

Original Article

Accounting Based Drivers and Implications on Shareholders Value of Quoted Manufacturing Firms in Nigeria

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Abstract - The paper examined the implications of accounting based drivers on shareholders' value of quoted manufacturing firms in Nigeria between 2009-2018. Specifically, the paper examined how operating drivers (increase in revenue, increase in operating margins and effective taxation), investing drivers (increase in fixed assets and working capital investments), and financing drivers (Weighted Average Cost of Capital) affect the market price of shares of manufacturing. The export facto research design was employed, and data was collected from ten (10) quoted manufacturing firms listed firms in Nigeria on the Nigerian Stock Exchange (NSE). The results of the test of hypotheses using Ordinary Least Square (OLS) multiple regression analysis indicates that operating drivers and investing drivers are shareholder value increasing, while financing driver is shareholder value decreasing. The paper recommended that manufacturing firms increase their fixed assets and working capital investments in order to increase revenue base and operating margins base while maintaining an optimal capital structure that reduces their Weighted Average Cost of Capital (WACC) in order to maximize shareholders value.

Keywords - Shareholders Value, Accounting Revenue, Operating Margins, Fixed Assets Investments, Working Capital Investments, Effective Taxation, Weighted Average Cost of Capital.

I. INTRODUCTION

Shareholder Value Creation has become a mantra intoned with solemnity at every Annual General Meeting and in every Annual Report. The whole corporate world throughout the globe has been busy fulfilling this goal. Any negligence by any company in this area may threaten its mere existence in the marketplace what to talk about its prosperity or growth. So, all the companies in the domestic sector as well as in the international sector are striving hard to accomplish this goal in their own ways, with the vision and mission they possess, with the forces and strategies they have and with the power and resources they can deploy. After the opening up of the

economy, liberalization of trade and commerce and cross border flow of funds and technology, this move has gained added momentum with the rising expectation of the shareholders for their value of money and the forward-looking statements concerning performance and position being released by the corporates in the media.

A number of methods are available to measure the value of a firm or a project (Akalu, 2001; Remer and Nieto, 1995a, 1995b). In the 1980s, the seminal work of Alfred Rappaport opens another approach to value measurement. It is called Shareholder Value Analysis (Rappaport, 1986). The approach argues and utilizes discounted cash flow technique to evaluate future benefits and costs. The method can be used to mark the changes in the value of a business or a project over a period of time.

As with most of the theories of finance and economics, the Shareholder Value Analysis (SVA) is also based on a number of assumptions. In this regard, the firm is assumed to identify true value-creating activities in its operation. Long-range time horizon, the time value of money, risk-return analysis and consistent capital mix are fundamental assumptions of the model (Ruhl and Cowen, 1990; Devlin, 1989).

Numerous advantages are associated with the application of the shareholder value (SV) approach. Shareholder value is consistent with the value-maximizing objective of a firm and to the objectives of managers. It facilitates better resource allocation and prevents mere growth without profitability. It provides a good base for executive compensation, which further aligns owner-manager goals (Rappaport, 1998; Myhran, 1993). It can be used as a strategy for firms and individual business units (Salter and Zwirlein, 1992). Moreover, SV is also regarded as a prime goal for firms (Balachandran et al., 1986). Shareholder value helps to identify the sources of value creation and destruction (Arzac, 1986). The problem, however, is, do accounting numbers drive shareholders value in the Manufacturing industry of Nigeria?



A. Research Objectives

The following objectives are established in the study

- i To examine the extent to which operating drivers maximize shareholders value among listed manufacturing firms
- ii To examine the extent to which investing drivers maximize shareholders value among listed manufacturing firms
- iii To examine the extent to which financing drivers maximize shareholders value among listed manufacturing firms

B. Research Hypotheses

The following hypotheses are stated in the null:

Ho1: Operating Drivers do not maximize shareholders value among listed manufacturing firms

Ho2: Investing Drivers do not maximize shareholders value among listed manufacturing firms

Ho3: Financing Drivers do not maximize shareholders value among listed manufacturing firms

II. THEORETICAL FRAMEWORK AND LITERATURE REVIEW

A. Theoretical Framework

The theoretical underpinning of this research includes the Shareholders theory and the Agency theory.

a) Shareholders Theory

Does this theory try to answer the question "for whose interest is a company established"? The proponent of this theory Milton Friedman (1970), asserts that a corporate executive is an employee of the owners (shareholders). Hence, the executive has a direct responsibility to his employers (shareholders). He added that that responsibility is to conduct the business according to their desires, which generally will be to make money as much as possible while conforming to the basic rules of society (which could be legal or ethical).

The proponents argue that the company have a binding fiduciary duty to stockholders (Freeman, 1984). This theory often called the shareholder's value model or as shareholders value maximization theory, stipulates that the ultimate or primary measure of success of a company is the extent to which it is able to make its shareholders better in terms of dividend returns on investment or capital growth or appreciation of their investment value over time. These twin measures relate respectively to the market price per share and market capitalization (Rappaport, 1987).

This theory holds that 'the objectives of a company is to maximize value for its shareholders.' The value could be long-term growth or short-term dividend.

The focus of this theory is that companies exist to create and maximize the value of their shareholders (owners). From this purview, other stakeholders "affected" or "likely to be affected" are irrelevant and do not form a part of the company's responsibilities. If the tenets of this theory are anything to go by, then the value drivers of the companies should translate to the basic shareholder's values (Institute of Chartered Accountant of Nigeria (ICAN), 2014).

Opponents of this theory argue that every corporate entity uses 'corporate resources', which are contributed by different stakeholders and not only by the common stockholders. Judging from the foregoing, it would only be fair to compensate the non-shareholders groups proportionately to the value of their investment in the entity. This informed the need to consider other theories which buttressed this current discourse.

b) Agency Theory

Jensen and Meckling (1976), as reported by ICAN (2014), agency theory is a form of contract between company owners and its managers, where the owners (as principals) appoint an agent (the managers) to manage the company on their behalf. Traditionally, agency relationships exist between two parties- the principal and the agent. The principal delegates decision-making power to the agent who carries on the business on behalf of the principal and also makes the critical decision (third parties contracts, investment decisions, etc.), which may affect the principal positively or negatively. The interest of these two parties differs significantly (Spulber&Besanko, 1992). The agency theory is a supposition that explains the relationship of the owners of a company (shareholders), otherwise called the principals and the agents (management) in business (Investopedia, 2017). According to the proponents of this theory, a company is viewed as a web of contracts in which several groups make some kind of contribution to the company in exchange for expected future returns. The interest of the shareholders is considered fundamental given that they initiated the business, contributing the initial capital vis-à-vis their disadvantaged position in the event of liquidation. The agency theory tries to reconcile the information asymmetry between the principal and the agent as well as reduce agency costs. This theory guide the shareholders (who must consider the quantum and quality of the information provided on the surface of the financial statements by the agent or management) in decisions concerning their investment.

In real-life situations, it is impossible to arrange a perfect contract because of the misalignment of the interest of the principals and the agents. This, therefore, raised a fundamental question, "how can the agents be made to act in the best interest of the principals? How can company value be measured or determined? How do the company value indicators

affect or influence shareholders value? This work, therefore, tries to provide answers to all these questions using empirical data.

B. Conceptual Review

a) Shareholders' Value Drivers

The Shareholders Value (SV) approach is centred on a number of value drivers. The term value driver is coined for those economic variables that are critical to the revenue and cost functions of a firm. Researchers vary as to the number of these value drivers; for instance, five (Ruhl and Cowen, 1990), six (Moskowitz, 1988), and seven (Rappaport, 1998; Mills and Print, 1995; Mills et al., 1992). Turner (1998) has identified eight value drivers. These are sales growth rate, operating profit margin, income tax rate, incremental investment in working capital, incremental investment in fixed capital, replacement of fixed capital, cost of financing (cost of capital) and forecast duration (the planning period).

The sales growth rate, the rate of profit margin and the cash tax rate are used to determine the net cash inflow of a firm. Fixed and working capital increments added with replacement of the fixed cost of investment from the total cost of investment. The difference between the net cash inflows and the cost of investment gives the free cash flow of a company. A defined planning period and an appropriate discount rate are also required to compute the net benefit. By adding the market value of temporary investments, the value of the firm will be obtained. Finally, the value of shareholders can be found by deducting the market value of external financing from the total value of the firm.

An area of interest in the shareholder value approach is the sensitivity of free cash flows to the value drivers. This sensitivity analysis may help to rank the value drivers according to their degree of influence on the cash flows of a firm. In addition, the understanding of such sensitivity greatly assists the management in credit analysis, cost restructuring, profit planning and other operating activities. A limited number of researches have been done to investigate the sensitivity of value drivers. Balchandran et al. (1986) have made a sensitivity analysis taking no growth, growth and inflation situations of a firm. By deriving the value drivers from accounting ratios, Turner (1998) has shown the impact of time, cost and functionality on the performance of projects.

Value drivers of a firm are generic in the sense that they can further be decomposed into smaller components. For instance, sales growth may be obtained by increasing the sales price, diversifying the sales mix, increasing the sales volume by increasing production etc. In addition, the profit margin is easily adjustable by changing the cost structure of the firm; for instance, the reduction in labour cost may reduce the total direct cost of sales; and, hence, increase the magnitude of profit margin.

Such decomposition will assist managers in identifying the most critical factors, among the sub-elements of the value drivers, in the process of maximizing SV. Thus, the sensitivity study of such sub-elements further enhances the importance of the analysis of value drivers from the grass-root level.

b) Accounting Based Drivers

The following are proxies for the independent variable in this study:

- A. Operating Accounting Drivers include: Accounting Revenue, Operating Margin and Effective Taxation
- B. Investing Accounting Drivers include: Increase in Fixed Asset Investment and Increase in Working Capital Investment
- C. Financing Accounting Driver include: Weighted Average Cost of Capital

1) Accounting Revenue (AR)

Revenue for our research work has a restrictive use and denotes sales revenue. In this context, revenue is the amount a firm receives from the sales of its inventory/stocks in the ordinary course of its business. It refers to business income obtained in its normal business activities, usually from the sales of its product or service. According to the online business dictionary, revenue is the income generated from sales of goods or services or any other use of capital or assets associated with the main operations of an organization before any costs or expenses are deducted to arrive at the net income. Revenue is the product of total sale volume/units and unit price per item. From the foregoing, revenue is the gross amount a firm receives from sales of its product or services and excludes interest earned on credit sales and other sources distinct from those accruing from inflows from its inventory disposal. Revenue determines the profitability of a firm. All costs/expenses/taxes, including capital charge, is netted from revenue to give net earnings attributed to common stockholders.

2) Operating Margin (OM)

OM is a measure of a company's profitability and depicts to what extent the company operations had been well managed. It shows the naira amount left for the company after the company's costs of goods sold and operating expenses have been less than gross sales revenue.

OM = Operating earning/revenue less operating expenses

OM = (Sales revenue – COGs) – Operating expenses

In determining OM, it is needful to understand that Sales revenue must only include the amount earned from sales of inventory/stocks to customers in the ordinary course of business and does not include interest earned, investment income, and the sum received from the disposal of fixed assets.

Costs Of Goods Sold (COGs) is the sum of the purchase price (less any discount received), carriage and any other direct costs.

Operating expenses include labour costs and other daily running costs incurred in the normal course of business. This should exclude non-recurring items – accounting adjustment legal judgments, one-time transactions and other income items not directly related to the firm's core business operations.

OM shows management flexibility and tact in costs control. It is a function of a company's pricing strategy for its products/services and cost of purchases (raw materials, work-in-progress and finished goods). It is a key determinant of net profit/earning, and the researchers consider it useful as a value driver indicator.

3) Effective Taxation (ET)

Companies pay taxes on operating margin after the interest deduction (finance cost) and after adjusting for depreciation and other adjustable items. The cash tax paid is usually 30% depreciation adjusted earnings. In Nigeria, companies are required to comply with the payment of their tax obligations within 30 days of their reporting year-end.

Though there are inter-industry variations in the tax rate, firms within the beverage manufacturing industry are taxed at 30% of their net profit adjusted for depreciation and capital allowances and after deducting any tax credit or incentive that may be accruable.

Cash tax shows the actual cash amount of the due tax obligation paid to the Relevant Tax Authority (RTA) is, in this case, is FIRS (Federal Inland Revenue Service). It is a deduction from the profit before tax and thus reduce the value of the net earnings available before dividend payments (preference or equity) and retention (if any). Because of the existence of differential capital structure and its tax implication, the actual rate of taxes may vary between companies. This leads to a differential impact on net earnings after tax hence affecting shareholders value.

4) Increase in Fixed Assets Investments (IFAI)

This is the additional amount spent in the acquisition of fixed assets required/used in the business core activities or operations. A fixed asset is a long term tangible asset (property, plant, and equipment) used to derive business income in a company.

It is an asset with a useful life of more than one accounting period which is not consumed or sold in the ordinary course of business. Fixed assets include land, machines, vehicles, furniture and fitting, etc., use of generating business income.

In "IAS16 property, plant and equipment" are tangible items that:

They are held for use in the production or supply of goods or services, for rental to others, or

for administrative purposes and are expected to be used during more than one period (Adejuwon, 2011). The profitability of a firm depends on its asset quality, which must be updated for changes in the industry's technology requirements. It represents an outflow of cash resources but an inflow of production capacity. It is thus considered as a value driver indicator.

5) Increase in Working Capital Investment (IWCI)

The working capital investment represents an increase in inventory, receivables, cash and short term investments over current trade payables and deferred expenses (accruals). It is believed in the literature that an increase in such investment will improve the value of shareholders (Rapaport, 2005).

6) Weighted Average Cost of Capital (WACC)

A firm cost of capital is the return required by suppliers of capital which is a reflection of both the time value of money and the compensation for risk. It is the minimum rate of return required to generate value for the firm, below which firm capital will be depleted. Investors compare this rate with other investment options of equal risk and decide whether to keep/invest their funds in a company. The cost of capital is the minimum required return on investment/invested fund. It is the cost paid to debt and equity holders for parting with their funds.

C. Empirical Review

Jalaya (2008) carried out an empirical study on shareholder value creation related performance metrics in India. Sampling selected companies in India and used the Pablo Fernandez model and a refined model base on market values which is claimed to be more superior a model to traditional measures (ROE, ROI, EPS) and previously developed models (EP, EVA, MVA, SVA) to analyze value creation. Sampling 25 companies are representing five individual sectors for a period of five years, 2001- 2006. The findings revealed that even if the companies were ranked high on the basis of market capitalization when measured in terms of value creation, it has destroyed value and created low shareholder returns or negative shareholder returns. It further concludes that through market capitalization and other accounting methods used by companies worldwide covering about all creation, they do not measure shareholder value creation.

Trifan and Suci (2015) analyse performers through value creation. The study measures performance in two (2) variants: first, use accounting approach, which lays emphasis on maximizing profit, and second, one which aims at value creation. The findings revealed that the traditional methods ROI, ROE, EPS have limits. Therefore, a new approach is adopted based on creating value. That is, EVA, MVA, TSR, CVA. The major focus is not just

maximizing profit but maximizing the value created for shareholders.

Chitra and Venkateshwarlu (2017) carried out an empirical analysis of the Indian banking sector and the importance of Economic Value Added (EVA) for the shareholders' value maximization using forty (40) Indian commercial banks and panel data from 2001-2015. The result revealed that there is a positive and significant relationship between shareholders' value maximization and economic value-added. However, in the case of Private Limited Banks, Dividend per Share (DPS) was found to have a significant relationship with shareholder value. Moreover, the findings showed significant support for EVA and DPS, but it was found that EVA is not efficiently used for analysis and decision making regarding the creation of value.

Furthermore, in a research carried out to assess the impact of corporate strategy on shareholder value during decline and turnaround by Furrer, Pandian and Thomas (2007), using a sample of forty-five (45) turnaround firms and matching them against a firm that did not face continuous decline over the time period studied to serve as a control sample, and the impact of corporate strategy on shareholder value was tested using cumulative beta excess return measures to capture the long-term basis of corporate strategy. The result revealed that the moderating variable included increased the explanatory power of the model but did not in any way reduce the impact of the strategic conduct variables. The result also confirmed that the impact of changes in retained earnings did not affect the impact of this strategy variable.

Nenonen and Starbucks (2008), in research titled: customer roles in shareholder value creation – an empirical investigation of customer asset management strategies using three firms A, B and C namely, forestry products, metal and beverage firm respectively, the data were collected by interviewing key individuals in the organizations and reviewing the existing data-material provided by the company. The iterative process of categorization and abstraction was used to analyze the data. It was concluded that reducing cost to serve was strongly present in all analyzed customer asset management models, optimizing capital invested in customer relationships received considerably little attention in the analyzed customer asset management model. Furthermore, all the case study consider multiple opportunities to increase revenues and decrease cost through asset management, although opportunities to optimize asset utilization and decrease risks gets less attention.

John (2016) carried out empirical research on industry-specific determinants of shareholder value creation. In the study, two dependent and eleven independent variables were applied to obtain the best set of significant value drivers of shareholder value creation for a particular industry, and this was applied

to five different industries. One hundred and ninety-two (192) companies were used, and the multiple regression model was used based on the panel data regression analysis to test the information content of the dependent and independent variables. It is concluded that some of the most frequently researched topics in corporate finance are shareholder value creation and its measurement. The findings indicated that Market Value Added (MVA) is preferred in five different industries as a shareholder value creation measure compared to Market Adjusted Return (MAR). Based on the results, recommendations were made, such as portfolio managers need to concentrate on MVA, as opposed to MAR as one of their portfolio selection criteria.

In research by Andrei and Oleg (2014) titled investment drivers of shareholder value creation in large publicly traded Russian companies, using one hundred and seven (107) companies with largest annual revenues listed on Moscow Interbank Currency Exchange (MICEX) as samples, the source of data used in the study is the system for professional analysis market and companies. The data collected was analyzed using descriptive statistics such as mean, standard deviation, graph as well as calculation algorithms of variables. The sample formed by the data covered the period of 2004- 2012. The results obtained revealed that investments in new equipment are associated with a higher comparative market value of a company but not with a higher total shareholder return. Moreover, companies with the most actively increasing investment in working capital are traded with a certain discount. Furthermore, it also showed that individual characteristics of companies are important in their comparative valuation by the market and are of much less importance in the explanation of shareholder returns.

Nishanthini, Dilogini and Thasika (2016) confirmed that Economic Value Added (EVA) has a negative and less significant relationship with shareholder's value creation. At the same time, it has an influence on shareholders' value creation of more than half the percentage. The research, economic performance measure for creating shareholder's values: a study of selected manufacturing companies in Colombo stock exchange, was carried out using secondary data derived from the annual financial reports of selected ten manufacturing firms from 2010- 2015. Correlation and regression analyses were used to draw a conclusion. The findings further revealed that there is significant support, but unfortunately, EVA was not reported by the companies, and it is not used by investors for their investments decisions. It was therefore recommended for the managers to focus more attention on the criteria of EVA in evaluating shareholder value creation.

III. METHODOLOGY

A. Research Design

The ex-post facto research design is adopted for this study, which explores the determinants of the market price of shares and the implications of the market price of shares on reporting quality. An ex-post facto research design is used to describe the statistical effect of the dependent variable on the independent variable (s). It is most appropriate for this study because it allows for testing of expected effects between audit quality fee determinants on audit pricing, as well as financial reporting quality effect of the market price of shares among listed Manufacturing firms in Nigeria. The population of the study comprised of all Manufacturing firms listed on the NSE as of 31st December 2018. Secondary data were extracted from the published audited annual reports and accounts of ten (10) Manufacturing companies quoted on the Nigerian Stock Exchange (NSE) floor in Nigeria for the study period of ten (10) years (i.e. from 2009 to 2018). Descriptive statistics were used to compute summary statistics for both the dependent and independent variables of the study. The study also used Pearson correlation analysis to show the extent of the relationship between and among the dependent and independent variables. In order to examine the extent to which accounting drivers influence shareholders' value, multiple regression analysis was employed as the major technique of data analysis using Eviews 9.5.

B. Model Specification

A multiple regression model was used to analyze the hypotheses (1-3) to examine the

determinants of the Market price of shares. The model is stated thus:

$$SV_i = \beta_0 + \beta_1 AR_i + \beta_2 OM_i + \beta_3 ET_i + \beta_4 IFAI_i + \beta_5 IWAI_i + \beta_5 WACC_i + e_i \quad (1)$$

Where:

SVA denotes Shareholders' Value measured as Market Price of Shares (MPS)

AR denotes Accounting Revenue measured as log of change in Sales Value between year 1 and year 0

OM denotes Operating Margins measured as log of change in Profits before taxes between year 1 and year 0

ET denotes Effective Taxation measured as a log of the actual cash tax paid

IFAI denotes an Increase in Fixed Assets Investments measured as log of Change in Fixed assets between year 1 and year 0

IWCI denotes Increase in Working Capital Investment measured as log of Change in Working Capital between year 1 and year 0

WACC denotes Weighted Average Cost of Capital measured as $[(MVE/TV \times Ke) + (MVD/TV \times Kd) (1-Tr)]$ with MVE =Market Value of Equity, MVD = Market Value of Debt, TV = Total Value of equity and debt, Ke = cost of equity capital, Kd = cost of debt capital, Tr = Tax rate.

IV. RESULTS AND DISCUSSIONS

Table 1: Descriptive Statistics of Variables understudy

	AR	OM	ET	IFAI	IWAI	WACC
Mean	9.493964	7.214425	5.104097	4.021450	3.500000	0.481333
Median	9.408452	7.189020	4.073394	4.030596	3.010000	0.401000
Maximum	11.01799	7.822421	7.803845	5.630450	4.000000	0.640000
Minimum	7.600902	6.684396	5.000000	3.341217	3.000000	0.350000
Std. Dev.	0.747254	0.310585	0.137709	0.140202	0.505291	0.459340
Skewness	-0.106255	0.285423	2.990050	1.051406	0.000000	-0.916698
Kurtosis	2.388437	2.305271	15.14553	9.642134	1.000000	1.840336
Jarque-Bera	5.838339	4.617027	366.5510	97.07953	8.000000	9.412330
Probability	0.037593	0.045520	0.000000	0.000000	0.018316	0.009039

Source: Eviews 10 Computation, 2019

The table above provides the descriptive statistics of the variables studied. The table reveals that the average revenue (taken as the natural logarithm of total revenue) is about 9.49, with a median of 9.41 and a standard deviation of 0.75. The maximum and minimum revenue in the period studied are 11.02 and 7.60. The results indicate that revenue is high in the Manufacturing industry. The reason could be because the firms in the Manufacturing industry are complex firms with many subsidiaries and lines of trade, which makes revenue high. The data is negatively skewed, with a platykurtic distribution (kurtosis less than 3). The Jarque-Bera statistics reveals that the data is normally distributed.

The results for operating margins(OM) reveal that the average operating margins (taken as the natural logarithm of operating profits) is about 7.21 with a median of 7.19 and standard deviation of 0.31. The maximum and minimum OM are 7.82 and 6.68. The results indicate that the firms in the Manufacturing industry have large margins from their operations. The data is positively skewed, with a platykurtic distribution (kurtosis less than 3). The Jarque-Bera statistics reveals that the data is normally distributed.

The results for effective taxation (ET) reveals that effective taxation (taken as the natural logarithm of cash tax) is about 5.10 with a median of 4.07 and a standard deviation of 0.14. The maximum and minimum cash tax values are 7.80 and 5.00. These results indicate that the firms in the Manufacturing industry pay moderate taxes. The data is positively skewed, with a leptokurtic distribution (kurtosis greater than 3). The Jarque-Bera statistics reveals that the data is normally distributed.

The results for the Increase in Fixed Assets Investment (IFAI) reveal that the IFAI (taken as the natural logarithm of changes in fixed assets) is about 4.10 with a median of 4.03 and a standard deviation of 0.14. The maximum and minimum IFAI values are 5.63 and 3.34. These results indicate that the firms in the manufacturing industry have a positive incremental investment in fixed assets. The data is positively skewed, with a leptokurtic distribution (kurtosis greater than 3). The Jarque-Bera statistics reveals that the data is normally distributed.

The results for Increase in Working Capital Investment (IWCI) reveal that the IWCI (taken as the natural logarithm of changes in working capital) is about 3.50 with a median of 3.01 and a standard deviation of 0.51. The maximum and minimum IWCI values are 4.00 and 3.00. These results indicate that, on average, firms in the manufacturing industry have a high level of investment in working capital. The data is positively skewed, with a platykurtic distribution (kurtosis less than 3). The Jarque-Bera statistics reveals that the data is normally distributed.

The results for Weighted Average Cost of Capital(WACC) reveal that the WACC is about 0.71 with a median of 1.000 and a standard deviation of 0.46. The maximum and minimum Audit tenure values are 1.00 and 0.00, being a dummy variable. These results indicate that, on average, 71 per cent of the firms in the manufacturing industry have a longer audit engagement period (with tenure above 3 years), while 29 per cent have a shorter audit engagement period. The data is negatively skewed, with a platykurtic distribution (kurtosis less than 3). The Jarque-Bera statistics reveals that the data is normally distributed.

In order to test the hypotheses using the OLS regression model, the variables were tested for heteroscedasticity, serial correlation, normality and unit root. The Group unit root test performed on all variables revealed that the data has no unit root with the Augmented Dickey-Fuller (ADF) Chi-Square Test indicating Prob value=0.000<0.05 level. The Heteroscedasticity White Test performed on the residuals of the regression model indicate that there is the absence of heteroscedasticity. The variables are therefore homoscedastic, which is a desirable criterion for the OLS model, with F-statistics of 1.325, $p=0.24>0.05$. The Breach-Godfrey Serial Correlation LM Test of the standard errors of variables also revealed there is no serial correlation, with F-statistics of 0.002, $p=0.998>0.05$. The normality test of the residuals also indicates that the residuals are normally distributed (with $p=0.000$). These four conditions are therefore satisfactory for the OLS regression analysis shown in the tables below.

Table 2: Regression of the Shareholders' value drivers in the Nigerian Manufacturing Industry

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.435701	2.845764	1.910102	0.0630
AR	0.503729	0.409248	7.230865	0.0252
OM	0.265823	0.634270	4.680393	0.0303
ET	0.015121	0.276483	1.054690	0.5466
IFAI	0.883356	0.260491	8.391124	0.0015
IWCI	0.365823	0.634270	4.680393	0.0203
WACC	-0.131432	0.168228	-5.781273	0.0390
R-squared	0.660552	Mean dependent var		9.493964
Adjusted R-squared	0.620142	S.D. dependent var		0.747254
F-statistic	16.34607	Durbin-Watson stat		1.879580
Prob(F-statistic)	0.000000			
Dependent Variable	MPS			

Source: Eviews 10 Computation, 2019

The regression results in table 2 above reveal the effects of accounting value drivers on shareholders' value in the Nigerian Manufacturing Industry between the period 2009-2018.

The results indicate the following:

Accounting Revenue positively affects the market price of shares. The positive effect, revealed by a coefficient of 0.50, indicates that Accounting Revenue has a positive effect of about 50 per cent on the market price of shares. The t-statistics and p-value of 7.23 and 0.025 indicate that the positive effect is statistically significant at the 0.05 level. The results mean that higher revenue results in a higher market price of shares.

Firm operating margins also positively affect the market price of shares. The positive effect, revealed by a coefficient of 0.266, indicates that firm operating margins has a positive effect of about 27 per cent on the market price of shares. The t-statistics and p-value of 4.68 and 0.030 indicate that the positive effect is statistically significant at the 0.05 level. The results mean that firms with higher profitability (operating margins) reap higher market prices of shares.

Firm effective taxation has a positive impact on the market price of shares. The positive impact, revealed by a coefficient of 0.015, indicates that firm taxation has a positive impact of about 2 per cent on the market price of shares. The t-statistics and p-value of 1.05 and 0.447 indicate that the positive impact is statistically insignificant at the 0.05 level. The results mean that firms with higher taxation do not necessarily reap higher market prices on their shares.

An increase in Fixed assets investments has a positive impact on the market price of shares. The

positive impact, revealed by a coefficient of 0.883, indicates that an Increase in Fixed assets investments has a positive impact of about 88 per cent on the market price of shares. The t-statistics and p-value of 8.39 and 0.015 indicate that the positive impact is statistically significant at the 0.05 level. The results mean that firms with Increasing investment in Fixed assets receive higher market prices of shares.

An increase in working capital investment has a positive impact on the market price of shares paid to auditors. The positive impact, revealed by a coefficient of 0.366, indicates that an increase in working capital investment has an increasing impact of about 37 per cent on the market price of shares. The t-statistics and p-value of 4.68 and 0.020 indicate that the positive impact is statistically significant at the 0.05 level. The results show that the firms with higher increments in working capital investments reap higher market prices on shares issued.

Finally, the Weighted Average Cost of Capital (WACC) results revealed that WACC has a negative impact on the market price of shares. The negative impact, revealed by a coefficient of -0.131, indicates that WACC has a 13 per cent decreasing effect in driving shareholders value (MPS). The t-statistics and p-value of 5.78 and 0.039 indicate that the negative impact is statistically significant at the 0.05 level. The results show that the firms with higher WACC reap lower market prices on shares issued.

V. CONCLUSION

The study concludes that accounting numbers are significant determinants of shareholder value in the Nigerian manufacturing industry arena. The study further revealed that operating drivers such as revenue increase and Increase in operating margins have significant and positive effects on shareholder wealth, with effective taxation having a positive yet, negligible effect in driving shareholders' wealth. The investing drivers such as incremental fixed assets investments and working capital investments have significant and positive effects in driving shareholders' wealth, like an increase in investment results in higher performance and share valuations. Finally, the financing drivers such as the Weighted Average Cost of Capital have a reducing effect in driving shareholders' wealth among manufacturing firms in Nigeria.

The work, therefore, contributes to existing literature and provides empirical evidence of the driving effects of accounting numbers on shareholders' value valuation. The work will thus inform shareholders and investors in their stock pricing strategy as they will understand the role of these value drivers in preserving, increasing and maximizing their wealth.

The paper recommends that manufacturing firms should increase their fixed assets and working capital investments in order to increase revenue base and operating margins base, which will increase the market prices of their shares.

Again, the cost of funds should be mitigated as much as possible by using an optimal capital structure that reduces their WACC in order to reduce the negative effect of the cost of funds on shareholders' value maximization.

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