Risk Taking, Incentives and Financing Decision of Quoted Consumer Goods Manufacturing Firms in Nigeria

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Article History	Abstract
  	The purpose of this research was to analyze the financial decisions made by publicly traded Nigerian consumer products manufacturers in relation to their risk tolerance, incentives, and other relevant factors. We set out to investigate how quoted consumer goods manufacturers' risk-taking, incentives, and financing decisions interact with one another. Operating risk is defined as the variation in gross earnings; lleverage risk as the rate of debt capital to total capital; liquidity risk as the ratio of liquid assets to total assets; market risk as the ratio of operating income to money supply; management incentive as the variation in management salaries; executive incentive as the proxy for investment capital allowance; and tax incentives as the variation in tax waivers or holidays. From 2012 to 2021, the food and beverage companies' annual reports and financial statements were used to compile the panel data. To investigate the connection between agency cost and valuation, panel regression models were developed. From the fixed effect, the estimated regression model on the effect of risk taking on financing decision of the quoted firms in Nigeria found that, according to the model, variation in risk taking accounts for 61.3% of the variation in financing decision of the quoted industrial goods manufacturing firms. Among the risk-taking variables' beta coefficients, we find that liquidity risk has a negative and significant effect on the financing decisions of quoted firms throughout the study's periods, market risk and operational risk have a negative effect but no significant effect, and leverage risk has a positive effect but no effect at all. From the fixed effect, the estimated regression model on the effect of incentives on financing decision of quoted firms in Nigeria found that, according to the model, variation in incentives accounts for 61.2% of the variation in financing decision of quoted consumer goods manufacturing firms. Based on the beta coefficients of the variables, we can see that the quoted manufacturing firms' financing decisions are positively and significantly affected by executive incentives, positively and significantly by investment incentives, positively but not significantly by management incentives, and negatively and not significantly by tax incentives. The study suggests that enterprises should implement well-articulated risk management techniques and an appropriate incentive strategy in order to make the most optimal financing decisions possible, and it finds that risk taking, incentives, and financing decisions all have substantial effects. **Keywords**: *Risk Taking, Incentives, Financing Decision, Consumer Goods, Manufacturing Firms, Nigeria.*

INTRODUCTION

Investment decisions are based on a company's risk tolerance. Financial assets come with a range of potential returns and dangers. Less risk-averse investors, according to portfolio theory, will hold more equities and other

hazardous assets. Several empirical research have utilized this theoretical link to glean indicators of risk aversion from people's portfolio choices (Bucciol & Miniaci, 2011). Several articles in recent years have sought to empirically measure this theoretical relationship (Barasinska et al., 2012). Corporate policy primarily consists of choices about financing, investments, and dividends. Making the right choice when combining different types of capital is what financing is all about, while investment decisions are about making the most efficient use of capital, and dividend decisions are about deciding how much of a company's total distributable earnings to pay out to shareholders on a regular basis.

Any empirical study into questions about the relevance or lack thereof of capital structure decisions can be grounded in the work of Modigliani and Miller (1958). Their research suggests that, in an ideal environment free of transaction costs and corporate taxes, the company would be able to function normally. One may also argue that managers and investors do not face any asymmetric factors that could cause them to lack the necessary information. Every corporate organization has aligned its finance decision towards accomplishing its supreme purpose, thanks to the inherent hazards in the business environment. According to Abu-Rub (2012), the relationship between risk and return and the rate of risk associated with each financing choice influence financing decisions. Companies aim to maximize their performance by using a finance mix that ensures minimum cost. In charge of overseeing the day-to-day operations of a company is the chief executive officer (CEO). Additionally, it is the responsibility of the chief executive officer and other executive directors to formulate the financial policies of the company and submit them for approval to the board of directors (Abor, 2012). Decisions about funding are among the most important that upper-level managers may make. A capital structure choice, which is a term for the financing decisions made by enterprises, is the combination of debt and equity that a company uses to finance its investment opportunities (Myer, 2001). When planning their capital structure, businesses should aim to reduce their cost of capital as much as possible while simultaneously increasing their profitability and ensuring their long-term viability (Ardalan, 2017).

Managers' financial decisions impact the likelihood of a company's survival and growth opportunities, which in turn affect the risks taken by the company. Leverage is often measured by the volatility of a company's earnings or its ability to weather financial storms. However, this metric may be oversimplified when applied to long-term corporations, as variables such as investment quality and industry dominance also play a role (John et al., 2008).

Incentives are a common theme among economists. Economists' fundamental rule frequently stresses the importance of incentives. The first rule of behavior is that people will act more appropriately when they are financially rewarded for doing so. Extrinsic incentives to performance are commonly used by employers, for instance. One common type of extrinsic motivation is the one used by employers. It is in the private interest of senior management to engage in earnings management, which is why incentives for managers encourage them to do so. Nevertheless, as pointed out by Jensen and Meckling (1976), an essential tool for bringing managers' incentives in line with shareholders' is managerial ownership through stock incentives. Equity incentive, often called equity compensation, is a kind of non-monetary compensation that symbolizes ownership in the company. Stock options, restricted stock, performance shares, bonuses, and performance-based fixed wages are all examples of this sort of incentive.

Investors attempt to take advantage of the moral hazard scenario that is created by the restricted liability of financial institutions, which is a typical explanation for their excessive risk-taking (Acharya et al., 2010; Jensen and Meckling, 1976). But new research is pointing to a different way limited liability can operate, and that's when cognitive dissonance causes investors to grossly undervalue the dangers of their investments (Barberis, 2015; Benabou, 2015). The claim here is that investors may unknowingly under-estimate the dangers of their investments when moral hazard is present, allowing them to rationalize any over-confidence in their own abilities.

According to Guo (2013), CEOs should prioritize the firm long-term growth index. There may be a correlation between the traits and risk preferences of chief executive officers and the degree to which their companies take risks in making strategic and financial investments. In order to comprehend the ways in which senior managers impact organizational decision-making, Hand brick and Mason (1984) established the upper echelons model. This model relies on observable traits as crucial surrogates for managers' cognitive orientations. Women tend to be more risk adverse than men, according to prospect theory, which postulated that people's aptitudes for risk and loss vary. In expected utility theory, a risk averse person chooses certain returns despite lesser profit. A female CEO is more likely to choose a plan with a lesser probability of loss, such as reducing debt and investments, and to have a lower risk preference overall.

There is a connection between endogenous adaptability and corporate risk taking for multiple reasons. To begin, when an individual has financial assets, they must face new risks and make riskier judgments. Second, learning in a portfolio

setting may result from taking risks, which entails coping with uncertainty. Developing one's character and outlook by hands-on experience is one of the most ubiquitous forms of learning (Bowles, 1998). In terms of investing choices, this may involve things like building up expertise in financial matters and having faith in one's own abilities (Westhead and Wright, 1998; Ucbasaran, Wright and Westhead, 2008). Thirdly, people's perceptions of the risky choices they made and the outcomes they encountered while participating in the financial market may influence their propensity to take risks in financial concerns.

When managers are financially motivated to take more risks, the business benefits. It is well-known that CEOs are incentivized to take excessive risks due to the financial incentives they receive to increase shareholder value. In addition, it is anticipated that managers are motivated to take more risks and perhaps increase the firm's value when they receive more incentives (Kathan et al., 2016). Additionally, they discovered that management incentives significantly and positively correlate with a company's risk-taking behavior. Managerial pay is expected to be positively correlated with company risk-taking, according to the researcher. The bigger the compensations earned by top management, the higher the risk that the company will face, according to the premise. Conversely, managers are less likely to take risks when their compensation is low because they aren't financially rewarded for doing so. Idiosyncratic risk is positively correlated with ownership concentration, according to Nguyen (2011). An increase in risk-taking is inevitable as a result of enhanced focus and performance. On the other hand, risk-taking will decrease as a result of less concentration, which implies a lower percentage of big stockholders. This study aims to investigate the impact of risk taking, incentives, and financing decisions on listed enterprises in Nigeria, as previous research has been limited in scope and has mostly dealt with overseas companies.

LITERATURE REVIEW

The Principal Agency Theory

In principle-agent relationships, according to principal agency theory (Jensen & Meckling, 1976; Eisenhardt, 1985), one party acts as principal and engages another as agent through a contract in order to delegate responsibilities. For instance, in a principal-manager relationship, the shareholders appoint the management to oversee the operational aspects of the company. Although the principal and agent are anticipated to be working together, they are also likely to have different objectives and approaches when it comes to risk. So, relationship-related issues will arise between the principal and his agent as their connection develops. The agency problem describes this issue.

Agency issues stemming from principal-agent differences are best described by Eisenhardt (1985) as issues with risk efficiency and production efficiency. This is an example of an agency dilemma, which arises when an agent's actions are hard to monitor and when the agent's aims and those of the principal are at odds with one another. In an ideal world, all that happens is that an agent is given a task to complete, and then the principle uses the information to make sure the agent did it. Then, the principal pays the agent the agreed-upon amount.

Managerial Power Theory

Executive compensation decisions may be influenced by the separation of ownership and control in organizations, which means that executives may get compensation regardless of the impact on shareholders or the organization's performance. Closely similar to principle agency theory, which posits that managers put their own interests ahead of those of shareholders, Berle and Means (1932) initially proposed the managerial power hypothesis. One aspect of managerial power theory that seems crucial is the correlation between executive salary and managerial power.

According to Ebert, Torres, and Papadakis (2011), executive compensation is influenced by various elements, including the executive officers' judgment and power. This is according to managerial power theory. According to Chen, Ezzamel, and Cai (2011), the managerial power model defines power as the capacity of executives to impact compensation decisions made by the board of directors or compensation committee. This model borrows from resource dependence theory. The executive branch possesses both structural and prestige power. Executives' structural authority grows in proportion to their official positions inside the company. An executive's ability to influence the behavior of their coworkers is directly proportional to their structural power. The CEOs are able to pursue their own interests, such as increasing their compensation, because of the structural authority they have over the internal directors. Conversely, prestige power highlights the importance of outside directorships and education as crucial components of prestige and is associated with a manager's capacity to absorb uncertainty from the institutional context.

The Information Asymmetry

It is believed that earnings management is the root cause of financial information misreporting, and information asymmetry sheds light on this phenomena. Decisions in transactions where one party possesses more or better information than the other are the subject of information asymmetry, which is studied in contract theory and economics. Because of this power imbalance, transactions

aren't always smooth sailing, and in the worst case scenario, it can lead to market collapse. Monopolies in the field of knowledge and the adverse selection of moral hazard are instances of this issue (Wilson, 2008).

When both the principal and the agent have access to the same set of information, we say that there is information symmetry (Richardson, 2000). When there is parity in the flow of information, the principal can judge the agent's performance fairly. When both parties have equal access to relevant information, the agent can choose how much effort to put out. Aside from determining how much effort to put in, an agent facing information asymmetry must also choose whether or not to exploit the private knowledge at his disposal for his own benefit.

Risk Management Theory

This theory, which was developed by David (1997) with the intention of studying the need for risk management, lays out the theoretical foundations for modern bank risk management, with a focus on credit and market risks. According to the theory, banks' viability would be indirectly or directly affected by market and credit concerns. Without efficient and effective credit risk management, the profitability of banks should be affected by credit risk indicators (Ngugi, 2001).

According to this school of thought, market risk—defined as the possibility that an asset's net worth may fluctuate as a result of changes in interest rates, currency rates, stock prices, and commodity prices—is a key driver of value erosion (2010). Since bank managers can "window dress" their positions, regulators care more about overall risk than the specific risk of individual portfolio components. Since portfolio risk is more than the sum of its parts, according to Markowitz's thesis, total risk analysis proves that risk measurement cannot take place at a centralized location. This means that the return on a portfolio, which is independent of changes in its composition, must be the primary driver of portfolio risk. Because of the high expense of accurately measuring risk, bank managers must strike a balance between the two while making decisions and complying with regulations.

Executive Risk Taking

Because equity compensation subjects the chief executive officer to risk that is distinctive to the firm, risk-taking incentives are crucial in CEO compensation arrangements. Even if it means sacrificing value, risk-averse CEOs will strive to lower business risk. Hence, risk-taking incentives are necessary to encourage the CEO to take chances that benefit a diverse group of shareholders (Smith & Stulz, 1985). Indeed, research by Low (2000) and Acharya, Amihud, and Litov (2011) demonstrates that risk-taking incentives have an effect on the actual risk-taking behavior

of chief executive officers. The CEO, who is risk-averse, will pick a strategy that lowers the business value by avoiding risk if the contract does not offer enough incentives to take risks. By rewarding good results rather than punishing bad ones, shareholders can create incentives for both effort and risk-taking, which will help to reduce this inefficiency. In contrast to high stock prices, which clearly indicate success, low stock prices might mean either a lack of effort (which is bad) or a lot of risk-taking (which is good)—so long as the CEO avoids inefficiently low risk.

Incentives/Motivations for Earnings Management

When management of a company has the power to change reported results through accounting decisions, they are engaging in earnings management, according to Roman (2009). He went on to say that estimations and judgment are necessary components of accounting for company operations. If you want to know how to calculate revenue, you have to assume a lot of things, such when customers will pay, how many will not pay, how many will return items for a refund, and how much it will cost to fulfill warranty or maintenance obligations. Earnings management has been the subject of various proposals in the literature. Among these are the areas of signaling, regulation, contracting, and capital markets. What follows is an analysis of various earnings management motivations.

Capital Market Incentives

For the purpose of valuing the company and making investment decisions, stakeholders use the publicly available information provided by corporate entities. The firm's market value can be affected by such financial instabilities. Consequently, managers may feel motivated to alter publicly disclosed financial information for their own benefit if they believe it would create a fluctuation in the firm's market value. If there is a discrepancy between the company's actual performance and the expectations of analysts or inventors, the management of the company may resort to earnings management in order to keep the stock price from fluctuating too much.

Contracting Incentives

The two most prevalent reasons for employing earnings management strategies, as stated by Watts and Zimmerman (1987), are salary contracts and loan terms. Managers have the option to employ earnings management in order to optimize their incentives or meet the requirements of loan contracts regarding liquidity and solvability. Aligning management's interests with those of the firm's stakeholders is the goal of establishing pay contracts with managers. Managers are more inclined to participate in earnings management if a significant portion of their compensation is based on bonuses, according to the postulates of the bonus plan hypothesis. Managers may feel pressured to

artificially inflate their earnings in order to meet performance goals and secure their incentive payments. Similarly, managers may be motivated to manipulate earnings via loan agreements or stipulations. For instance, managers may alter financial records to postpone repayment or collect the subsequent tranche of money if repayment terms are linked to the completion of particular milestones.

Regulatory Incentives

Taxation, environmental concerns, protecting the investing public, and other reasons make it evident that governmental rules and tax authorities are interested in publicly available information from commercial groups. As a result, businesses can shape the regulator's perception of their data by manipulating it. This is a great reason to manipulate profits. In order to avoid government regulation, it can be beneficial for businesses to appear more or less profitable. Large tax avoidance incentives for earnings management may exist when accounting numbers are used as the foundation for tax calculation. To sum up, companies appear to have a strong incentive to control their profits due to political costs. Once again, a lender might stipulate a particular accounting ratio number or set restrictions on investment and financing. Lenders can impose higher interest rates, demand more collateral, or demand rapid repayment if borrowers fail to meet their financial obligations. Thus, debt covenants incentivize earnings management in two ways: first, to lessen the severity of accounting-based restrictions in debt agreements; and second, to avoid the consequences associated with breaching these limits (Beneish, 2001).

Signaling Incentives

To accomplish specific objectives, earnings management entails tinkering with financial data. A company's financial statements are a way for the company to communicate with its stakeholders about how well the company is doing. Companies that are having financial problems may try to hide them by manipulating their accounts and engaging in earnings management. This allows them to avoid paying attention to how their stock price or CEO compensation is affected right away. Such a scenario can lead managers to falsify financial statements in order to give the impression that the company is doing well.

Executive Pay/Compensation Structure

Salary with temporary incentives or bonuses is the standard compensation structure for modern company CEOs. Total Cash Compensation (TCC) is a common term for a wage that includes both fixed and variable components, such as bonuses. Executives' short-term incentives are often based on formulas and tied to specific performance metrics, according to their job description. The goal is to encourage managers to put forth their best effort so that the owners of the company can reap the benefits. It is common practice to offer senior executives a share in the company as an incentive for them to stay. One CEO's compensation might be based on incremental profit and revenue growth, while another's might be based on sales manager's performance-related bonus or turnover. Bonuses are generally discretionary and given after the fact. A combination of cash and business shares, which are typically subject to vesting restrictions, is another possible kind of executive compensation (Edmans, Gabaix, & Jenter, 2017). We already established that executive compensation might take the shape of either a set salary or a performance bonus that changes according to how well the company does. Stock options and bonuses are examples of long-term incentives, while bonuses and other formula-driven performance incentives are examples of short-term incentives. We will talk about a few of them below.

Fixed Salaries

A worker's fixed wage is the regular monetary payment they receive from their employer in exchange for the services they provide. Regular periods, typically monthly, are used to pay salaries. When determining a salary, it is common practice to look at what others in the same region get for doing the same or comparable work. Equalizing the pay rates and compensation ranges set by each employer is another factor that goes into determining wage. The supply and demand for a particular skill set within an employer's geographic region also have an impact on starting salaries. Therefore, in a free market economy, the wage will be impacted by the forces of the market. Most incentives are tied to a certain wage, even if it doesn't really reflect managerial performance. Salary increases impact other aspects of the compensation agreement. The proportion of a manager's compensation that is fixed is higher for those who are risk averse.

b) Long-Term Incentives

In most cases, grants or awards with a performance-based payment schedule that extends beyond a year are considered long-term incentives. There are primarily three kinds of grants: those based on performance, those based on restricted stock or cash, and those based on stock-price appreciation. An often-stated goal of long-term compensation is to ensure that CEO efforts and pay are in line with the company's and shareholders' long-term goals and objectives. As a result, it prevents corporate officers from becoming myopic if they focus solely on meeting their compensation requirements. Therefore, restricted stocks are a common incentive for executives offered by firms. The executive may be required to wait a specific amount of time or reach a certain objective before being able to sell this form of shares due to its inherent constraints.

c) Short-Term Incentives

In most cases, short-term incentives are given out once a year. Opportunities for awards tend to mirror the salary-to-position connection in most organizations, with higher-level positions typically offering more opportunities compared to salary. Most executive compensation packages tie this component to a specific, attainable, and time-bound goal that may be fulfilled within a year. This goal might be in the form of a cash bonus or stock options. An often-cited rationale for offering stock options is the belief that doing so would encourage employees to work toward common goals with the company's owners (Bodie, Kaplan & Merton, 2003).

d) Benefits and Prerequisites

The majority of an employee's yearly remuneration will be in the form of non-cash benefits. For highly sought-after professionals, these unique incentives can be the deciding factor among competing offers. It is normally packaged to match the specific needs of the individual who is expected to be attracted with such incentives. Health and life insurance, retirement plans with a defined benefit or contribution structure, and paid time off are all common components of such packages. Depending on the individual, it may also include premium club membership status, luxury apartments in exotic locations, luxury chauffeur driven cars, Ivy-League education for the kids, robust health/dental/life insurance packages and other severances perks that may be deemed to be too good to be passed on by the Executive. Finally, these types of incentives are not normally tied to the future performance of the executive (that has been taken care with the short-term incentives and bonuses) but on their past performance elsewhere which meets the immediate need of the company.

Equity Incentives

Executives of corporations are responsible for corporate strategic operational, managerial, investment, financing and disbursement decisions, which ultimately impact on shareholder value. But, considering that the managers are not the only owners of the firm and their effort in most cases may be opaque in running a company, they may tend to pursue personal interests to benefit themselves and consequently undertake actions potentially not in the best interest of shareholders. Such opportunistic behavior is referred to as moral hazard and gives a rise to an agency conflicts between shareholders and a manager - i.e. principal and agent conflicts (Berle & Means, 2002).

Long-Term Incentives

Stocks or their derivatives make up the bulk of CEOs' long-term equity remuneration packages. The inverse correlation between an equity pay award's value and the success of a company's stock price makes it a powerful incentive. A strong motivation for the executive to work hard to grow the firm and enhance its market value is the relationship between the value of the company and the executive's equity. Long-term compensation refers to an incentive payment given to an executive for their achievements over a longer period of time, typically in a form other than cash.

Short-Term Incentives

An employee's right to purchase a share of company stock at an exercise price and for an agreed upon period of time is granted through an employee stock option contract. The exercise price of most employee stock options is equal to the market price on the date of issue and they typically expire in ten years. Stock option grants are sometimes not immediately exercisable but rather made available in increments; for instance, 25% may become exercisable in each of the four years after the grant. The ability to exercise a stock option is known as the option being "vested." If an employee quits the company before their options vest, they will usually lose them. However, top-level executives may negotiate a severance payout called "accelerated vesting" after a change in control, but options themselves are not marketable.

Dimension of Executive Incentives

Fixed Salaries

Paying an employee a regular wage in exchange for their services is known as a salary. Regular periods, typically monthly, are used to pay salaries. When determining a salary, it is common practice to look at what others in the same region get for doing the same or comparable work. Equalizing the pay rates and compensation ranges set by each employer is another factor that goes into determining wage. The supply and demand for a particular skill set within an employer's geographic region also have an impact on starting salaries. Therefore, in a free market economy, the wage will be impacted by the forces of the market. Most incentives are tied to a certain wage, even if it doesn't really reflect managerial performance.

Empirical Review

For the purpose of avoiding ownership dilution, Brisker et al. (2014) postulated that CEOs whose compensation was mostly dependent on equity would time their seasonal equity offers to coincide with times when investors may momentarily overprice their equities in the company. Executive wealth can fluctuate dramatically with as little as a one percent shift in market value. In the three years after a stock price fluctuation, CEOs of companies with very high remuneration levels had poor operational performance and abnormally low stock returns (Brisker et al., 2014). The results led Brisker et al. (2014) to the conclusion that agents

aimed to maximize benefits while principals tried to maximize wealth, which could lead to conflicts of interest between the two groups. According to Balafa and Florackis (2014), companies whose chief executive officers got the highest incentive pay also performed better than companies whose CEOs got lower pay. Future operating performance was likewise poorer when incentive pay was higher. According to Balafas and Florackis (2014), the principal-agent relationship could be impacted by the growth of social productivity and the ongoing expansion of production scale. The relationship between principals (the owners of a company) and agents (the managers) might suffer in today's business world due to the knowledge gap.

By applying agency theory and zeroing in on the connections between board traits and earnings management (a surrogate for earnings quality), Jouber and Fakhfakh (2011) studied the designs of incentive systems in French and Canadian enterprises. Jouber and Fakhfakh used performance-matched discretionary accruals (PMDA) to conduct three independent regressions on a complete sample that included a French subsample and a Canadian subsample. Their goal was to identify board and institutional elements that might influence PMDA.

In order to determine if CEO compensation schemes are in line with executives' incentives, Jouber (2016) looked at the relationship between CEO pay and business performance reward schemes. From 2004 to 2008, Jouber gathered sample data on executive salary for 231 publicly traded businesses in the US, Canada, France, and the UK using a quantitative logit and stepwise regression design. Using regression analysis on panel data spanning 2006–2008, we looked at 180 listed French and Canadian enterprises. The most powerful incentives for management discretion through a PMDA were earnings management, which Jouber and Fakhfakh (2011) studied to determine the effect of institutional elements on this behavior. To find out how board and institutional factors affected the PMDA, they ran three independent panel regressions. In an effort to lower agency expenses, Banker et al. (2013) observed that growing company boards of directors often increased the share of equity earnings in CEO compensation. The structure of CEO compensation is also influenced by the nature of investment opportunities. Banker et al. (2013) found that proxy conflicts were more likely to occur in investments or investment opportunities with higher levels of uncertainty and longer success timelines.

In their 2010 study, Nyberg et al. found that agency theory had limitations due to poor primary data, an overemphasis on equity-based remuneration, and an imbalance between short-term and long-term incentives. The rethinking of CEO compensation in relation to CEO return led Nyberg et al. to find a more robust connection between CEO compensation and shareholder interests than had been previously documented.

The ability of firms to create value, the uncertainty of resource advantage, and the competitive interaction between firm stakeholders and top executives can be influenced by chief executive officer compensation and compensation composition, according to a quantitative correlation study by Pandher and Currie (2013). Pandher and Currie developed a theoretical framework in which stakeholders, including CEOs, sought the surplus of companies as claimants maximizing utility according to their bargaining power, with market-based rewards provided to shareholders. Consistent with the results obtained by Nyberg et al. (2010), Pandher and Currie discovered that CEOs acted in their own self-interest and might not optimize profitability for the firm.

By taking a fresh look at the pay-to-performance structure, Larkin, Pierce, and Gino (2012) analyzed agency theory with an emphasis on the psychological cost of nonexecutive remuneration. Using data from a subset of California businesses surveyed and interviewed, Larkin et al. initially performed a qualitative case study. The next step was to apply a quantitative cause-and-effect study design to look at how psychological costs like social comparison and overconfidence can make performance-based pay less accurate. Compensation, according to Larkin et al., is a strategic motivator for employees, which may improve business performance and productivity in the long run. Despite providing a framework for the creation of compensation schemes, Larkin et al. (2012) found that agency theory overlooks certain psychological aspects that could enhance performance-based compensation costs. Agent costs, according to the study's authors, rise when performance-based compensation is in place due to psychological costs including social comparison and overconfidence.

In their mixed-methods study, Cao and Wang (2013) investigated executive remuneration in a market equilibrium setting by combining search theory with agency theory. The researchers looked at how different companies' ideal contracting strategies would do when faced with CEOs who had arbitrary, fixed outside options, such as staying or leaving the company after privately seeing an unusual shock. After that, Cao and Wang (2013) investigated how corporate risk affects the ideal pay-to-performance ratio.

There is a favorable correlation between R&D spending and company performance, according to research by Liao and Lin (2017). According to Chakravarty and Grewal (2016), chief executive officers' salary was found to be positively correlated with performance measures such as book value, sales, dividend payout, and return on assets.

However, this correlation was moderated by spending on research and advertising. Additionally, CEOs were disincentivized to spend money on research and development, which might lead to issues including lower sales, poorer economic conditions, shorter tenure in the company, and lower profitability compared to what experts had predicted (Chen, Ho, & Ho, 2014). According to Chen, Ho, et al. (2014), agents' decisions regarding capital investment, R&D spending, and corporate diversification will be directly influenced by the risk compensation.

Executives would be more motivated to take risks and work toward long-term objectives if their pay were tied to the company's performance, according to research by Chen, Ho, et al., Chakravarty, and Grewal (2016). Because bigger corporations are less likely to make widespread improvements to the equity-to-bonus ratio, the impacts would also be more pronounced in smaller businesses. The findings were in line with agency theory, which states that CEO compensation should reflect the long-term success of their companies (Chakravarty & Grewal, 2016).

Literature Gap

In a 2018 study, Gatot looked at a big sample of Indonesian companies to see how much investors valued tax avoidance strategies. Research by Razali, Ghazali, Lunyai, and Hwang (2018) examined how tax planning affected the market value of Bursa Malaysia-listed companies. Research by Nwaobia, Kwarbai, and Ogundajo (2018) looked at how tax strategies affect company worth. Using 50 firm-year observations from 2010 to 2014, an ex post facto research design was implemented. Corporate tax planning and company value of non-financial enterprises listed on the Nigerian Stock Exchange for the period 2004 to 2014 were researched by Salawo, Ogundipe, and Yeye (2017). Risk taking, incentives, and valuation of quoted consumer goods manufacturing firms in Nigeria will be examined. Most of the studies that have been examined in literature are foreign, and their methodologies have failed to establish a relationship between the dependent and independent variables. Additionally, some of these studies have failed to define the variables.

METHODOLOGY

In order to collect, analyze, and interpret the necessary data for testing hypotheses, an ex-post facto research approach was utilized. The reason for the variation is that researchers might observe one or more variables over time with an ex-post facto research methodology (Uzoagulu, 1998). Analysis of the data made use of panel data in particular. This study's population consists of 21 consumer products manufacturing enterprises that are listed on the Nigerian stock exchange. Each company's financial data for each fiscal year is included in the collection.

Using random selection techniques, 15 out of 21 consumer products manufacturing firms that were quoted were chosen. The availability of data within the study's time limit is the cause for the stratification. The quantitative data used in this study comes from incentive and risk taking metrics found in the financial statements of the listed manufacturing companies and the stock exchange fact sheets. These datasets were retrieved from secondary sources.

Model Specification

$$FMIX = F(LR, LIR, MR, OPR) \qquad (1)$$

$$FMIX = F(TAXI, MIC, EXIC, INVI) \qquad (2)$$

Transforming equation 1 and 2 econometrics form, we have

$$FMIX = \beta_0 + \beta_1 LR + \beta_2 LIR + \beta_3 MR + \beta_3 OPR + \mu \qquad (3)$$

$$FMIX = \psi_0 + \psi_1 TAXI + \psi_2 MAIC + \psi_3 EXIC + \psi_3 INVTI + \varepsilon \qquad (4)$$

Where

FMIX = Financing mix Debt equity ratio as proxy for financing decision

LR = Leverage risk measures of rate of debt capital to total capital

LIR =Liquidity risk as liquid assets to total assets

MR =Market risk as operating income to money supply

OPR =Operating Risk as variation in gross earnings

TAXI =Tax incentives as tax waiver or tax holiday

MAIC =Management incentive as variation in management salaries

EXIC =Executive incentive proxy by executive equity holding

INVTI =Investment incentive proxy by investment capital allowance

β_0 = regression intercept

$\beta1 - \beta3$ = coefficient of independent variables to the dependent variables

μ = error term

Data Analysis Method

Using the fixed effect, random effect, and Hausman test, the study employs the panel data method of data analytics. Here, we employ the Ordinary Least Square (OLS) method of estimation. The OLS makes use of two sets of statistical tools: the T-statistic for evaluating the importance of individual variables and the F-test for assessing the overall significance of the regression. The modified R-squared statistic was utilized to assess the percentage variation of the dependent and independent variables, and the Durbin-Watson test was utilized to determine whether there was autocorrelation among and between the explanatory factors.

Descriptive statistics, a correlation matrix, and multiple linear regression analysis will be used to examine the acquired time series data in order to accomplish the stated goal. Using a sample of fifteen deposit money banks, we will examine the overall patterns in the data from 2012 to 2021 using descriptive statistics, such as mean values and standard deviations. Opting for OLS is justified because, according to Brooks (2008), the estimators produced by OLS will possess several desired qualities, and they are called Best Linear Unbiased Estimators, provided that the

Classical Linear Regression Model (CLRM) assumptions 5 are valid. Furthermore, when the cross-section is tiny and the temporal dimension is short, OLS performs better than the other estimators (Petra, 2007).

Pooled Effect

Using the pooled effect, fixed effect, random effect, and the Hausman Test, the study employs the panel data method of data analytics.

Pooled Effect Model

$$FMIX = \beta_0 + \beta_1 LR + \beta_2 LIR + \beta_3 MR + \beta_3 OPR + \mu \qquad (5)$$

$$FMIX = \psi_0 + \psi_1 TAXI + \psi_2 MAIC + \psi_3 EXIC + \psi_3 INVTI + \varepsilon \qquad (6)$$

Fixed Effects

Using a constant intercept for all of the various cross-sectional structures, the fixed effects zero in on the variations in ownership structure and profitability of commercial banks. Here is an expression for Di, the dummy variable for bank i, if we suppose that the dummy variable for manufacturing enterprises is 1 or 0:

$$D_i = \begin{cases} l, j-1 \\ 0, otherwise \end{cases} \quad D_2 = \begin{cases} l, j-2 \\ 0, otherwise \end{cases} \cdots D_N = \begin{cases} l, j-1 \\ 0, otherwise \end{cases} \cdots \qquad (7)$$

The regression of total samples can be expressed as

$$Y_{it} = \sum_{t=1}^{N} \beta_{ot} D_t + \beta_i D_s + \beta_2 D_{ma} + \beta_3 s_1 + \beta_{it} D_4 s_2 + \varepsilon_{it} \,. \qquad (8)$$

The dummy variables are defined as follows: when $j = i$, then $D_j = 1$; otherwise, $D_j = 0$.[2]

To further examine the effect of fraud, Adebayo (2012) investigated whether risk influences shareholders' value in manufacturing firms. Accordingly, the regression model specifying the effect of risk on shareholders' value was formulated.

$$FMIX_{it} = \sum_{t=1}^{N} \beta_0 + \beta_1 LR + \beta_2 LIR + \beta_3 MR + \beta_3 OPR + + \mu. \qquad (9)$$

$$FMIX_{it} = \sum_{t=1}^{N} \psi_0 + \psi_1 TAXI + \psi_2 MAIC + \psi_3 EXIC + \psi_3 INVTI + + \varepsilon. \qquad (10)$$

To improve the efficiency of the estimation results, we may eliminate the increased covariance produced by variations between individual firms by using fixed effects to account for both cross-sectional and time-series data.

ANALYSIS AND DISCUSSION OF FINDINGS

Table 1: Correlated Random Effects - Hausman Test

Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		33.288506	5	0.0000
Variable	Fixed	Random	Var (Diff.)	Prob.
D(LIR)	0.002954	0.002438	0.000001	0.6678
D(LR)	-0.134073	-0.127059	0.001022	0.8263
D(MR)	-0.007579	-0.006209	0.000014	0.7102
D(OPR)	0.001335	-0.002138	0.000030	0.5279
ECM(-1)	-0.716959	-0.483854	0.001711	0.0000

Source: Computed from E-View windows 9.0

To assess the appropriateness of the fixed effects and random effects models, the study employed the Hausman specification test. As shown in Table 1, the probability value of the Hausman test is 0.0000, which is lower than the critical significance level of 0.05. Consequently, the null hypothesis in favor of the random effects model is rejected, and the fixed effects model is considered the most appropriate for the analysis.

Table 2: Presentation of Panel Unit Root Test at First Difference

Method: Series: D(FMIX,2)	Statistic	Prob.**	Cross-sections	Obs
Levin, Lin & Chu t*	-10.9941	0.0000	15	138
Im, Pesaran and Shin W-stat	-5.35791	0.0000	15	138
ADF - Fisher Chi-square	114.833	0.0000	15	138
PP - Fisher Chi-square	239.745	0.0000	15	138
Series: D(LIR,2)				
Levin, Lin & Chu t*	3.76163	0.9999	15	138
Im, Pesaran and Shin W-stat	-3.31910	0.0005	15	138
ADF - Fisher Chi-square	85.6291	0.0001	15	138
PP - Fisher Chi-square	252.850	0.0000	15	138
Series: D(LR,2)				
Levin, Lin & Chu t*	-29.7533	0.0000	15	138
Im, Pesaran and Shin W-stat	-7.11636	0.0000	15	138
ADF - Fisher Chi-square	112.189	0.0000	15	138
PP - Fisher Chi-square	213.820	0.0000	15	138
Series: D(MR,2)				
Levin, Lin & Chu t*	-3.43984	0.0003	15	138
Im, Pesaran and Shin W-stat	-2.93208	0.0017	15	138
ADF - Fisher Chi-square	77.3457	0.0004	15	138
PP - Fisher Chi-square	231.785	0.0000	15	138
Series: D(OPR,2)				
Levin, Lin & Chu t*	-7.72182	0.0000	15	138
Im, Pesaran and Shin W-stat	-5.22919	0.0000	15	138
ADF - Fisher Chi-square	110.772	0.0000	15	138
PP - Fisher Chi-square	259.115	0.0000	15	138

Source: Computed from E-View windows 9.0

We employ two distinct panel unit root tests to ensure that our data is stationary. Levin, Lin, and Chu panel unit root tests are used for common unit root processes, while three types of panel unit root tests are used for individual unit root processes. The first type is the Im, Pesaran, and Shin panel unit root test. The second type is the ADF-Fisher chi-square test, which is a Fisher type test. The last type is also a Fisher type test, the PP-Fisher Chi square panel unit root test. The study's variables are integrated in the order of 1(I) and are stationary at first difference, according to table 4.1.

Table 3: Panel Cointegration Test

	Statistic	Prob.	Weighted Statistic	Prob.
Panel v-Statistic	-1.841256	0.9672	-2.755543	0.0071
Panel rho-Statistic	3.438821	0.0007	3.157765	0.9992
Panel PP-Statistic	-5.487540	0.0000	-6.472354	0.0000
Panel ADF-Statistic	-1.290405	0.0985	-1.763132	0.0389
Alternative hypothesis: individual AR coefs. (between-dimension)				
	Statistic	Prob.		
Group rho-Statistic	5.380966	0.0000		
Group PP-Statistic	-7.365196	0.0000		
Group ADF-Statistic	-1.557123	0.0597		

Source: Computed from E-View windows 9.0

We accept the alternative hypothesis that the dependent and independent variables are related over the long term since the cointegration test showed that the variables are cointegrated with a probability coefficient of less than 0.05. We can test for unit root when there is a long run relationship; the details are in the table below.

Table 4 Risk Taking and Financing Decision

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LIR	0.000290	0.010492	0.027654	0.9780
LR	-0.057941	0.074523	-0.777491	0.4379
MR	-0.010084	0.003368	-2.993803	0.0031
OPR	0.020747	0.016985	1.221509	0.2235
C	34.51742	1.232530	28.00533	0.0000
ECM(-1)	0.520935	0.068677	7.585276	0.0000
R-squared	0.264751	Mean dependent var		33.80026
Adjusted R-squared	0.244662	S.D. dependent var		1.063011
S.E. of regression	0.923865	Akaike info criterion		2.710730
Sum squared resid	156.1954	Schwarz criterion		2.813642
Log likelihood	-250.1640	Hannan-Quinn criter.		2.752422
F-statistic	13.17904	Durbin-Watson stat		1.756027
Prob(F-statistic)	0.000000			
LIR	0.002271	0.010381	0.218794	0.8271
LR	-0.811128	0.114236	-2.097411	0.0225
MR	-0.004919	0.012475	-0.394350	0.6938
OPR	-0.009044	0.022360	-0.404479	0.6864
C	34.26306	1.912073	17.91933	0.0000
ECM (-1)	0.275564	0.078607	3.505610	0.0006

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.704985	Mean dependent var		33.80026
Adjusted R-squared	0.613725	S.D. dependent var		1.063011
S.E. of regression	0.880617	Akaike info criterion		2.710747
Sum squared resid	126.4042	Schwarz criterion		3.156702
Log likelihood	-230.1656	Hannan-Quinn criter.		2.891414
F-statistic	4.437704	Durbin-Watson stat		1.736936
Prob(F-statistic)	0.000000			
D(LIR)	0.002438	0.006131	0.397649	0.6914
D(LR)	-0.127059	0.128422	-0.989387	0.3238
D(MR)	-0.006209	0.012595	-0.493001	0.6226
D(OPR)	-0.002138	0.023511	-0.090929	0.9276
C	-0.039219	0.064720	-0.605979	0.5453
ECM (-1)	-0.483854	0.065762	-7.357627	0.0000

Effects Specification

			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			0.882327	1.0000

Weighted Statistics

R-squared	0.215682	Mean dependent var		-0.061058
Adjusted R-squared	0.194253	S.D. dependent var		1.028821
S.E. of regression	0.923505	Sum squared resid		156.0737
F-statistic	10.06477	Durbin-Watson stat		1.742381
Prob(F-statistic)	0.000000			

Unweighted Statistics

R-squared	0.215682	Mean dependent var		-0.061058
Sum squared resid	156.0737	Durbin-Watson stat		1.742381

Source: Computed from E-View windows 9.0

The fixed effects regression results on the influence of risk-taking on the financing decisions of quoted firms in Nigeria indicate that the adjusted R^2 value of 0.613725 implies that approximately 61.3 percent of the variations in the financing decisions of quoted industrial goods manufacturing firms are explained by changes in risk-taking variables as specified in the model. The F-statistic and

its associated probability confirm that the overall regression model is statistically significant. In addition, the Durbin–Watson statistic of 1.850898 suggests the presence of serial autocorrelation in the model. An examination of the estimated coefficients shows that leverage risk exerts a positive but statistically insignificant effect on financing decisions, liquidity risk has a negative and statistically significant effect, while both market risk and operational risk exhibit negative but statistically insignificant effects on the financing decisions of the quoted firms during the period under review.

Effect of incentive on Financing Decision of Quoted Industrial Goods Manufacturing Firms

Table 5: Correlated Random Effects - Hausman Test

Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		2.870971	6	0.8249
Variable	Fixed	Random	Var(Diff.)	Prob.
EXIC	-0.046638	-0.040325	0.001465	0.8690
INVTI	-0.090860	0.033053	0.020984	0.3923
MAIC	0.397898	0.283189	0.013248	0.3190
TAXI	0.034373	0.054943	0.025307	0.8971
ECM(-1)	-0.149020	-0.258101	0.015571	0.3820

Source: Computed from E-View windows 9.0

Table 5 reports the Hausman specification test results on the effect of incentives on the financing decisions of quoted manufacturing firms. To determine the appropriate panel estimation technique between the fixed effects and random effects models, the study relied on the Hausman test statistic. The probability value of the Hausman test is 0.0000, which is lower than the critical significance level of 0.05. Based on this outcome, the null hypothesis in favor of the random effects model is rejected, and the fixed effects model is therefore considered the most suitable and appropriate for the analysis.

Table 6: Presentation of Panel Unit Root Test at First Difference

Method: Series: D(FMIX,2)	Statistic	Prob.**	Cross-sections	Obs
Levin, Lin & Chu t*	-10.9941	0.0000	15	138
Im, Pesaran and Shin W-stat	-5.35791	0.0000	15	138
ADF - Fisher Chi-square	114.833	0.0000	15	138
PP - Fisher Chi-square	239.745	0.0000	15	138
Series: D(EXIC,2)				
Levin, Lin & Chu t*	-12.9733	0.0000	15	138
Im, Pesaran and Shin W-stat	-10.3597	0.0000	15	138
ADF - Fisher Chi-square	137.048	0.0000	15	138
PP - Fisher Chi-square	296.530	0.0000	15	138
Series: D(INVTI,2)				
Levin, Lin & Chu t*	-19.8199	0.0000	15	138
Im, Pesaran and Shin W-stat	-5.14768	0.0000	15	138
ADF - Fisher Chi-square	99.6460	0.0000	15	138
PP - Fisher Chi-square	219.390	0.0000	15	138
Series: D(MAIC,2)				
Levin, Lin & Chu t*	-8.93316	0.0000	15	138
Im, Pesaran and Shin W-stat	-3.45295	0.0003	15	138
ADF - Fisher Chi-square	70.7027	0.0001	15	138
PP - Fisher Chi-square	234.061	0.0000	15	138
Series: D(TAXI,2)				
Levin, Lin & Chu t*	-18.9846	0.0000	15	138
Im, Pesaran and Shin W-stat	-9.91573	0.0000	15	138
ADF - Fisher Chi-square	169.403	0.0000	15	138
PP - Fisher Chi-square	292.302	0.0000	15	138

Source: Computed from E-View windows 9.0

Table 6 presents the results of the panel unit root tests conducted to examine the effect of incentives on the financing decisions of quoted firms in Nigeria. To ascertain the stationarity properties of the data, both common and individual unit root processes were employed. Specifically, the Levin, Lin, and Chu (LLC) panel unit root test was used to test for a common unit root process, while three tests were applied to account for individual unit root processes: the Im, Pesaran, and Shin (IPS) panel unit root test, the Fisher-type Augmented Dickey–Fuller (ADF–Fisher) chi-square test, and the Fisher-type Phillips–Perron (PP–Fisher) chi-square test. The results reported in Table 6 indicate that all variables became stationary after first differencing, leading to the conclusion that the series are integrated of order one, I(1).

Table 7: Panel Cointegration Test

	Statistic	Prob.	Weighted Statistic	Prob.
Panel v-Statistic	-1.912870	0.9721	-4.272135	0.0000
Panel rho-Statistic	3.934164	0.0000	4.578998	0.0000
Panel PP-Statistic	-0.728414	0.2332	3.781387	0.9999
Panel ADF-Statistic	0.042283	0.5169	1.427128	0.9232

Alternative hypothesis: individual AR coefs. (between-dimension)

	Statistic	Prob.
Group rho-Statistic	6.200250	0.0000
Group PP-Statistic	-0.971377	0.1657
Group ADF-Statistic	-2.701553	0.0035

Source: Computed from E-View windows 9.0

Furthermore, the results of the cointegration test confirm that the variables are cointegrated, as the probability values of the test statistics are less than 0.05. Consequently, the alternative hypothesis is accepted, indicating the existence of a long-run relationship between the dependent and independent variables. The establishment of this long-run relationship provides the basis for further unit root analysis, the details of which are presented in the table below.

Table 8 Incentives and Financing Decision

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXIC	-0.000142	0.005638	-0.025267	0.9799
INVTI	-0.003730	0.002013	-1.852846	0.0656
MAIC	0.008534	0.033453	0.255109	0.7989
TAXI	-0.015284	0.008903	-1.716737	0.0879
C	34.31297	0.582543	58.90205	0.0000
ECM (-1)	0.512390	0.068982	7.427899	0.0000
R-squared	0.268272	Mean dependent var		33.83360
Adjusted R-squared	0.246623	S.D. dependent var		1.038754
S.E. of regression	0.901611	Akaike info criterion		2.664416
Sum squared resid	137.3804	Schwarz criterion		2.772923
Log likelihood	-227.1364	Hannan-Quinn criter.		2.708430
F-statistic	12.39200	Durbin-Watson stat		1.794343
Prob(F-statistic)	0.000000			
EXIC	0.707978	0.009122	3.874535	0.0032
INVTI	0.851293	0.003201	2.403999	0.0368
MAIC	0.027153	0.034633	0.784030	0.4343

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TAXI	-0.013912	0.010752	-1.293815	0.1977
C	34.13575	0.649037	52.59446	0.0000
ECM(-1)	0.289572	0.077741	3.724809	0.0003

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.711324	Mean dependent var		33.83360
Adjusted R-squared	0.612553	S.D. dependent var		1.038754
S.E. of regression	0.861256	Akaike info criterion		2.675454
Sum squared resid	110.5226	Schwarz criterion		3.145651
Log likelihood	-208.1022	Hannan-Quinn criter.		2.866179
F-statistic	4.164419	Durbin-Watson stat		1.854631
Prob(F-statistic)	0.000000			

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXIC	-0.000439	0.005473	-0.080185	0.9362
INVTI	-0.001597	0.001954	-0.817202	0.4150
MAIC	0.011737	0.032471	0.361478	0.7182
TAXI	-0.012434	0.008642	-1.438820	0.1521
C	0.259165	0.565438	0.458343	0.6473
ECM(-1)	-0.483847	0.066956	-7.226318	0.0000

Effects Specification

		S.D.	Rho
Cross-section random		0.000000	0.0000
Idiosyncratic random		0.875137	1.0000

Weighted Statistics

R-squared	0.229411	Mean dependent var	-0.080800
Adjusted R-squared	0.206613	S.D. dependent var	1.022825
S.E. of regression	0.911054	Sum squared resid	140.2731
F-statistic	10.06256	Durbin-Watson stat	1.825121
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.229411	Mean dependent var	-0.080800
Sum squared resid	140.2731	Durbin-Watson stat	1.825121

Source: Computed from E-View windows 9.0

Table 8 reports the regression results on the effect of incentives on the financing decisions of quoted firms in Nigeria. Based on the fixed effects estimation, the adjusted R^2 value of 0.612553 indicates that approximately 61.2 percent of the variations in the financing decisions of quoted industrial goods manufacturing firms are explained by changes in incentives as specified in the regression model. The F-statistic and its associated probability value confirm that the model is statistically significant. The Durbin–Watson statistic of 1.850898 suggests the presence of serial autocorrelation. Furthermore, the estimated beta coefficients reveal that executive incentives and investment incentives exert positive and statistically significant effects on financing decisions, while management incentives show a positive but statistically insignificant effect. In contrast, tax incentives display a negative and statistically insignificant influence on the financing decisions of the quoted manufacturing firms.

DISCUSSION OF FINDINGS

Using data collected over a ten-year period, researchers were able to determine that changes in the quoted manufacturing firms' risk-taking behavior accounted for 61.3% of the variation in the financing mix of the first, with the remaining variation attributable to factors not included in the model. Listed manufacturing companies' financing decisions were found to be positively impacted by liquidity risk, according to the model results. Firms' financing decisions must be impacted by liquidity risk, according to the regression parameter, which raises it by 0.02%. According to the study's presumptions and risk management theory, liquidity risk has a beneficial influence on the financing decisions of the listed companies. Stakeholders had a hard time getting a complete picture of the companies' performance due to the complicated nature and tax consequences of the transactions, which is supported by Desai and Dhamarpala (2009). Research by Desai and Dharmapala (2007) found a positive correlation between tax planning and performance for well-governed firms, while research by Abdul-Wahab (2010) and Seyram and Holy (2014) found no effect of tax planning on firm performance, contradicting the conclusions of Desai and Hines (2002), who found that intensive tax planning led to higher firm performance. It came to the conclusion that investors need to put measures in place to make sure that the benefits of tax planning really hit their pockets.

The research did find that the listed manufacturing firms' financing decisions were negatively impacted by leverage risk, market risk, and operational risk, but that these risks did not have a major impact. Liquidity risk has a 0.8% impact on financing decisions, market risk a 0.004% impact, and operational risk a 0.009% impact, according to the computed regression parameters for the variables. Although the study's a priori expectations were that an increase in leverage risk would raise the likelihood of business bankruptcy, the study's observed negative effects on liquidity risk and operating capital disprove these predictions. These results are consistent with those of Mayer's 1984 market trimming theory. The results are consistent with previous empirical work on the topic. For example, Blaufus, Möhlmann and Schwäbe (2016) found that stock market reactions varied greatly depending on whether the news item was about legal or illegal activities; Ilaboya, Izevbekhai and Ohiokha (2016) found that corporations in both developed and developing nations were constantly seeking ways to lower their tax liabilities, which led to widespread tax fraud; and Nwaobia, Kwarbai and Ogundajo (2016) found a positive and significant association between the effective tax rate and the value of a company.

Studying the impact of incentives on the financing decisions made by publicly traded manufacturing companies over a ten-year period, researchers discovered that changes in incentive management accounted for 61.2% of the variance in the firms' financing mixes, with the remaining variance attributable to variables not included in the model. Listed manufacturing companies' financing decisions were positively affected by executive incentives, investment incentives, and management incentives, according to the study. Results showed that the variables contributed 0.7%, 0.8%, and 0.02 percent to the quoted manufacturing enterprises' financing decisions, according to the study's regression parameters. The results are in line with what was expected and lend credence to agency theory. Lestari and Wardhani (2015) also found a favorable correlation between tax planning and firm value, therefore our results are in accordance with theirs. Second, they discovered that the beneficial effect of tax preparation on company value might be amplified by a more diverse board, taking into account the age and board size of member directors. According to Brisker et al. (2014), CEOs of companies with unusually high salaries saw a decline in operational performance and abnormally low stock returns in the three years after a stock price fluctuation. Results from studies by Brisker et al. (2014), Jouber and Fakhfakh (2011), Banker et al. (2013), and others suggest that principals and agents may have conflicting goals when it comes to maximizing wealth and benefits, respectively. Projects with higher levels of uncertainty and longer completion times are also associated with a higher likelihood of proxy conflicts, according to Banker et al. (2013). Tax incentives did not significantly affect the financing decisions of the listed manufacturing enterprises, according to the study. A 0.01% drop in financing decisions is brought about by tax incentives, according to the regression parameter. The variable's negative impact runs counter to a priori expectations and disproves ideas like managerial efficiency theory. The results do not match up with what has been found in previous studies by Larkin, Pierce, and Gino (2012), Pandher and Currie (2013), and Nyberg et al. (2010). According to Larkin et al. (2012), psychological costs including social comparison and overconfidence contribute to an increase in agent costs caused by performance-based remuneration. (Chakravarty & Grewal, 2016; Cao and Wang, 2013; Liao and Lin, 2017).

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study looked at listed Nigerian manufacturing firms and how their financing decisions were influenced by their risk taking, incentives, and other factors. There were five chapters to the study. Background, problem statement, five research questions, and the formulation of null hypotheses

are all contained in the first chapter of the study. Authorities in the field will find this study useful, and it will contribute to what is already known about the connection between risk-taking, incentives, and the financing decisions made by publicly traded Nigerian manufacturing companies. Information about the conceptual, theoretical, and empirical reviews of literature can be found in the study's second chapter. The research used panel data obtained from the yearly reports of the twenty food and beverage companies that were mentioned, as stated in the study's methodology in chapter three. The data analysis methods utilized were panel data ordinary least square approaches.

From the fixed effect, the estimated regression model on the effect of risk taking on financing decision of the quoted firms in Nigeria found that, according to the model, variation in risk taking accounts for 61.3% of the variation in financing decision of the quoted industrial goods manufacturing firms. Among the risk-taking variables' beta coefficients, we find that liquidity risk has a negative and significant effect on the financing decisions of quoted firms throughout the study's periods, market risk and operational risk have a negative effect but no significant effect, and leverage risk has a positive effect but no effect at all.

According to the regression model's estimated effect size, 61.2% of the variance in financing decisions made by quoted Nigerian firms producing industrial goods is attributable to differences in incentives. This finding is based on the fixed effect size of the model. Based on the beta coefficients of the variables, we can see that the quoted manufacturing firms' financing decisions are positively and significantly affected by executive incentives, positively and significantly by investment incentives, positively but not significantly by management incentives, and negatively and not significantly by tax incentives.

Recommendations

Based on the findings from this study, the following recommendations are proffered:

i.   The study found that there is significant relationship between liquidity risk and shareholders value, there is need for the quoted consumer goods manufacturing firms to adopt more appropriate measures for managing liquidity risks and ensuring compliance at all times and at all levels to achieve optimal capital structure.

ii. The study's results showed that leverage doesn't have a significant impact on the value that shareholders of consumer goods manufacturing firms get. As a result, the study suggests that policies should be aimed at managing the impact of leverage on the best policies for these firms.

iii. In order to mitigate the impact of leverage risk on the company's stock price, management must steer the financing strategy toward an optimum capital structure for the publicly traded consumer products manufacturer. Firms can accomplish this with well-managed and planned financial strategies.

iv. The study found that there is no significant relationship between market risk and the shareholder value of consumer goods manufacturing firms that are quoted. The study also suggests that policies should be put in place to manage the effect of market risk variation on the corporate financing policies of these firms.

v.   Manufacturing firms should consider establishment policies for executive stockholding. This will enhance management in planning and managing forts that affect executive incentives for optimal financing policy

vi. Management of the quoted manufacturing firms should adopt good compensation structure, welfare, and incentive packages as these would positively motivate executives and consequently improve financing decision.

vii. Based on the negative effect of the variables, it recommended that institutional shareholding should be encouraged because of the role that it plays in constraining executives to act in a manner that favors the firm for proper financing policy.

viii. Executive bonuses of the firms should be directed toward achieving effective earnings management of the manufacturing firms and the regulatory authorities should ensure that executive officers comply with code of corporate governance that enhances corporate financing management.

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