor expectations with regulatory compliance (Oyedokun, Usman, &Osuza, 2020).

The value of listed firms often reflects their market perception, influenced by their financial practices and transparency (Okolie, 2014).In Nigeria, where infrastructural deficits and economic uncertainties pose significant challenges, maintaining firm value through robust accounting practices becomes critical. Recent studies suggest that accounting conservatism can positively influence firm value by enhancing financial statement reliability and reducing information asymmetry among stakeholders (Mamidu&Oladutire, 2023). Research(Egbadju, 2024; Adebanjo& Wisdom, 2024; Suleiman & Barnabas, 2021) has explored various facets of accounting conservatism, including its relationship with ownership structures, governance mechanisms, and corporate policies. For instance, findings indicate that managerial ownership and board structures play a critical role in shaping conservatism practices, which in turn impact the perceived value of firms on the Nigerian Exchange Group Limited (Egbadju, 2024). These insights emphasize the need to understand the contextual dynamics of conservatism in Nigeria's unique corporate landscape.

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Furthermore, the concept of accounting conservatism extends beyond financial metrics to include broader corporate practices such as tax avoidance and sustainability disclosures. Some studies highlight how these factors interact with conservatism to influence firm valuation and investor confidence (Adebanjo& Wisdom, 2024; Suleiman & Barnabas, 2021). This interplay underscores the complexity of achieving value optimization in a market characterized by regulatory shifts and global economic pressures. Regardless of the above, gap persists in understanding how these concepts interact within the context of Nigeria's unique economic, regulatory, and corporate environment.

Studies on accounting conservatism have focused on developed nations (Nur, et al, 2023), where market structures, regulatory frameworks and corporate governance practices differ significantly from those in emerging markets like Nigeria (Adebanjo& Wisdom, 2024; Ukpong, Abuaja, &Ukpe, 2023). The lack of contextual focus limits the applicability of global findings to Nigeria, where firms face challenges such as economic instability, weak enforcement of accounting standards, and infrastructural deficits (Ukpong, et al, 2023). On the basis of the foregoing, this study examines the extents to which accounting conservatism influences the value of listed commercial banks in Nigeria.

2. LITERATURE REVIEW

2.1 Accounting Conservatism

Accounting conservatism is a fundamental principle in financial reporting that emphasizes caution in recognizing revenues and gains while expediting the recognition of expenses and losses. This ensures a conservative representation of a firm's financial position, particularly critical in contexts with high uncertainty. Globally, studies have shown that accounting conservatism enhances the credibility and reliability of financial statements, fostering trust among stakeholders. Managerial ownership, governance structures, and financial stress have been identified as key factors influencing the adoption of conservative accounting practices (Nangih&Wali, 2023; Adeniji, 2023; Bababo& Christopher, 2023).

In Nigeria, accounting conservatism has gained attention due to its role in enhancing financial statement reliability amidst an unpredictable economic climate. Research indicates that corporate governance mechanisms, such as board independence and managerial ownership, significantly impact the adoption of conservatism among listed firms (Ukpong, Abuaja&Ukpe, 2023; Soje, Gambo& Muhammad, 2023). For example, large and diverse boards were found to positively influence conservatism by mitigating risks of earnings manipulation (Ukpong et al., 2023). This highlights the importance of governance in fostering prudent financial practices in Nigeria.

A unique feature of accounting conservatism in Nigeria is its interplay with economic factors like taxation and bankruptcy risk. A study by Soje, Gambo and Muhammad, 2023)revealedthat conservatism significantly reduces tax avoidance and enhances financial stability, particularly for non-financial firms. Furthermore, conservatism helps firms in sectors like food and beverages manage bankruptcy risks effectively by recognizing potential losses early and maintaining sufficient reserves (Jacob & Emmanuel, 2020).Another critical dimension is the effect of accounting conservatism on investment efficiency in Nigeria.

Research shows that conservative accounting practices improve resource allocation by reducing managerial overconfidence and mitigating financial constraints. However, the efficacy of these practices can be hindered by external factors such as economic instability and limited access to capital (Lawal& Hassan, 2021). These findings suggest the need for a nuanced approach to understanding conservatism's role in corporate financial decision-making.While global studies have extensively explored the principles and applications of accounting conservatism, its specific dynamics within Nigeria require further investigation. This study aims to bridge existing gaps by examining the contextual factors unique to Nigeria's economic and corporate environment, thus contributing to a deeper understanding of conservatism's role in enhancing the value of listed firms.

2.2 Firm Value

Firm value is a critical metric in assessing the overall performance and financial health of a company. It reflects market perception of a firm's future earnings potential and operational stability (Okolie, 2014).Globally, firm value is influenced by numerous factors, including profitability, leverage, liquidity, and governance practices. Research highlights the relevance of firm-specific attributes such as asset tangibility and revenue growth in enhancing market valuation. A notable global trend is the increasing reliance on metrics like Tobin's Q and market capitalization to measure firm value.

In the Nigerian context, firm value faces unique challenges due to economic instability, infrastructural deficits, and governance inefficiencies. Studies have shown that environmental accounting and sustainability practices significantly enhance firm value by improving reputation and investor confidence. For instance, Nigerian firms that adopt sound environmental practices often report higher market valuations, reflecting increased stakeholder trust (Odunayo et al., 2023). This aligns with global findings that sustainability focused strategies boost long-term value.The role of governance mechanisms in determining firm value has also been extensively studied in Nigeria. Research indicates that board diversity, including gender and nationality, positively impacts firm value.

Additionally, political connections have been identified as a subtle but impactful factor in influencing firm valuation, as they can enhance access to resources and reduce operational uncertainties (Oyetunji et al., 2023). However, reliance on such connections may pose risks related to governance transparency.Liquidity and capital structure are critical determinants of firm value. In Nigeria, liquidity management practices have shown mixed impacts on firm value, while optimal capital structures have consistently demonstrated

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positive effects. Studies recommend a balanced approach to liquidity and debt management to mitigate risks and maximize firm value (Arumona et al., 2023). This is consistent with global evidence that highlights the importance of financial prudence.

Lastly, intellectual capital is emerging as a significant contributor to firm value in Nigeria. Human capital efficiency, in particular, is shown to enhance innovation and operational effectiveness, translating into higher market valuations. However, studies also point to the need for continuous investment in employee training and capacity building to sustain long-term benefits (Akwuobi, 2023). These findings emphasize the multi-faceted nature of firm value in Nigeria, requiring holistic strategies that integrate financial, governance, and human resource dimensions.

2.3 Market to Book Value of Shares

Market-to-book value of shares (MBV) is a critical metric used to evaluate the valuation efficiency of firms by comparing the market value of equity to its book value. In global finance literature, MBV is often associated with corporate growth potential and investor confidence. However, in the Nigerian context, MBV reflects unique dynamics influenced by economic instability, weak regulatory frameworks, and evolving corporate governance practices. Studies reveal that while MBV is generally employed to assess firm valuation, it is often moderated by factors such as liquidity, leverage, and asset management practices.

The relationship between corporate governance and MBV has garnered significant attention in Nigerian firms. Research indicates that firms with robust governance mechanisms, including effective board oversight and ethical practices, often demonstrate higher MBV. For instance, retained earnings and strong governance were found to have a positive and significant impact on MBV among Nigerian manufacturing firms (Adeniji, 2023). These findings underscore the importance of governance in enhancing firm valuation and investor confidence.

Inflationary trends and macroeconomic instability significantly mediate the relationship between book value of shares and market value of shares. Studies have shown that inflation weakens the predictive accuracy of book value, thus influencing its role in determining share prices and MBV in Nigerian firms. This underscores the need for firms to adopt inflation-adjusted accounting practices to provide accurate valuation metrics (Soje&Tanko, 2024).Liquidity and working capital management also play a vital role in shaping MBV in Nigerian non-financial firms. Evidence suggests that efficient management of liquidity positively impacts MBV, while poor liquidity practices can erode firm value over time. This finding highlights the necessity for Nigerian firms to strike a balance between operational liquidity and long-term investment to optimize market valuation (Arumona et al., 2023).

Lastly, asset efficiency and firm size have shown mixed effects on MBV in Nigerian food and beverage companies. While larger firms benefit from economies of scale, they may face reduced valuation efficiency due to operational inefficiencies. On the other hand, firms that effectively manage their debt-to-equity ratios tend to achieve higher MBV. These findings highlight the nuanced role of capital structure in influencing MBV, urging Nigerian firms to adopt tailored financial strategies (Akpor et al., 2024).

2.4 Accrual to Cash Flow Relations

Accrual-to-cash flow relations are pivotal in understanding financial reporting quality and earnings management. This relationship examines how accruals bridge the timing and recognition differences between cash flows and reported earnings. Globally, the negative correlation between accruals and cash flows is a common indicator of accrual quality. However, research in Nigeria reveals mixed outcomes influenced by contextual factors such as regulatory frameworks, firm-specific governance, and economic volatility. For instance, findings suggest that total accruals exhibit an insignificant relationship with performance metrics like return on assets in Nigerian manufacturing firms (Bababo& Christopher, 2023).

The interaction between accruals and cash flows is critical in detecting earnings management practices. Studies on listed Nigerian firms highlight the prevalence of discretionary accruals, which can obscure the reliability of financial reporting. Research demonstrates that discretionary accruals tend to reduce earnings volatility, but they may also reflect managerial opportunism, especially in contexts with weak corporate governance (Gbadebo et al., 2023). This underscores the need for robust governance mechanisms to enhance the integrity of financial statements in Nigeria.Economic conditions in Nigeria, including inflation and market instability, significantly mediate accrual-to-cash flow relations.

Studies show that inflation weakens the relationship between accruals and cash flows, complicating the interpretation of financial statements. This mediating effect of inflation has been a key area of focus, with calls for inflation-adjusted financial reporting standards to improve the relevance of accrual-based measures (Soje et al., 2023).The role of accrual management in financial performance is also highlighted in Nigerian firms. Non-discretionary accruals, which are linked to operational factors, are found to have an insignificant impact on key performance indicators like net profit margin and return on equity.

Conversely, discretionary accruals show a stronger, albeit opportunistic, influence on reported earnings, raising concerns about the reliability of accrual-based earnings measures (Bababo& Christopher, 2023).Overall, the accrual-to-cash flow relations in Nigeria reflect the complexities of an emerging economy, were institutional weaknesses and economic volatility impact financial reporting quality. Addressing these challenges requires improved corporate governance, inflation-adjusted reporting standards, and enhanced regulatory oversight to ensure that accrual-based metrics accurately represent financial performance.

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2.5 Earnings to Stock Returns

Earnings and stock returns are foundational indicators of corporate financial performance and market valuation. Globally, earnings per share (EPS) is widely recognized as a critical determinant of stock returns, reflecting a firm's profitability and influencing investor decisions. In Nigeria, studies confirm the significant relationship between earnings variables and stock returns, emphasizing that strong earnings performance directly impacts the market valuation of firms. For instance, research on Nigerian manufacturing firm highlights that EPS significantly drives stock prices, confirming its role as a primary indicator for stock returns (Oshim et al., 2023).

The predictability of earnings in Nigerian firms is critical for assessing stock return behaviour. Studies reveal that earnings predictability is generally high among quoted Nigerian firms, although earnings volatility can adversely affect this predictability. This is particularly relevant in Nigeria's volatile economic environment, where consistent earnings help reduce investment risks for stakeholders (Olaniyi et al., 2020). Such findings underscore the need for firms to maintain stable earnings to support stock performance and attract investments.

The interplay between dividend policies and earnings is another determinant of stock returns in Nigeria. Research indicates that dividend per share (DPS) and EPS significantly affect stock prices, with firms that balance dividend payouts and retained earnings achieving better stock performance. In consumer goods firms, higher EPS and DPS are linked to increased stock demand, emphasizing the importance of sustainable profit generation (Oshim et al., 2023)Earnings manipulation and its effect on stock returns remain a concern in Nigeria.

Studies show that firms sometimes employ earnings management strategies to meet performance benchmarks, which can distort the true relationship between earnings and stock returns. For example, benchmark-motivated earnings management can inflate stock prices temporarily but risks eroding long-term investor trust (Adedeji et al., 2022). Such practices highlight the need for enhanced regulatory oversight to protect market efficiency.Finally, sectorial differences in earnings and stock return relationships are evident in Nigeria. Research comparing financial and manufacturing firms reveals that earnings impact stock returns differently across sectors. For financial firms, liquidity and return on assets play significant roles, whereas for manufacturing firms, market capitalization and EPS are the main drivers of stock returns (Peter et al., 2020). This sector-specific understanding is crucial for targeted investment strategies.

2.6 Operating Accruals

Operating accruals, representing the adjustments made to cash flows to reflect economic transactions in financial reports, are a critical aspect of earnings quality and financial performance. Globally, operating accruals are recognized for their role in bridging the gap between cash-based and accrual-based accounting. In Nigeria, research underscores their importance in the context of earnings management, where firms may use accruals to smooth earnings or meet financial targets. Studies highlight that Nigerian firms often manipulate discretionary accruals, which can distort the true financial position of firms and raise questions about the reliability of financial reports (Bababo& Christopher, 2023).

The relationship between operating accruals and financial performance in Nigeria has been extensively studied. Research indicates that non-discretionary accruals, which are directly tied to operational activities, have an insignificant impact on financial performance metrics like return on assets and net profit margin. Conversely, discretionary accruals are often linked to earnings manipulation, with a negative effect on financial performance over time. This highlights the need for stricter regulatory oversight to ensure accurate reporting practices (Efeeloo&Wali, 2022).Economic factors also play a significant role in shaping the behaviour of operating accruals in Nigerian firms. Inflation, market volatility, and regulatory challenges affect the reliability of accrual-based financial reporting.

Research shows that firms operating in unstable economic environments may adopt aggressive accrual practices to present a more favourable financial position, further complicating the interpretation of financial statements (Osisioma et al., 2020).The role of corporate governance in moderating accrual-based earnings management has been widely acknowledged. Studies reveal that strong governance mechanisms, including board independence and audit quality, reduce the likelihood of accrual manipulation. Firms with robust governance structures are less likely to engage in opportunistic accrual practices, enhancing the reliability of their financial reports. In Nigeria, however, weak enforcement of governance regulations remains a challenge, necessitating reforms to strengthen oversight mechanisms (Dzarsa, 2024).

Overall, operating accruals in Nigerian firms reflect a complex interplay between regulatory frameworks, economic conditions, and corporate governance practices. While accruals are essential for capturing the economic realities of businesses, their misuse for earnings management highlights the need for stringent controls and transparency in financial reporting. Future research should explore sector-specific variations in accrual practices and their long-term impact on firm value. Arising from the conceptual review, the following model was conceptualized as shown in Figure 1:

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Accounting Conservatism
(Independent Variable)

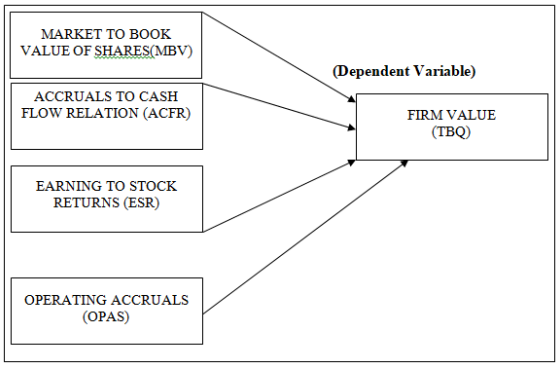


Figure 2.1: Conceptual Model of Study

Source: Researchers' Conceptualization (2025)

2.7 Theoretical Framework

This study was hinged on the agency theory which posits a fundamental conflict of interest between the principals (shareholders) and agents (managers) of a firm, primarily due to the differing objectives of both parties. Shareholders aim to maximize firm value, while managers may prioritize personal gains, leading to agency costs. Accounting conservatism, characterized by the principle of prudence, plays a significant role in mitigating agency conflicts by ensuring more reliable financial reporting and limiting managerial discretion over financial results. In Nigeria, where corporate governance frameworks are still evolving, accounting conservatism acts as a critical tool for protecting shareholders' interests by curbing opportunistic earnings management (Chiedu et al., 2022).

The relationship between agency theory and accounting conservatism is particularly evident in the ownership structure of Nigerian firms. Studies have shown that managerial and institutional ownership influence the adoption of conservative accounting practices. Firms with higher managerial ownership demonstrate increased conservatism, reducing the likelihood of opportunistic behavior and fostering value creation. In contrast, foreign ownership also promotes conservatism, which enhances financial transparency and reduces information asymmetry between managers and shareholders (Musa &Temitope, 2023).

Furthermore, accounting conservatism is associated with the reduction of agency costs by improving earnings quality and facilitating better monitoring of managerial actions. In the context of Nigerian listed firms, conservative reporting helps minimize the potential for earnings manipulation, which could otherwise mislead shareholders and investors. Research highlights that firms with strong governance mechanisms, such as independent audit committees and diverse boards, exhibit higher levels of conservatism, reinforcing their market value and shareholder trust (Oyedokun et al., 2020).

Agency theory also provides a lens for understanding how conservatism enhances investment efficiency in firms. Nigerian firms facing financial constraints benefit from conservative practices that promote the efficient allocation of resources. By ensuring that potential losses are recognized early, conservatism aids in mitigating overinvestment and aligning managerial actions with shareholder interests. This reduces the risks associated with poor investment decisions, thereby enhancing the long-term value of firms (Lawal& Hassan, 2021).

Agency theory underscores the importance of accounting conservatism as a mechanism to address principal-agent conflicts, reduce agency costs, and enhance firm value. For Nigerian listed firms, the adoption of conservatism is integral to improving financial reporting quality, protecting shareholder wealth, and promoting sustainable value creation. Strengthening governance structures and regulatory oversight can further amplify these benefits, aligning managerial behavior with the broader goals of value maximization.

3. METHODOLOGY

This study used *ex-post facto* research design because the study employed data that has existed (i.e. data obtained from the audited annual reports and accounts of listed commercial banks) such that the researcher has no means of controlling the events or variables as the event has already occurred. The study population comprised of the twenty-three(23) publicly listed commercial banks on the floor of the Nigerian Exchange Group Limited as at 31st December, 2023

This study used stratified random sampling to determine the sample size, addressing challenges related to missing data and ensuring collection of reliable and valid data. To be included in the sample, a bank must meet the following criteria: it must have been listed on the Nigerian Exchange Group (NXG) Limited and must have been operational during the study period and have international, national and regional authorization. On the basis of the above, twelve (12) publicly listed commercial banks were sampled.

The data for this study were sourced from secondary materials, specifically the published annual financial statements and accounts of the sampled banks during the study period. The financial statements utilized have been validated by the Nigerian Exchange Group (NGX) Limited and the Securities and Exchange Commission (SEC), which regulate accounting and corporate activities in Nigeria; these trusted sources ensured the reliability and accuracy of the data used for analysis.On the basis of the variables of the study, the following models were estimated:

$$TBQ = f(MBV, ACFR, ESR, OAS, FSIZE) \quad \text{- eq.1}$$

$$TBQ_{it} = a_0 + a_1MBV_{it} + a_2ACFR_{it} + a_3ESR_{it} + a_4OAS_{it} + a_5FSIZE_{it} + \mu_t \quad \text{- eq.2}$$

Table 1: Variables Measurement

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Variables	Description	A-priori sign	Authors
TBQ	Market Value/Total Assets	Nil	Oyedokun, et al (2020)
MBV	Current closing price of stock divided by quarter book value per share	+	Suleiman & Barnabas (2021); Lawal& Hassan (2021)
ACFR	Net income less free cash flow divided by total assets	+	Nur, et al (2023); Oshim, et al (203)
ESR	Current stock price divided by earnings per share	+	Egbadju (2024); Adebanjo (2024)
OPAS	Net profits after tax, less net cash flow, divided by net profit after tax	+	Oyedokun, et al (2020);
FSIZE	Firm size measured using the natural logarithm of total assets (control variable)	+	Adebanjo(2024)

Source: Compiled by the Researchers (2025)

This study utilizeddescriptive, regression diagnostic and inferential statistical methods to analyse the data. Descriptive statistics summarized dataset characteristicswhile Pearson correlation assessed the direction and strength of relationships between variables and identify potential multicollinearity issues. Regression diagnostic statistics (variance inflation factor) was used to evaluate multicollinearity and regression models' suitability and Breusch-Pagan and Cook/Weisberg test was used in testing of heteroskedasticity in the empirical model.For inferential analysis, panel data (robust regression) was employed in analysing the relationship between accounting conservatism and firm value.

4. RESULTS AND DISCUSSIONS

Table 2: Summary of Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max	Skewness	Kurtosis
TBQ	0.10042	0.10267	0.01	0.6	2.46277	10.30049
MBV	0.74958	0.78192	-0.05	4.88	3.13519	15.06536
OPAS	-0.00821	0.08010	-0.2167	0.1819	0.11347	2.83494
ACFR	2.38827	2.02118	-5.0275	8.353	0.34951	4.53228
ESR	27.33192	244.2836	-800	1394	2.8474	19.05
FSIZE	9.24010	0.41166	8.1945	10.0694	-0.19019	2.41017

Source: Researchers' Computation, 2025.

The descriptive statistics provide insights into the key variables of the study, with Tobin's Q (TBQ) serving as the dependent variable and Market-to-Book Value of Shares (MBV), Operating Accruals (OPAS), Accruals to Cashflow Relations (ACFR), and Earnings to Stock Return (ESR) as the independent variables, alongside Firm Size (FSIZE) as the control variable. The mean value of TBQ is 0.10042, indicating relatively low market valuations compared to the book value of assets, while its high skewness (2.46) and kurtosis (10.30) suggest positive skewness and the presence of outliers. Similarly, MBV exhibits a mean of 0.74958, showing that, on average, the market valuation of firms approaches but does not exceed their book values. However, its high skewness (3.14) and kurtosis (15.07) indicate extreme deviations in firm valuations.

For the independent variables, OPAS has a mean of -0.00821, reflecting marginal negative operating accruals on average, with relatively low variation (Std. Dev. 0.0801). ACFR shows a mean of 2.38827, suggesting substantial accrual contributions relative to cash flows, with moderate skewness (0.35) and kurtosis (4.53). In contrast, ESR demonstrates a very high variation (Std. Dev. 244.28) and extreme skewness (2.85) and kurtosis (19.05), highlighting significant inconsistencies in earnings-to-stock return relationships. FSIZE, the control variable, has a mean of 9.24 with low skewness (-0.19) and kurtosis (2.41), suggesting consistent firm size values across the dataset. These statistics emphasize variability among the predictors and dependent variable, with potential implications for model robustness and the need to account for extreme values during regression analysis.

Table 3: Result of Correlation Analysis

Variable	TBQ	MPV	OPAS	ACFR	ESR	FSIZE
TBQ	1.0000					
MBV	0.0131	1.0000				
OPAS	-0.0433	-0.1184	1.0000			
ACFR	0.6077	0.3719	0.0178	1.0000		
ESR	0.0297	0.0102	-0.0764	-0.0692	1.0000	
FSIZE	0.0265	-0.0545	-0.1673	0.5266	-0.1670	1.0000

Source: Researchers' Computation, 2025.

The correlation analysis reveals the relationships among the variables in the study. Tobin's Q (TBQ) exhibits a moderate positive correlation with Accruals to Cashflow Relations (ACFR) (0.6077), suggesting a strong association between accruals management and firm value. However, TBQ shows a weak positive correlation with Earnings to Stock Return (ESR) (0.0297) and Firm Size (FSIZE) (0.0265), and an even

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weaker correlation with Market-to-Book Value of Shares (MBV) (0.0131).

Conversely, TBQ has a weak negative correlation with Operating Accruals (OPAS) (-0.0433), indicating that higher accruals may slightly detract from firm value. Among the independent variables, ACFR positively correlates with MBV (0.3719) and FSIZE (0.5266), suggesting that larger firms and those with higher market valuations tend to have stronger accrual-to-cashflow relations. Overall, the correlations suggest interdependencies among the variables, with ACFR being a notable predictor of firm value, while the other variables show relatively weaker associations.

Table 4: Variance Inflator Factor (VIF)

VARIABLE	VIF	1/VIF
ACFR	1.87	0.534645
FSIZE	1.71	0.585256
MBV	1.36	0.737842
OPAS	1.11	0.899437
ESR	1.04	0.958381
	Mean VIF	**1.42**

Source: Researchers' Computation, 2025.

As observed by Douglas, Udi, Okoro and Enaowho (2023); Odeghe, Ojieh, Ossai and Enaohwo (2023); Ovuakporaye, Enaohwo, Mordi and Naiho (2020), VIF is a vital statistics. The VIF result indicates that all independent variables have VIF values below 2, with a mean VIF of 1.42, suggesting low multicollinearity among the predictors. ACFR has the highest VIF (1.87), indicating a moderate but acceptable level of correlation with other variables, while ESR has the lowest VIF (1.04), reflecting minimal multicollinearity. These results confirm that the independent variables are suitable for inclusion in the regression model without significant concerns about multicollinearity affecting the stability of the estimates.

Table 5: Breusch Pagan Test

Breusch Pagan Cooke/Weisberg Test for Heteroskedasticity	**Chi2(1) = 222.84;Prob>chi2= 0.0000**

Source: Researchers' Computation, 2025.

The Breusch-Pagan test results indicate a Chi-squared value of 222.84 with a p-value of 0.0000, signalling the presence of heteroskedasticity in the dataset. This means that the variance of the error terms is not constant, which can lead to inefficient and biased standard errors in ordinary least squares (OLS) regression. Given this result, robust regression is appropriate for the study as it accounts for heteroskedasticity by providing consistent standard error estimates, ensuring the reliability of the regression coefficients and hypothesis testing.

Table 6: Robust Regression Result(Market to Book Value of Shares and Value of Firm)

Dependent Variable: Tobin's Q					
Variables	**Symbols**	**Coef.**	**Std. Err**	**t-stat**	**p-value**
Market-to-book Value	MBV	0.14686	0.00285	51.60	0.000
Firm Size	FSIZE	-0.00905	0.00481	-1.88	0.062
Constant	_cons	0.07655	0.04449	-0.37	0.710
			Prob> F = 0.0000		

Source: Researchers' Computation, 2025.

The robust regression results show that Market-to-Book Value of Shares (MBV) has a highly significant positive effect on Tobin's Q (coefficient = 0.14686, $p < 0.001$), indicating that higher MBV strongly correlates with increased firm value. Firm Size (FSIZE) exhibits a negative relationship with Tobin's Q (coefficient = -0.00905), but this effect is marginally insignificant at the 5% level ($p = 0.062$), suggesting a potential but weak inverse association. The overall model is statistically significant (Prob> F = 0.0000), indicating that the included variables collectively explain variations in Tobin's Q.

Table 7: Robust Regression Result(Accrual to Cash flow Relation and Value of Firm)

Dependent Variable: Tobin's Q					
Variables	**Symbols**	**Coef.**	**Std. Err**	**t-stat**	**p-value**
Accruals to Cashflow Relations	ACFR	0.02876	0.00223	12.90	0.000
Firm Size	FSIZE	-0.05479	0.01094	-5.01	0.000
Constant	_cons	0.51852	0.09847	5.27	0.000
			Prob> F = 0.0000		

Source: Researchers' Computation, 2025.

The robust regression results indicate that Accruals to Cashflow Relations (ACFR) have a highly significant positive effect on Tobin's Q (coefficient = 0.02876, $p < 0.001$), suggesting that better accrual-to-cashflow management is associated with increased firm value. Firm Size (FSIZE) has a significant negative effect on Tobin's Q (coefficient = -

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0.05479, p < 0.001), indicating that larger firms tend to have lower firm value relative to their size. The overall model is statistically significant (Prob> F = 0.0000), confirming that the variables collectively explain variations in Tobin's Q.

Table 8: Robust Regression Result(Earnings to Stock Returns and Value of Firm)

Dependent Variable: Tobin's Q					
Variables	**Symbols**	**Coef.**	**Std. Err**	**t-stat**	**p-value**
Earnings to Stock Returns	ESR	0.00002	0.00002	0.99	0.325
Firm Size	FSIZE	0.01233	0.01182	1.04	0.299
Constant	_cons	-0.04628	0.10937	-0.42	0.673
			Prob> F = 0.4152		

Source: Researchers' Computation, 2025.

The robust regression results indicate that neither Earnings to Stock Returns (ESR) nor Firm Size (FSIZE) has a statistically significant effect on Tobin's Q, with p-values of 0.325 and 0.299, respectively. This suggests that variations in ESR and FSIZE do not significantly explain changes in firm value as measured by Tobin's Q. The constant term (_cons) is also insignificant (p = 0.673), indicating no meaningful baseline effect in the absence of the independent variables. Additionally, the overall model is not statistically significant (Prob> F = 0.4152), implying that the included variables collectively fail to explain the variation in Tobin's Q.

Table 9: Robust Regression Result(Operating Accruals and Value of Firm)

Dependent Variable: Tobin's Q					
Variables	**Symbols**	**Coef.**	**Std. Err**	**t-stat**	**p-value**
Operating Accruals	OPAS	0.09132	0.05839	1.56	0.121
Firm Size	FSIZE	0.01157	0.01136	1.02	0.310
Constant	_cons	-0.03911	0.10499	-0.37	0.710
			Prob> F = 0.2235		

Source: Researchers' Computation, 2025.

The robust regression results reveal that Operating Accruals (OPAS) and Firm Size (FSIZE) do not have a statistically significant effect on Tobin's Q, with p-values of 0.121 and 0.310, respectively. This indicates that variations in operating accruals and firm size are not significant predictors of firm value as measured by Tobin's Q. The overall model is not statistically significant (Prob> F = 0.2235), indicating that the included variables collectively fail to explain the variations in Tobin's Q effectively.

The findings on Market-to-Book Value of Shares (MBV) reveal a significant positive effect on Tobin's Q, indicating that higher MBV correlates with higher firm value. This aligns with prior studies such as Adeniji (2023), who found that MBV is a robust indicator of firm value, particularly in listed financial and manufacturing firms in Nigeria. The significant positive relationship underscores the role of market valuation in reflecting investor confidence and future growth potential. These results support the hypothesis that MBV enhances firm value, confirming its relevance as a key determinant.

The results for Accruals to Cashflow Relations (ACFR) show a significant positive relationship with Tobin's Q, consistent with findings by Lawal and Hassan (2021), who demonstrated that accrual-based earnings management enhances investment efficiency, indirectly supporting firm value. This suggests that efficient accrual-to-cashflow management allows firms to better match revenues with expenses, thus improving valuation metrics like Tobin's Q. However, the positive association may also reflect managerial discretion, which necessitates stricter oversight to ensure reliability in financial reporting.

The findings on Earnings to Stock Returns (ESR) indicate an insignificant relationship with Tobin's Q, which contradicts prior research such as Oshim et al. (2023). They found that earnings variables, particularly earnings per share, significantly affect stock returns and firm value. The insignificant effect in this study could be attributed to volatility in Nigeria's stock market or inconsistencies in earnings reporting, which dilute the predictive power of earnings metrics on firm value.Lastly, the analysis of Operating Accruals (OPAS) reveals no significant effect on Tobin's Q, contradicting findings by Bababo and Christopher (2023), who reported that discretionary accruals influence earnings quality and firm valuation. The insignificance in this study could stem from limited managerial manipulation or the adoption of stricter accounting practices, which neutralize the potential impact of operating accruals on firm value.

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

This study examined influence of accounting conservatism on firm value as measured by Tobin's Q, in the context of listed Nigerian firms. The findings underscore the significance of Market-to-Book Value of Shares (MBV) and Accruals to Cashflow Relations (ACFR) as key factors positively influencing firm value, reflecting the importance of market valuation and efficient accrual management in driving investor confidence and corporate valuation. Conversely, Firm

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Size (FSIZE) demonstrated a negative impact on firm value, suggesting that larger firms may face operational inefficiencies or structural challenges that hinder their market performance. Earnings to Stock Returns (ESR) and Operating Accruals (OPAS) showed no significant effects, indicating their limited role in explaining variations in firm value in the sampled firms.

5.2 CONCLUSIONS

The study concludes that while MBV and ACFR are pivotal in enhancing firm value, challenges such as size-related inefficiencies must be addressed to optimize corporate performance. Firms should focus on improving market perceptions and adopting robust accrual management practices to enhance value. Policymakers and regulators should consider these findings when designing frameworks to support firm growth and value creation. Additionally, future research could explore sector-specific dynamics and other non-financial variables that may influence firm value to provide a more holistic understanding of corporate valuation in Nigeria.

5.3 RECOMMENDATIONS

(i) Firms should focus on strategies that improve their Market-to-Book Value of Shares (MBV), such as maintaining strong financial performance, transparent reporting, and engaging in activities that boost investor confidence, as MBV significantly enhances firm value.

(ii) Firms should strengthen their accrual-to-cashflow relations by implementing sound financial management practices and ensuring accurate matching of revenues and expenses to maximize their positive impact on firm value.

(iii) Larger firms should adopt measures to streamline operations, reduce bureaucratic inefficiencies, and leverage their scale effectively to overcome the negative impact of firm size on value.

(iv) Policymakers and regulators should promote adherence to stringent financial reporting standards to enhance the relevance of earnings and operating accruals, which were found to have limited influence on firm value, ensuring more robust predictive power for these metrics.

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