



DETERMINANTS OF EARNING RESPONSE COEFFICIENTS (ERC) IN LISTED DEPOSIT MONEY BANKS IN NIGERIA.

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ABSTRACT: *This paper is set to examine the determinants of earnings response coefficients in Nigerian deposit money banks. Specifically, it examined how a bank's level of non-performing loans, beta as a measure of market risk, earnings persistence, banks' growth, and size influence shareholders, investors, and other market participants' investment decisions. An ex-post facto research design was adopted for the study, with secondary data collected from ten deposit money listed on the Nigerian Exchange Group from 2010-2022. Panel Least Square, Breusch Pagan, and LM and Pesaran Cross-Sectional Dependence tests were conducted to enhance the robustness of the analysis. Findings from the analysis revealed that market beta, non-performing loans, banks' growth, and size were the major determinants of the earning response coefficient in selected listed deposit money banks in Nigeria. Consequently, the study recommends that the management of banks should focus on actively managing market risk, optimising bank size, and addressing non-performing loans to enhance market confidence and positively influence earnings response. Additionally, attention should be given to strategies promoting sustainable growth that can contribute to favourable market perceptions of earnings declared by banks.*

KEYWORDS: Earning Response Coefficients, Beta, Growth, Size, Earnings Persistence, Nigeria.



INTRODUCTION

In positive accounting research, the Earning Response Coefficient (ERC) has been used to conceptually characterise how markets respond to certain information events. To safeguard the interests of investors, a company's audit of its financial statements serves as a tool for monitoring, controlling, and reducing information asymmetries. A realistic assertion that there are no substantial misstatements in management's financial statements is provided by audit to shareholders and prospective shareholders (Du and Zhou, 2014). ERCs have been used in finance research to examine various topics, including how various investors respond to information releases (Okolie, 2014). The theoretical relationship between information that market participants know about a particular stock (ordinary share of a certain firm) and its price is described by both arbitrage pricing theory and signalling theory, according to the literature (Pimentel, 2016). The stock market's responsiveness to news of unexpected earnings is measured by the earning response coefficient (Okolie, 2014).

Earnings Persistence according to Khalid and Raza (2021) is defined as the continuity and durability of the present earnings which is affected by the significance of the accruals. Higher earnings quality and a greater capacity to sustain present earnings go hand in hand with higher persistent earnings (Holter, 2015). Earnings persistence is one of the major factors affecting the earnings response coefficient which indicates how long the earnings will remain consistent and persistent in the coming future. Market risk (denoted by β) on the other hand according to Hasanzade, Darabi, and Mahfoozi (2013) is defined as the non-removable part of the total risk of the portfolio which is due to factors that affect the total price of securities. Systematic risk market risk or non-diversifiable risk is a risk that is influenced by macroeconomic factors, such as economic performance in a country. The sensitivity of investors to information about low-risk banks will be higher because banks with low risk are more secure. This implies that the greater the risk of a company, the lesser the investor's reaction to the unexpected earnings, causing its Earnings Response Coefficient to be lower anyway, and vice versa. According to the International Monetary Fund, IMF (2012), a loan is said to be non-performing when both the interest and principal payments are more than 90 days overdue. Consequently, a high level of non-performing loans adversely affects banks' provisioning for doubtful debts and written-off loans, which normally affects profitability and capital levels. According to Adeola and Ikpesu (2017), non-performing loans reduce the banks' earning capacity which leads to bank distress and financial crises that shrink the levels of domestic investment.

Growth measures the ability of a company ability to retain its position in the general economic development and the industry (Wijaya, Adhitya, Cahyadi, and Salim, 2019). According to their opinion, a company with a high growth rate is going to attract investors. Businesses that maintain their growth trajectory will be well-received by investors, who anticipate increased profit margins in the future. Likewise, Sherlita and Ramadhian (2021) saw growth as the ability of a firm to develop investment opportunities advantage in the future to increase the value of the firm.

Recent studies on determinants of the earning response coefficient focused on non-financial institutions using leverage, market risk, earnings persistence, firm size, and growth as the major determinants. This study attempted to fill this gap by examining the determinants of the earning response coefficient in financial institutions in Nigerian deposit money banks introducing non-performing loans as an appropriate measure to capture the banks' profitability.



LITERATURE REVIEW

Capital market researchers have consistently found growth, beta, size, earnings persistence, and some non-financial variables like industry (Raza *et al.* 2021; Kim, 2005; Khalid, Khalid, Sohail and Raza, 2021) to be significant determinants of ERC. The ERC can be used to forecast the effect on returns of changes made by businesses about their operations or reporting if the factors influencing it can be determined. Beta has been described as a determining factor for ERC. From the general mathematical expression in the literature, as the anticipated rate of return increases, ERC decreases. In other words, ERC decreases with increased risk due to the widely held belief that higher risk equates to higher expected return. ERC has a negative relationship with beta if one assumes that the SLM (Sharpe-Lintner-Mossin) capital asset pricing model (CAPM) determines the expected rate of return.

The determinant of ERC was examined by Elviani, Riana, Simbolon, and Dewi (2022) using the chemical industry listed on the Indonesia Stock Exchange with a sample period of 2015-2018. The findings indicated a negative effect of capital structure on the earnings response coefficient and a positive effect of profitability on the earnings response coefficient while company size, growth opportunity, systematic risk, and audit quality partially do not affect the earnings response coefficient. Therefore, if beta is either constant over time or extremely auto-correlated over time, it follows that beta is negatively correlated to ERC, that is, to market risk. Similarly, the risk-free rate is negatively related to the ERC (if the beta is less than one) and conversely. The higher the expected return, the higher the risk-free rate and therefore the lower the earning response coefficients given that market risk (beta) is less than one. Pimentel (2022) finds a statistically significant negative correlation between interest rates and ERC yearly using the yields of long-term US government bonds to measure the risk-free interest rate.

Consistent with Pimentel (2022), Dang, Hoang, and Tran (2017) also find that ERC has a negative and significant effect on beta. Further studies that have examined different capital market conditions with the use of ERC and beta as a control variable reported a negative and significant relationship (for instance, Jamaludin and Kamaluddin 2015; Erah and Ibaddin 2017).

Sun, Sari, and Dewi (2021) examined the factors affecting the ERC of real estate and real property companies listed on the Indonesia Stock Exchange within the period of 2013 to 2015. Multiple regression results showed that growth opportunities have a positive and significant relationship with ERC, while leverage, systematic risk and size have no effect on ERC. Dang and Vu (2022) examined factors affecting earnings persistence in emerging markets in Vietnam from 2010-2018. The result of multiple regression showed that revenue growth rate, firm size, dividend policy and accruals have a positive and significant effect on earnings persistence while the financial structure (leverage) has a negative and significant effect on earnings persistence. Further, the effect of liquidity on earnings persistence is insignificant. Pimentel (2022) reported that variation in firm growth is partly explained by the cross-sectional difference in earnings-to-return relationships. However, earnings persistence is also likely to be influenced by expected growth which is measured by the market value book value of equity. Findings from the study of Magni (2016) revealed that expected temporary losses, that is losses with low earnings persistence have the highest effect on companies with high growth prospects. Explicitly, the earnings response coefficient is positively correlated to growth opportunities as Byare and Stanberry (2018) differentiate the impact of growth opportunities in line with earnings rises resulting from growth in revenue or other bases (decrease in costs). They



reported that ERCs are greater for businesses with earnings growth resulting from revenue growth.

Assagaf, Murwaningsari, Gunawan, and Mayangsari (2019) examine factors influencing the ERC using real activities earning management as moderators as evidenced by the Indonesia Stock Exchange. Panel data analysis was used for the study with twenty (20) companies purposively selected and multiple regression as a method of data analysis. Findings from the analysis revealed that capital expenditure and leverage variables significantly affect investors' response to executing the stocks of a company, thereby influencing the stock returns. The degree of leverage and the significant increase in investor reaction, especially because of the use of debt for investment, would raise earnings per share or, at a given level of equity, might enhance earnings per share acquisition. The capital expenditure of a firm was found to have a negative and significant influence on the response of an investor, this is own to the fact that investors tend to predict on a short-term period, which implies that firms that invest in the early stages will have liquidity difficulties and rate of return will fall, and consequently investors will change their investment.

Widiatmoko and Indarti (2018) studied the determining factor of ERC in the property and real estate of firms listed on the Indonesia Stock Exchange from 2011-2014. The outcome of the ordinary least square showed that capital structure and earnings persistence have a positive and significant influence on the ERC, the firm's growth has a negative and significant on the earnings response coefficient while firm size and systematic risk have no significant effect on the earnings response coefficient. Similarly, Wijaya, Adhitya, Cahyadi, and Salim (2019) examined factors affecting ERC using profitability as a controlling variable in manufacturing firms quoted on the Indonesia Stock Exchange (IDX) during the years 2015-2017. Using multiple regression, the findings revealed that corporate social responsibility disclosure had a significant positive effect on ERC while sales growth, profitability, firm size, leverage, and earning persistence had no significant effect on the earnings response coefficient.

Al Awawdeh, Al-Sakini, and Nour (2020) examined factors affecting ERC in Jordanian companies listed on the Amman Stock Exchange during 2012–2018. The findings of panel data regression analysis revealed that the market is less responsive to the change in the profit of firms with a lower leverage ratio compared to those companies with a higher leverage ratio. Market risk (beta) negatively and significantly affects the earnings response coefficient, which implies that high market risks often lead to a decrease in the ERC. Findings from the study further revealed that firm size has no significant effect on the earnings response coefficient, implying the insignificance of the relationship between the profits and the size of industrial companies in Jordan. Also, the growth opportunity of a company has a significant and negative effect on the earnings response coefficient, which suggests that higher growth opportunities and a low market-to-book ratio result in a greater ERC. Conclusively, the firm's profitability proxied by return on assets (ROA) has a significant and positive effect on the earnings response coefficient, signifying that ERC increases as profitability increases.

Factors influencing the quality of corporate profits were examined by Kurniawati and Dwimulyani (2018) using fifty-six (56) industrial firms quoted on the Indonesian Stock Exchange from 2012 to 2016. Three factors were examined by the study, namely earnings persistence, systematic risks, and the company's growth. The result of Panel data regression analysis revealed that company growth has a negative and significant effect on the earnings response coefficient, while there is a positive and significant effect of systematic risk (proxy



by market beta) on ERC. The findings further revealed that there is a negative and significant effect of trading volume on ERC company's continuity of profits and growth had a direct effect on trading volume. Also, Arifin (2017) studies the factors influencing ERC, including systematic risks, company size, leverage ratio, growth opportunities, and (market value-to-book value ratio), using twelve (12) automobile manufacturers quoted on the Indonesian Stock Exchange from 2008 to 2012. The result of multiple linear regression models revealed that the growth opportunities, company size, and leverage ratio have a significant effect on the ERC. The leverage ratio has a negative and significant effect on the ERC, while company size and growth opportunities have a positive and significant effect on the ERC.

METHODOLOGY

The study adopted an ex-post facto research design to examine the determinants earning response coefficient of listed deposit money banks in Nigeria. Ex-post facto research refers to a research study in which the researcher has independent variables that cannot be manipulated during the study.

Population and Sample Size

The population consists of the entire fifteen (15) deposit money banks quoted on the Nigerian Exchange Group. Using secondary data, a purposive sampling technique was used to select ten (10) Deposit Money Banks over 13 years from 2010-2022. The pooled data covered the period of thirteen years (2010-2022), resulting in 130 data points.

Model Specification

The study used a Panel Least Square regression model to examine the determinants of earnings response coefficients in Nigerian deposit money banks. The model is stated thus;

$$CAR_{it} = \alpha + \beta_1 BETA_{it} + \beta_2 GRWT_{it} + \beta_3 BSIZE_{it} + \beta_4 EP_{it} + \beta_5 NPL_{it} + \varepsilon \text{ ----- (3)}$$

Where;

CAR = cumulative abnormal returns as a proxy for earnings response coefficient

α = intercept constant,

BETA = Market risk

GRWT = Bank growth

BSIZE = Bank size

EP = Earnings persistence

NPL = Non-Performing Loan

$\beta_1 - \beta_5$ are the coefficients of explaining variables.

ε = error term



RESULTS AND DISCUSSIONS

Table 1: Descriptive Statistics Result of the Study Variables

Variable	Observation	Mean	Standard Deviation	Minimum	Maximum
ERC	130	2.128846	0.386761	1.2000000	3.000000
NPL	130	0.1557397	0.0651758	0.0182322	0.3912023
GRWT	130	11.70769	11.29893	0	73
FSZ	130	20.06923	2.269407	14	23
BETA	130	.102459	.5201847	-1.012687	1.022446
EP	130	.31127	15.70074	-130.5556	90.24425

Source: *Researcher Compilation (E-View 9)*

Table 1 provides general characteristics of the variables. The mean ERC of 2.128846 suggests that, on average, there is a positive response of stock prices to changes in earnings. The high standard deviation of 0.386761 indicates variability in the earnings response coefficients across the observations. This variability suggests that different banks exhibit diverse patterns of how their stock prices respond to changes in earnings. The minimum ERC of -67.18 implies instances where there is a negative response of stock prices to earnings changes, the maximum ERC of 1135.27 indicates instances of extremely high positive responses. The mean of 0.16 indicates the average proportion of non-performing loans (NPL) in the dataset. The standard deviation of 0.07 measures the variability of NPL around the mean. The minimum of 0.02 indicates the lowest observation of NPL, while the maximum of 0.39 represents the highest observed proportion. The average Beta of 0.10 suggests, on average, a relatively low level of sensitivity to market movements. The minimum of -1.01 suggests a negative sensitivity to market movements, while the maximum of 1.02 indicates a positive sensitivity. Also, the mean value of 0.31 suggests the average level of earnings persistence (EP) across the observations in the dataset. The minimum of -130.56 indicates high negative, while the maximum of 90.24 represents high positive earnings persistence. The mean value of 11.71 suggests that, on average, there is a positive growth (GRWT) across the observations in the dataset.

Table 2: Augmented Dickey-Fuller (ADF) Test on Stationarity

Variable	T-Statistics at Level (I (0))	Order
ERC	34.0185*	I(0)
BETA	30.5980*	I(0)
FSZ	31.5790*	I(0)
GRWT	52.1875*	I(0)
EP	85.9640*	I(0)
NPL	39.3846*	I(0)

Source: *Researcher Compilation (Eview 9)*

(*) **Significant at a 5% level of significance**

Table 2 shows the result of the ADF test conducted on the study variables to assess the presence of a unit root in a variable. As shown in the table, all the variables show evidence of stationarity



(rejection of the unit root hypothesis), at levels (integration of Order (I (0))), suggesting the absence of unit roots as the variables were already in ratio scale.

Table 3: Variance Inflation Factor Results of the Study Variables

Variable	VIF	1/VIF
NPL	3.62	0.276489
BETA	3.59	0.278363
BSZ	3.28	0.305234
GRWT	2.88	0.347457
EP	1.05	0.950109
Mean VIF	2.04	

Source: *Researcher Compilation (Eview 9)*

Variance Inflation Factors (VIF) were conducted to identify potential multicollinearity issues in the model. The general rule is that a VIF value above 10 may indicate a problematic level of multicollinearity. As shown in the table, the mean VIF is 2.04 which is below the threshold level. As a result, the model is free from multicollinearity problems.

Table 4: Hausman Specification Test Result on Determinants of Earnings Response Coefficient in Selected Deposit Money Banks in Nigeria.

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.032396	5	0.5448

Source: *Researcher Compilation (Eview 9)*

To determine the appropriate model between random and fixed effect estimators, the Hausman test was conducted to compare the efficiency of fixed effects (FE) and random effects (RE) estimators in panel data models. The null hypothesis of the test is that the preferred model is the random effects model because it is more efficient, while the alternative hypothesis is that the fixed effects model is preferred because it is consistent. As shown in Table 4, the Hausman test is not significant as the p-value is 0.5448. As a result, the null hypothesis is accepted (Random Effect Model) as the most appropriate model.



Table 5: Breusch-Pagan LM Estimated Test Results for Random Effects on Determinants of Earnings Response Coefficient in Selected Deposit Money Banks in Nigeria

	Variance	Standard Deviation=√(Variance)
ERC	0.1495839	0.3867608
E	0.036893	0.1920755
U	0	0
Tests: Var(u)= 0		
Chi2 (1) = 0.00		
Prob>Chibar2 = 1.0000		

Source: *Researcher Compilation*

The outcome of the Hausman specification test conducted supported Random Effects as the most appropriate model. However, the study further conducted the Breusch and Pagan Lagrangian multiplier test for Random Effects to test the null hypothesis that the variance of the individual-specific Random Effects is equal to zero. The test assessed whether there was significant variation in the random effects across individual observations. As shown in Table 5 probability (Prob > chibar2) =1.0000>0.05, which implies that there is no evidence of significant differences across the observations, therefore the null hypothesis was rejected and it was concluded that Common Effect Method (Pooled Least Regression) was preferred to Random Effect Model.

Table 6: Pesaran Cross-Sectional Dependence Test Result on Determinants of Earnings Response Coefficient in Selected Deposit Money Banks in Nigeria

Pesaran's test of cross-sectional independence	0.485
Probability Value	0.6276
Average absolute value of the off-diagonal elements	0.225

Source: *Researcher Compilation*

To determine the existence of cross-sectional dependence, the study employed Pesaran CD (cross-sectional dependence) test to determine whether the observations for different banks are correlated or interdependent. The null hypothesis of the Pesaran CD test is that there is no cross-sectional dependence in the panel data. As presented in Table 6, the probability value is greater than 0.05 (Prob = 0.6276), the null hypothesis was accepted, and it was concluded that there is no cross-sectional dependence across the entities.



Table 7: Correlation Matrix of Residuals on Determinants of Earnings Response Coefficient in Selected Deposit Money Banks in Nigeria

	FCMB	FIDLY	GTCO	STBIC	STLNG	UBA	WEMA	ACCESS	FBN	ZENTH
FCMB	1.0000									
FIDLY	-0.2595	1.0000								
GTCO	-0.1131	0.3829	1.0000							
STBIC	0.2008	0.2708	0.2387	1.0000						
STLNG	0.1892	0.3613	0.1157	0.0328	1.0000					
UBA	-0.4456	0.7717	0.4330	0.1263	0.2527	1.0000				
WEMA	-0.3115	0.0818	0.1057	0.0241	-0.1609	0.3783	1.0000			
ACCESS	-0.2503	-0.1171	0.3098	-0.4160	0.4234	0.0187	0.1824	1.0000		
FBN	0.4544	-0.3800	-0.1756	-0.0105	0.4942	-0.3923	-0.4338	0.1183	1.0000	
ZENTH	-0.1626	-0.1555	-0.3761	0.0595	-0.0924	-0.0960	0.0935	-0.1989	0.1229	1.0000
Chi2(45) = 48.634					Pr = 0.3288					

Source: *Researcher Compilation*

Table 7 shows the pairwise correlation coefficients between the residuals across the observations. The correlation matrix provides insights into the relationships between residuals, the result shows that none of the residuals are highly correlated suggesting that errors are independent of each other. Also, the Breusch-Pagan LM test of independence is used to assess whether there is heteroscedasticity (non-constant variance) in the residuals. The result of the Breusch-Pagan LM test suggests that there is no strong evidence of heteroscedasticity in the residuals. The p-value as shown in the table is relatively high (0.3288), suggesting that there is no evidence to reject the null hypothesis of homoscedasticity (constant variance). In other words, there is no strong indication of heteroscedasticity based on this test.

Table 8: Panel Least Square Regression Result on Determinants of Earning Response Coefficients of Nigeria Deposit Money Banks

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.180697	0.118341	1.526915	0.1293
BETA	0.384709	0.089483	4.299252	0.0000
BSZ	0.522628	0.062776	8.325232	0.0000
NPL	0.073623	0.034018	2.164237	0.0324
EP	4.49E-05	0.001084	0.041390	0.9671
GRWT	0.097887	0.043089	2.271740	0.0248
R-squared	0.759713	Mean dependent var	2.128846	
Adjusted R-squared	0.750023	S.D. dependent var	0.386761	
S.E. of regression	0.193371	Akaike info criterion	2.403354	
Sum squared resid	4.636666	Schwarz criterion	2.271006	
Log likelihood	32.21802	Hannan-Quinn criter.	2.349577	



F-statistic	78.40970	Durbin-Watson stat	2.105104
Prob(F-statistic)	0.000000		

Source: *Researcher Compilation (Eview 9)*

Table 8 shows the Panel Least Square regression result on determinants of earnings response coefficients of Nigeria deposit money banks. A 1% increase in market risk (Beta) is associated with a 0.385% increase in ERC, which is statistically significant (p-value = 0.0000), suggesting that firms with higher market risk tend to have higher ERC. Also, a 1% increase in bank size (FSZ) is associated with a 0.523% increase in ERC, which is statistically significant (p-value = 0.0000), indicating that larger firms tend to have higher ERC. Further, a 1% increase in non-performing loans (NPL) is associated with a 0.074% increase in ERC. This is statistically significant (p-value = 0.0324), suggesting that firms with higher non-performing loans have higher ERC. The coefficient of earning persistence (EP) is very close to zero, and the p-value (0.9671) is high, suggesting that EP is not statistically significant in predicting ERC. Also, 1% increase in firm growth (GRWT) is associated with a 0.098% increase in ERC. It is statistically significant (p-value = 0.0248), indicating that firms with higher growth rates tend to have higher ERC.

The R-squared value of 75.97% indicates a good fit of the model to the data, this suggests that independent variables (BSZ, NPL, BETA and GRWT) collectively provide substantial information about the variation in the dependent variable (ERC). F-statistic of 78.41 and p-value of 0.0000 confirm the overall fitness of the model. Durbin-Watson's Statistic value of 2.1051 indicates the absence of autocorrelation.

DISCUSSION OF RESULTS

As shown in Table 4.4 BETA as a proxy for market risk has a positive and significant effect on ERC. This implies that riskier stocks experience more significant price movements in response to changes in earnings, reinforcing the notion that investors are sensitive to earnings announcements for higher-risk investments. This further implies that the market responds more strongly to changes in the firm's earnings. Investors and market participants adjust their expectations and valuations more aggressively when the firm is perceived to have higher market risk. This is in line with the findings of Pimentel, 2022 (Brazil) but contradicts most of the findings in the developed economy such as Hasanzade *et.al*, 2013 (Iran); Raza *et.al* 2018 (Pakistan); Al Awawdeh, Al-Sakini, and Nour, 2020 (Jordan); Khalid and Raza, 2021 (Pakistan) whose findings reported a significant and negative effect of market beta on ERC.

Also, bank size (FSZ) has a positive and significant effect on ERC, this proposes that larger banks tend to exhibit a more substantial response in earnings to changes in market conditions. The positive effect of FSZ on the ERC suggests that larger banks tend to exhibit a more pronounced response in earnings to changes in market conditions. This is in tandem with the findings of Mashayekhi and Aghel, 2016 (Iran), Arifin (2017); Raza et al, 2018 (Pakistan); Irawati, 2018(); Khalid and Raza, 2021 (Pakistan) Nurfadilah (2023) and contradict Fatmawati (2023). Also, non-performing loans (NPL) have a positive and significant effect on ERC. This suggests that if the market perceives that banks are effectively managing and prioritizing default risk through effect risk management, positive earnings changes may be viewed more favourably, leading to a positive market response. This could further be interpreted that banks



facing higher levels of non-performing loans might be engaging in riskier activities, and these banks could be more responsive to market dynamics, potentially seeking higher returns to compensate for increased credit risk. This is in tandem with the results of Widiatmoko and Indarti, 2018 (Indonesia); Assagaf, 2019 (Indonesia), who reported a positive and significant effect of leverage on ERC but contradict the findings of Arifin, 2017 (Indonesia), Dewi and Nataherwin, 2019 (Indonesia); Al Awawdeh et al., 2020 (Jordan); Raza *et.al.*, 2021 (Pakistan), Sherlita and Ramadhian, 2021 (Indonesia) who reported a negative and significant effect of leverage on ERC in the non-financial sector.

Further, firm growth (GRWT) has a positive and significant effect on ERC, implying that as the growth of the firm increases, there is an associated positive impact on the ERC. This suggests that investors and the market, in general, are more responsive to the earnings of firms that are experiencing higher levels of growth. This agrees with the findings of Arifin, 2017 (Indonesia); Kusuma and Subowo, 2018 (Indonesia); Raza *et. al.*, 2018 (Pakistan); Mashayekhi and Aghel, 2019 (Iran), Khalid and Raza, 2021 (Pakistan); Sun, Sari and Dewi., 2021 (Indonesia) but disagree with the findings of Irawati, 2018 (Indonesia); Al Awawdeh *et. al.*, 2020 (Jordan); Widiatmoko and Indarti, 2018 (Indonesia) whose findings reported significant negative and effect of firm growth on ERC.

CONCLUSION AND RECOMMENDATION

Consequent upon the data analysis and interpretation of results on determinants of earnings response coefficient in selected deposit money banks in Nigeria, the study thus concluded that NPL, BETA, FSZ, and GRWT are the major determinants of ERC in selected deposit money banks in Nigeria. Therefore, the study recommends that the management of banks should focus on actively managing market risk, optimising bank size, and addressing non-performing loans to enhance market confidence and positively influence earnings response. Additionally, attention should be given to strategies promoting sustainable growth that can contribute to favourable market perceptions of earnings declared by banks.

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