AN EVALUATION OF CHANNEL-STUFFING PRACTICES IN NIGERIA: A CROSS-SECTORAL APPROACH

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Abstract

This study evaluated channel stuffing practice, an under-investigated instrument of earnings management, in Nigeria using a cross-sectoral approach, arising from scanty evidence in cognate empirical literature. Secondary data were collected from Refinitiv Eikon database for one hundred and sixty (169) listed firms in Nigeria. The data collected covered years 2012 to 2022. Census sampling method was selected as the entire listed firms in Nigeria were examined. Financial services firms and firms with no dataset were removed, resulting in eighty (80) firms across ten (10) sectors with data available for meaningful analysis. The variable of interest to this study is channel-stuffing, measured using the ratio of receivable-to-revenue. The data collected were analysed using descriptive statistics of mean, standard deviation, skewness, kurtosis and analysis of variance. Findings revealed that receivable-to-revenue ratio is significantly different amongst firms and across different sectors in Nigeria (F-statistics = 2.870, p-value < .05). Based on this evidence, the study concluded that channel-stuffing appears prevalent amongst listed firms in Nigeria and across different sectors, and this practice is significantly different amongst the sectors in Nigeria. To stem channel-stuffing practices, the study recommended that regulatory authorities should step up their oversight responsibilities by subjecting the financials of the firms across these sectors to deeper scrutiny to uncover channel stuffing and impose deterrent fines to discourage these practices.
Keywords: Channel-stuffing, Earnings management, Nigeria, Receivable-Revenue Ratio Sectoral Approach,

JEL Codes: M41, G20, G30

Introduction

The desire to achieve targeted earnings compels managers at different levels to exert pressure on accountants, auditors, and others in order to hide the true financial state of the organization. This unethical conduct termed "earning management" has caused significant harm to companies worldwide (Olabisi et al., 2022). Earnings management entails deviating from standard business practices to deceive stakeholders into believing that specific financial reporting goals have been met through regular operations. This conduct is often driven by managerial motives and can involve companies manipulating their earnings by offering more favorable sales terms than usual to increase current period sales, even if it has a negative impact on cash flow from operations. As a result, a potential sign of genuine earnings management in corporations is a reduction in cash flow from their primary activities (Shuaibu, Garba, & Bello, 2023).

Earnings manipulation is deeply ingrained in the cultures of many companies because it enables executives to make specific accounting choices that result in consistent profit reporting. Managers are entrusted with the responsibility of upholding their fiduciary duties and delivering advantages to all stakeholders (Ishaku, Shuaibu, Muhammad, & Muktar, 2023). Consequently, the separation of ownership and control (leading to agency conflicts) in today's dynamic business world has necessitated the establishment of corporate governance systems. These systems monitor and supervise management to mitigate agency conflicts and align managerial interests with those of shareholders (Lin & Hwang, 2010; Ishaku, *et al,* 2023;).

Earnings management borders on fraud. Fraud involves gaining an unfair

advantage over another person and can be categorized as corruption, misappropriation of assets, or manipulation of financial statements (ACFE, 2018). Specifically, financial statement fraud is the deliberate or reckless behavior, through action or inaction, that leads to misleading financial statements to influence stock performance (ACFE, 2018). Common financial statement fraud tactics, like "side agreements" and "channel stuffing," can result in overstated revenue or understated expenses (Arens, Randal, Mark, & Chris, 2017). As Chiu, Wang, and Vasarhelyi (2020) pointed out, side agreement fraud involves altering sales terms outside the recognized process, potentially affecting revenue recognition.

Channel stuffing, on the other hand, is a deceptive practice where a company artificially boosts sales and earnings by sending more products to retailers than they can sell to the public. The relationship between these concepts that channel stuffing is a tactic used within earnings management. Channel stuffing can be a way to manipulate reported revenues, and it's typically a short-term strategy that can have negative long-term consequences, such as inventory problems, reduced future sales, and damaged relationships with distributors or retailers. Both earnings management and channel stuffing raise ethical concerns, as they can mislead stakeholders and lead to financial misrepresentation.

Channel stuffing can be a way to manipulate reported revenues, and it is typically a short-term strategy that can have negative long-term consequences, such as inventory problems, reduced future sales, and damaged relationships with distributors or retailers. Channel stuffing involves sending more products through the distribution channel to distributors and retailers than what end-users are expected to purchase within a reasonable timeframe (Das, Shroff, & Zhang, 2011).

Over the last two decades, many companies have been accused of practicing "channel stuffing," a tactic that speeds up revenue recognition and temporarily boosts their financial performance. For instance, Xerox is reported to have employed channel stuffing in the late 1990s, leading to overstated revenue and eventual restatements (FasterCapital, 2023). Similarly, in a research report by Reuters (2019), Treasury Wine Estates, an Australian winemaker was alleged to have improperly inflated its pretax profits by as much as 50% over the past two years, or by about A$300 million ($203 million) cumulatively through the use of Channel-stuffing , a black-box tactic used by firms where they box up more products for retailers to sell than they are able to, and accordingly boost receivables, sales and earnings. Indeed, the practice is becoming increasingly prevailing.

To achieve this, companies typically offer enticing incentives such as significant discounts, rebates, and extended payment terms to persuade distributors and retailers to buy more than they actually need. Sometimes, companies resort to discounts or special offers towards the end of a quarter to increase sales beyond normal levels. However, channel stuffing is not a sustainable solution because often, the surplus products are returned by buyers. Still, if these products are shipped and recorded as revenue at the end of a financial period, it makes that period's financial performance appear more favorable (Sawayda, 2015). The question then is: do Nigerian firms also indulge in this practice and across different sectors to boost their financial performances? These questions compel empirical answers in the light of dearth of existing evidence.

Several existing studies (such as Shuaibu *et al*., (2023), Ishaku, *et al* (2023), Olabisi, *et al*, (2022), Agbaje & Igbekoyi, (2021) and Das, Shroff & Zhang (2011)) have been carried out. However, a preponderance of these studies focused on earnings management and some of the

variables which influence the variable. For instance, Ishaku, et al, (2023) examined the effect of corporate governance (CG) on the manipulation of earnings by non-financial companies listed on the Nigerian stock exchange. On their part, Olabisi, *et al*, (2022) evaluated how the characteristics of audit committees influence earnings management in Nigerian consumer goods companies. Agbaje and Igbekoyi, (2021) investigated the practice of smoothing earnings and its impact on shareholders' wealth in Nigerian listed manufacturing firms from 2008 to 2018. It therefore becomes compelling to submit that very few existing studies have investigated channel-stuffing as an earnings management tool and the extent to which the practices differ amongst Nigerian listed firm, thereby creating a gap in literature. It is the need to fill this gap that motivated this study and in respect of which answer is sought to the question below:

Research Objective

The primary objective of this study is to evaluate channel-stuffing as an earnings management practice in Nigeria. Specific objective is to:

i.   Examine whether receivable-to-revenue ratio is significantly different amongst firms and across different sectors in Nigeria.

Research Question

The pertinent question to which answer is sought by this study is as follows:

Is receivable-to-revenue ratio significantly different amongst firms and across different sectors in Nigeria?

Research Hypothesis

The hypothesis below is formulated and tested:

i. H_0: Receivable-to-revenue ratio is not significantly different amongst firms and across different sectors in Nigeria.

Literature Review
Earnings Management

Earnings play a crucial role for organizations since they impact investor choices. Consequently, companies often engage in unhealthy financial practices that affect their financial outcomes (Alao & Olatifede, 2021; Norwani, Mohamad & Chek, 2011). According to Rahman, Muniruzzaman, and Sharif (2013), earnings management involves intentionally adjusting accounting earnings through the choice of accounting methods, which can include recognizing fictitious expenses, understating revenue, or overstating business expenses. Carikci and Sami (2019) propose that earnings management occurs when firms deviate from their normal operating activities to achieve specific earnings targets. Shehu and Garba (2014) view earnings management as a deliberate action by management to manipulate reported earnings in a particular direction, often achieved by altering the timing or structure of operations, investments, or financing, which can lead to suboptimal business consequences.

Sabrun, Darus, Yusoff, and Muhamad (2015) defined earnings management as a deliberate intervention in the external reporting process aimed at securing personal benefits. Consequently, managers may resort to income-boosting earnings management, a possibility attributed to the flexibility in accounting standards. Beyond potential rewards, this practice may also help them shield their positions from both legal scrutiny and the scrutiny of business owners, who often lack a comprehensive understanding of their company's financial status. In line with this, earnings management entails the exercise of managerial discretion in financial reporting to manipulate transactions and alter financial statements, all with the objective of deceiving specific stakeholders about the company's financial performance, as per Yao (2022).

Yao, (2022), reports underscores that firms have multiple methods for artificially boosting their profits. For instance, they can employ accounting discretion to generate income, resulting in increased discretionary accruals, a practice also referred to as accrual manipulation. This tactic involves adjusting transactions in alignment with accounting principles, standards, and regulations. These activities are typified by changes in accounting methods that don't directly impact cash flow. Examples of discretionary accruals include reversing accruals or delaying the recording of assets written off. Additionally, companies can implement tangible economic actions, like reducing discretionary expenses in areas such as research and development, advertising, and maintenance, in order to enhance their earnings, a practice known as real earnings management, as mentioned by Olagunju *et al.*, (2023).

Gunny (2009) explains that real earnings management involves managers taking actions that alter the timing or structure of an operation, investment, or financial decision with the intention of influencing the accounting numbers' outcomes. Roychowdhury (2005) defines real earnings management as a departure from standard operational practices driven by a desire to deceive certain stakeholders into thinking that specific financial reporting targets have been achieved as part of normal business operations. Additionally, Gunny (2005) regards real earnings management as actions that deviate from an otherwise optimal plan solely to manipulate earnings, thereby imposing a genuine cost on the firm. While the concept of earnings management encompasses various terms, it can refer to practices such as creative accounting, financial engineering, and accounting magic (Shuaibu, *et al.*, 2023).

Channel Stuffing

Channel stuffing is a term that signals fraudulent financial reporting, potentially illegal. The gray area arises when buyers are willing to accept products, but excessive returns should raise concerns about breaking the law's spirit (Sawayda, 2015). Channel stuffing is a deceptive business practice where a company artificially inflates its sales or shipments to distributors or retailers near the end of a financial reporting period. The aim is to boost reported sales and present a better financial picture than reality. This can result in issues like excessive inventory, decreased future sales, and damaged relationships with partners. Detecting channel stuffing problems is challenging, suggesting it may be more widespread than believed (Das, *et al,* 2011).

Regulatory bodies and accounting standards stress transparency in revenue recognition to prevent and uncover channel stuffing. Ethical financial reporting is crucial for a company's reputation and trustworthiness. The Financial Accounting Standards Board (FASB) asserts that revenue should only be recognized when a performance obligation is met. While some may argue that excess shipments fulfill this obligation, if the buyer didn't agree to the extra products, it's a manipulative tactic that doesn't meet the obligation (Sawayda, 2015). Even so, companies can modify channel stuffing to make it appear less manipulative and more like a legitimate transaction.

Theoretical Review
Agency theory

This study is grounded in the Agency theory, initially formulated by Jensen and Meckling in 1976. The theory underscores the importance of separating ownership from control within companies. It explains the relationships between managers, shareholders, and significant debt providers, highlighting their critical role in the firm's existence and effective performance (Nangih, Saale, & Peters, 2022). Positive accounting theory leverages the concept of agency relationships to elucidate

connections between firms and stakeholders. For instance, in the manager-shareholder relationship, shareholders are seen as principals, while managers act as agents, working to maximize wealth on behalf of shareholders. The agency relationship hypothesis is applied to address specific financial issues within corporations, particularly those related to conflicts of interest and methods to mitigate incentive challenges (Sletten, Ertimur, Sunder, & Weber, 2018; Kumari & Pattanayak, 2015).

In this scenario, where business owners and day-to-day operators are distinct, executive officers face pressure to deliver impressive results to satisfy the real owners, the shareholders, and other stakeholders (Jensen & Meckling, 1979). Agency theory is deemed relevant for mitigating conflicts that arise because absentee owners lack access to all business information when managers make decisions. This is due to their inability to assess and verify whether a manager's actions align with the firm's best interests. Xie, Davidson, and DaDalt (2003) also contend that conflicts of interest between absentee shareholders and their agents have adverse implications for users of accounting information, particularly regarding signaling effects. Therefore, the imperative of reducing conflicts of interest between owners and managers to achieve optimal outcomes should not be underestimated (Ishaku, *et al,* 2023).

Empirical Review

Ishaku, *et al,* (2023) examined the impact of Corporate Governance (CG) on the manipulation of earnings by non-financial companies listed on The Nigerian stock exchange was investigated. The study employed a retrospective research approach and utilized secondary data extracted from the financial statements and accounts of non-financial companies over an eight-year period (2013-2020). The secondary data was analyzed using the Arellano-Bover/Blundell-Bond Estimation method. The findings indicated that both board size and the frequency of board meetings negatively influenced current discretionary accruals, with a significant effect. However, board independence did not have a significant impact on current discretionary accruals. The study's conclusion emphasized the importance of good corporate governance for enhancing shareholder wealth in listed non-financial companies in Nigeria.

Shuaibu *et al.,* (2023) examined the influence of board characteristics on earnings management in Nigerian consumer goods companies listed on the stock exchange. The study used board size, board meetings attendance, board financial expertise, and board gender diversity as indicators for board characteristics. Earnings management was quantified using the Srivastava 2019 Cohort Adjusted measure of real earnings management, with firm size, firm growth, and firm age as control variables. Secondary data from the annual reports of 16 listed consumer goods companies on the Nigerian Stock Exchange from 2011 to 2021 were collected. The study's findings, based on OLS regression and robustness tests, reveal that board size and board financial expertise have a negative and significant impact on earnings management, while board meetings attendance has a positive and significant impact. However, no significant relationship was observed between board meetings and board gender diversity and earnings management.

Olabisi, *et al,* (2022) research aimed to evaluate how the characteristics of audit committees influence earnings management in Nigerian consumer goods companies that are publicly listed. The research employed a correlational research design, using secondary data obtained from the financial statements of a selected group of 10 companies spanning from 2010 to 2019. These companies were chosen from the pool of 21 listed consumer goods firms in Nigeria as of 2019, employing a judgmental

sampling method based on data availability. The analysis involved correlation analysis, unit-root tests, and Ordinary Least Squares (Fixed effects) regression, utilizing E-Views Software version 10. The findings indicated a significant and negative association between Audit Committee Meetings, Audit Committee Size, Leverage, and earnings management (with a p-value < 0.05). However, Audit Committee Financial Expertise and Audit Committee Independence exhibited a positive but statistically insignificant relationship with earnings management (p-value > 0.05). In conclusion, the study suggested that companies with robust audit committees tend to engage in less aggressive earnings management practices.

Agbaje and Igbekoyi, (2021) research investigated the practice of smoothing earnings and its impact on shareholders' wealth in Nigerian listed manufacturing firms from 2008 to 2018. They employed an ex-post facto research design, selecting 21 out of 67 listed manufacturing firms on the Nigerian Stock Exchange. Their analysis utilized both descriptive and inferential statistics. The findings indicated a positive and significant relationship between the Asset Quality Index (AQI) and shareholders' wealth, with a coefficient of 0.857 and a p-value of 0.008 at a 5% significance level. Conversely, there was a negative effect of the Depreciation Index (DEPI) on shareholders' wealth, with a coefficient of -0.270 and a p-value of 0.015. The study's conclusion emphasized the need to address earnings management practices in the Nigerian Manufacturing industry to enhance its effectiveness and ensure proper management of earnings smoothing indexes.

In 2011, Das, Shroff, and Zhang developed a model based on firms that engaged in channel stuffing. This model predicts the likelihood of channel stuffing across a wide range of companies. Channel stuffing involves manipulating real activities to achieve short-term revenue and earnings goals. Detecting channel stuffing is challenging, so they used a bivariate probit model to estimate its occurrence and detection probability simultaneously. Their findings revealed that smaller firms with high growth prospects, greater profit margins, and limited accrual management tend to engage in channel stuffing. However, factors like firm size, institutional ownership, having a Big-4 auditor, and stricter accounting regulations increase the chance of detection, reducing the likelihood of channel stuffing. Their analysis also showed that firms involved in channel stuffing experience declining sales, production, and profitability in the long run, indicating short-term gains with long-term consequences. They concluded that the bivariate probit model is more effective than the simple probit model and can predict firms with a high likelihood of channel stuffing and their subsequent performance reversals. This underscores the importance of considering detection probability in studies related to hard-to-detect accounting irregularities.

Research methods
This study employed *ex post facto* research design. Secondary data were collected from *Refinitiv Eikon* database for one hundred and sixty (169) listed firms in Nigeria, being the population of the study. To allow for uniformity of data in terms of reporting framework, the data collected covered years 2012 to 2022. Census sampling method was selected as the entire listed firms in Nigeria were examined. Financial services firms and firms with no dataset were removed, resulting in eighty (80) firms across ten (10) sectors with data available for meaningful analysis. The distribution of the number of firms, together with their sectors is presented in table 1:

Table 1: Sectoral distribution of sampled firms

Sectors	Number of Firms	Number of firms with usable dataset
Agriculture	5	2
Conglomerates	6	4
Construction/Real Estate	9	3
Consumer Goods	21	20
Healthcare	8	5
ICT	8	6
Industrial Goods	13	10
Natural Resources	4	4
Oil & Gas	9	8
Services	22	18
Total	**105**	**80**

(**Source**: NGX & Refinitiv Eikon, 2023)

The variable of interest to this study is channel-stuffing. It is measured as the ratio of receivable-to-revenue. The measures of Kuo, Yu and Chang (2022) were adapted for simplification and robustness. The data collected were analysed using descriptive statistics of mean, standard deviation, skewness, kurtosis and analysis of variance.

Results and Discussion

This section provides results of descriptive statistics on the channel-stuffing practices, the variable of interest to this study. Table 2 presents results on sectoral descriptive statistics on Receivable-Revenue Ratio in Nigeria. From the results, seven (7) sectors have higher standard deviations relative to their means. These sectors are: Agriculture, Consumer Goods, ICT, Industrial Goods, Natural Resources, Oil & Gas and Services. This implies that there is high variability in Receivable-Revenue Ratio amongst firms in these sectors. However, three (3) sectors (Conglomerates, Construction/Real Estate and Healthcare) have lower standard deviations in relation to their averages. This implication is that variability of Receivable-Revenue Ratio in moderate amongst firms in these sectors.

Besides, the average receivable of ICT firms in Nigeria is 4.37 times that of revenue, the highest amongst all the sectors, while the receivables of Industrial Goods firms in Nigeria is .12 times that of revenue, the lowest amongst the ten (10) sampled sectors. The results also showed that two (2) sectors have their average receivables higher than their average revenues. What these results suggest is that channel-stuffing practices appeared to be more prevalent amongst firms in the ICT and Construction/Real Estate sectors.

Table 2: Sectoral Descriptive Statistics on Receivable-to-Revenue Ratio

Sector	N	Mean	Std. Deviation	Std. Error
Agriculture	24	.2604	.3659	.0747
Conglomerates	48	.5357	.4089	.0590
Construction/Real Estate	27	1.0043	.8729	.1680

Consumer Goods	226	.2638	1.3897	.0924
Healthcare	60	.3027	.1871	.0242
ICT	66	4.3693	22.8404	2.8115
Industrial Goods	111	.1206	.1536	.0146
Natural Resources	45	.3067	.9270	.1382
Oil & Gas	93	.6133	1.8760	.1945
Services	200	.4089	.4828	.0341

(**Source:** Researcher's Computation, 2023)

Table 3 presents results of percentage change in Receivable-to-Revenue Ratio between years 2012 and 2022. From the table, four (4) sectors of Agriculture, Healthcare, Industrial Goods, Industrial Goods recorded decline in receivable-to-ratio between 2012 and 2022, while six (6) sectors posted growth in receivable-to-ratio between 2012 and 2022. These sectors are: Conglomerates, Construction/Real Estate, Consumer Goods, ICT, Oil & Gas, Services. It is of note that ICT sector has the highest percentage change in the variable, while Natural Resources experienced the lowest percentage change in the variable. The deduction from these results is that, generally, there is an increasing trend in the receivable-to-revenue ratio, an indication of more indulgence in channel-stuffing practices. This position is supported by figure 1.

Table 3: Percentage change in Receivable-to-Revenue Ratio between years 2012 &2022)

Sectors	31-Dec-22	31-Dec-12
Agriculture	0.2892	0.3581
Conglomerates	0.4753	0.3778
Construction/Real Estate	0.9478	0.3268
Consumer Goods	1.0615	0.0932
Healthcare	0.1935	0.3759
ICT	30.6734	0.6750
Industrial Goods	0.0895	0.1320
Natural Resources	0.0613	0.2361
Oil & Gas	0.5544	0.1566
Services	0.3893	0.2629

(**Source**: Researcher's Computation, 2023)

Figure 1 shows a chart illustrating the trend in average receivable-to-revenue ratio between years 2012 and 2022. The charts shows that the average receivable-to-revenue ratio was slightly stable between years 2012 to 2018, only to experience a small spike in the year 2019, then decline in the year 2020, perhaps due to the Covid-19 pandemic, only for the chart to further significantly spike again between the year 2021 and 2022.
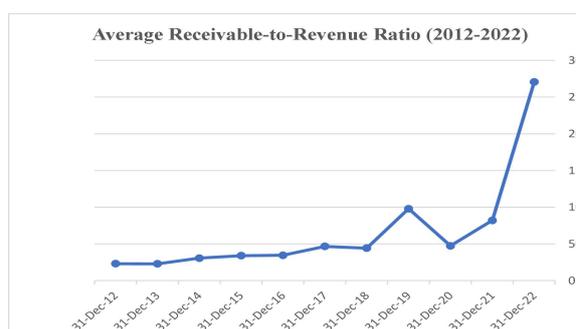

Average Receivable-to-Revenue Ratio (2012-2022)

Figure 1: A chart illustrating the trend in receivable-to-revenue ratio (2012-2022)
(**Source**: Authors' Chart)

Test of Hypothesis:
The hypothesis below is formulated and tested:

i.   **H₀:** Receivable-to-revenue ratio is not significantly different amongst firms and across different sectors in Nigeria.

Table 4 presents result of test of hypothesis conducted using statistical device of Analysis of Variance. From the table, that part of the total variability in the ratio of receivable to revenue which can be accounted for differences in group mean is 1009.701, while the part of the total variability in the ratio of receivable-to-revenue caused by error is 34,787.42. The *F*-statistic of 2.870 is statistically significant at 1%, 5% and 10% levels. These results suggest that the study cannot accept the null hypothesis that Receivable-to-revenue ratio is not significantly different amongst firms and across different sectors in Nigeria *(F*-statistic = 2.870, *p*-value < .01, .05 & .10).

Table 4: Result of test of hypothesis using Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1009.701	9	112.189		
Within Groups	34787.419	890	39.087	2.870***	.002
Total	35797.121	899			

(**Source**: Researcher's Computation, 2023)

Note: The values in the parenthesis (.) are the t-statistics and p-values underneath the respective coefficients and test statistics. The asterisks ***, ** & * denote, respectively, the statistical significance at the conventional 1%, 5% and 10% levels of significance.

Table 5 presents result of LSD Post-Hoc Multiple Comparison for each pair of sectors in relation to the variable under investigation. The table provides evidence that receivable-to-revenue ratio is statistically and significantly different between firms in ICT sector, on the one hand, and firms in other sectors, on the other hand. However, further results revealed that receivable-to-revenue ratio is statistically and significantly not different between each pair of other sectors, excluding ICT sector. The implication of this result is that channel-stuffing practices amongst firms in the ICT sector, when compared with firms in the others sectors, are significantly different.

Table 5: LSD Post-Hoc Multiple Comparison

Sector (I)	Sector (J)	Mean Difference (I-J)	Std Error	Sig.
ICT	Agriculture	4.11**	1.4903	.006
	Conglomerates	3.83***	1.1860	.001
	Construction/Real Estate	3.37**	1.4282	.019
	Consumer Goods	4.11***	0.8747	.000
	Healthcare	4.07***	1.1152	.000
	Industrial Goods	4.25***	0.9718	.000

Natural Resources	4.06***	1.2086	.001
Oil & Gas	3.76***	1.0062	.000
Services	3.96***	0.8875	.000

(**Source**: Researcher's Computation, 2023)

Note: The values in the parenthesis (.) are the t-statistics and p-values underneath the respective coefficients and test statistics. The asterisks ***, ** & * denote, respectively, the statistical significance at the conventional 1%, 5% and 10% levels of significance

Discussion of Findings

From the above analyses, this study provides evidence that receivable-to-revenue ratio is significantly different amongst firms and across different sectors in Nigeria. There is further evidence that receivable-to-revenue ratio is statistically and significantly different between firms in ICT sector, on the one hand, and firms in other sectors, on the other hand. Generally, there is an increasing trend in the receivable-to-revenue ratio, an indication of more indulgence in channel-stuffing practices. These findings reinforce the results from the studies of Das, Shroff, and Zhang (2011), Ishaku, et al, (2023), Shuaibu et al., (2023), Shuaibu et al., (2023), Olabisi, et al, (2022), Agbaje and Igbekoyi, (2021). For instance, the study of Agbaje and Igbekoyi, (2021) emphasized the need to address earnings management practices in the Nigerian Manufacturing industry to enhance its effectiveness and ensure proper management of earnings smoothing indexes.

Conclusion and Recommendations

This study evaluated channel stuffing practice, a tactic of earnings management, in Nigeria using a cross-sectoral approach. Secondary data were collected from *Refinitiv Eikon* database for one hundred and sixty (169) listed firms in Nigeria. The data collected covered years 2012 to 2022. Census sampling method was selected as the entire listed firms in Nigeria were examined. Financial services firms and firms with no dataset were removed, resulting in eighty (80) firms across ten (10) sectors with data available for meaningful analysis. The variable of interest to this study is channel-stuffing, measured using the ratio of receivable-to-revenue. The data collected were analysed using descriptive statistics of mean, standard deviation, skewness, kurtosis and analysis of variance. Findings revealed that receivable-to-revenue ratio is significantly different amongst firms and across different sectors in Nigeria. Based on this evidence, the study concluded that channel-stuffing appears prevalent amongst listed firms in Nigeria and across different sectors, and this practice is significantly different amongst the sectors in Nigeria.

Based on the findings, this study offers the following recommendations:

i.   To stem channel-stuffing practices, the regulatory authorities should step-up their oversight responsibilities by subjecting the financials of the firms across these sectors to deeper scrutiny to uncover these practices, impose heavy deterrent fines to discourage these practices.

ii.   The Financial Reporting Council, the apex regulatory body with oversight for scrutinizing and approving financial statements in Nigeria, should beam special investigative searchlight on firms in the ICT sector to unravel their sales and credit policies which appear to make their channel-stuffing practices to be at odds with firms in other sectors and taking measures to discourage this practice.

iii.   The accounting standard, practices and guidelines that inadvertently encourage this practice should be reviewed and revised.

iv.   The management and those charged with governance, especially the audit committees of the boards of these firms to be more alive to their responsibilities of ensuring their firms published financial statements devoid substantially of vestiges

of earnings management, such as channel-stuffing.

Policy Implication of findings

The result of this study showed that receivable-to-revenue ratio is significantly different amongst firms and across different sectors in Nigeria. This finding implies that channel-stuffing practice appears prevalent amongst listed firms in Nigeria and across different sectors, and this practice is significantly different amongst the sectors in Nigeria. The policy implication of this finding is that regulatory bodies (such as Financial Reporting Council of Nigeria) and other independent bodies such as external auditors are perhaps not carrying out adequate oversight functions geared at robustly and sufficiently scrutinizing and approving financial statements of listed firms in Nigeria. Another policy implications of the findings of this study is that the sales and credit policies appear to be at odds with firms in other sectors.

Contribution to knowledge

This study has extended the literature on channel stuffing and by extension, earnings management, by providing evidence that receivable-to-revenue ratio is significantly different amongst firms and across different sectors in Nigeria. The study provided further evidence that receivable-to-revenue ratio is statistically and significantly different between firms in ICT sector, on the one hand, and firms in other sectors, on the other hand and that, generally, there is an increasing trend in the receivable-to-revenue ratio, an indication of more indulgence in channel-stuffing practices.

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