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EFFECT OF RELATED PARTY TRANSACTIONS ON FIRM VALUE OF LISTED CONSUMER SERVICE COMPANIES IN NIGERIA

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Abstract

This study examined the effect of related party transactions on firm value of listed consumer service companies in Nigeria. The study used ex-post facto research design. The population of the study comprises all the twenty-four (24) listed consumer service companies on the floor of Nigerian Exchange Group (NGX) as at 31st December 2022 and sixteen (16) out of the twenty-four (24) companies were used as sample size using purposive sampling technique. The study used panel regression technique to analyse the data. The empirical evidence derived from the panel regression model indicates that related party transaction of sales has a negative and significant effect on firm value of listed consumer service companies in Nigeria within the period of the study (2013 – 2022). Similarly, the result also revealed that related party transaction of loans has a positive and significant effect on firm value of listed consumer service companies in Nigeria within the study period. Furthermore, the study found that related party transaction of receivables has a negative and insignificant effect on firm value of listed consumer service companies in Nigeria. The study concludes that related party transaction of sales, related party transaction of loans and related party transaction of receivables have combined effect on firm value of listed consumer services companies in Nigeria. The study, therefore, recommends that related parties should engage in proper monitoring of loans in order to reduce the high rate of non-performing loans.

Keywords: Related Party Transactions, Firm Value

1. Introduction

Related-party transactions are a recurring source of concern in recent corporate scandals. Several scandals in the United States and other parts of the world have used related party transactions to manage earnings and divert resources away from their companies. Accounting frauds at Enron, Tyco, Parmalat, and Satyam are prime examples. According to Kohlbeck and Maydew (2010), these transactions are frequently diverse and complex business transactions between a company and its managers, directors, or principal owners.

Transactions between related parties are frequently undertaken at non-market prices due to the influence of the company and the related party, and the terms of the transaction differ from the normal commercial terms and conditions, which may reduce the earnings

available to the company on that particular transaction while also increasing the risk on the company.

In today's trade and commerce, such transactions are considered common and normal. As a result, many businesses are involved in related party transactions (Gina, 2012). For example, a company may delegate some of its operations to an investor who has significant influence or control over its financial and operational policies. Related-party transactions, on the other hand, are one of the recurring areas of concern raised by recent corporate scandals. Several scandals in the United States and other parts of the world have used RPTs to manage earnings and divert resources away from their companies. The little research that has been done in this area all point to an inverse relationship between these transactions and management performance in terms of shareholder value creation (Hadi, 2016).

Several studies have discovered that these factors may influence the application of negative RPTs, which may harm some investors, particularly minority investors (Bava & Di Trana, 2017; Boateng & Huang, 2017; Bhuiyan & Roudaki, 2018; Dicko, 2017; Habib et al., 2017; Habib & Muhammadi, 2018; Kang et al, 2014; Munir et al., 2013; Nekhili & Cherif, 2011; Utama & Utama, 2014; Williams & Taylor, 2013). While a developing country like Nigeria may be vulnerable to the negative effects of RPTs, the characteristics of Nigerian companies may influence the extent to which the aforementioned factors affect the occurrence of RPTs.

On these notes, the purpose of this research is to determine the effect of related party transactions on the firm value of Nigeria's listed consumer service companies. Specifically, to examine the effect of related party transaction of sales, related party transaction of loans and related party transaction of receivables on firm value of listed consumer service companies in Nigeria. Based on these objectives the following null hypotheses were formulated:

- H₀₁: Related party transaction of sales has no significant effect on firm value of listed consumer service companies in Nigeria.
- H₀₂: Related party transaction of loans has no significant effect on firm value of listed consumer service companies in Nigeria.
- H₀₃: Related party transaction of receivables has no significant effect on firm value of listed consumer service companies in Nigeria.

2. Literature Review

2.1 Conceptual Definitions

2.1.1 Concept of Firm Value

A firm's value is the financial measure of the market valuation of the entire firm. Firm value is a constituent of all that belongs to shareholders, both secure and unsecured creditors, preferred and ordinary equity-holders (ICAN, 2019). Firm value is an essential metric for business valuation, accounting, portfolio analysis, financial modeling, and so on. It represents the combined value of the company's assets, both tangible (such as buildings, equipment, and inventory) and intangible (such as intellectual property, brand reputation, and customer relationships).

Firm value can be measured using Tobin's Q (Q ratio) which describes a company's investment opportunity

(Lang et. al., 1998) or the company's growth potential. The Tobin's Q value is generated from the total of the stock market value (market value of all outstanding) with the book value of liabilities compared to the book value of equity. Hence, the Tobin's Q can be used to measure financial performance in terms of potential market value which is directed at investment growth potential.

2.1.2 Concept of Related Party Transaction

Related party transactions according to (IASB, 2010) was defined as: "a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged". Furthermore, Nekhili and Cherif (2011) stated that related party transactions occur in a company with other related entities such as controlling shareholders, directors, managers and companies under the same control.

IAS 24 defines a related party as any person(s) or entity(ies) who is/are related to the reporting entity. A related party relationship may arise if one entity and the reporting entity are members of the same group, both entities are joint ventures of the same third party, one entity is a joint venture of a third entity and the other entity is an associate of the third entity (IAS 24).

2.1.3 Concept of Related Party Transactions of Sales

According to IAS 24, Sales to related parties is a key indicator that provides information on the value of sales made to related parties. This variable is an indicator of how much of the sales are conducted through related firms. The ratio of related party sales by total assets is an indicator of the value of sales to related parties as compared to the size of the company measured in terms of total assets. In these transactions, both the parent company and the related firm benefit, as they lead to a regular value of sales and with margins that are favorable to both the companies (Gordon et al., 2004).

2.1.4 Concept of Related Party Transactions of Loans

Related Party Transactions of Loan means any loan, indebtedness or preferred equity investment identified or presented as a related party loan in such Person's and its Consolidated Subsidiaries' consolidated financial statements or in the notes to the consolidated financial

statements, in accordance with GAAP; provided, however, the term Related Party Loan shall not include negotiated, arms-length, market standard loan transactions with third parties. (Gakhar, 2014; Wu & Malthus, 2013)

2.1.5 Concept of Related Party Transaction of Receivables

All amounts owed by related entities are referred to as related party receivables (including without limitation affiliates, subsidiaries, shareholders and officers). Related party receivables refer to any receivable owed to the company by a related party. Companies often conduct debt and receivable transactions with related parties. Companies that are listed on the stock exchange may offer a larger credit score and in return, the company will get more credit from related parties (Jian and Wong, 2003).

2.2 Empirical Review

2.2.1 Related Party Transactions of Sales and Firm Value

Nguyen, et. al., (2023) examined the effect of related party transaction on the firm value of firms in emerging markets using OLS estimation technique on 625 firms listed on the Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HSX) of the Vietnamese Stock Market from 2015 to 2019. The result showed that related party transactions on sales, purchases and total related party transactions have a negligible influence on the business value. It shows that RPTs have a positive impact on the firm value of companies listed on the Vietnamese Stock Market.

Rusnaldi, et. al., (2020) investigated the joint and individual effects of funding sources, inventory turnover, purchases from related parties, and sales to related parties on operating income. Companies in the automobile and component sectors were observed from 2009 to 2017. Multiple linear regression was employed as the analytical technique. The findings of this study revealed that inventory turnover and related party purchases have a positive impact on operational income. Conversely, operating income is adversely impacted by sales to connected parties and funding sources.

Tiffany and Zun (2020) investigated the influence of related party transactions (RPTs) on firm value in Indonesia spanning 2014 and 2015. Data on related party transactions were collected from annual reports of the listed companies in Indonesia Stock Exchange. Using multiple regression analysis, the study found that related party sales negatively influence firm value.

Hendratama and Barokah (2020) investigated the effect of related party transactions on Indonesian firm value, the results revealed that related party sales negatively effect on the firm value, but when corporate social responsibility reporting exist, this relation becomes more positive, the results also indicated that related party payables positively affect the firm value. The study further revealed that debt to related parties has a positive impact on firm value. However, on the other hand, disclosure of sales to related parties has a negative impact on firm value.

Ashrafi, et. al., (2020) investigated the effects of different types of related parties' transactions on the firm value listed firms in Tehran Stock Exchange from 2013 to 2018. A sample of 100 listed firms in the Tehran Stock Exchange was used for the study. Using Panel data and multiple regression, the study found negative relationship between related transaction of sales and the firm value.

2.2.2 Related Party Transactions of Loans and Firm Value

Trisninik, et. al., (2022) examined related party transactions loans in Indonesian manufacturing businesses are an efficient or an opportunistic transaction, and second, to show whether there are variations in corporate viewpoints before and during the COVID-19 pandemic. Data from all manufacturing companies registered on the Indonesia Stock Exchange (IDX) were used in this study. Hypothesis testing and descriptive statistics are among the data analysis approaches. The findings of this analysis for the years 2018–2021 demonstrate that RPT increases corporate value. RPT had a detrimental impact on the value of the corporation throughout this time, that is, the years before the COVID-19 pandemic. RPT has a favorable impact on firm value during the COVID-19 pandemic in the years 2020–2021.

Ramadhani, et. al., (2022) evaluated the effect of Trust and Related Party Transaction on Firm Value in Indonesia. The total observation in this study is 185 banking companies listed on the Indonesia Stock Exchange for the 2016-2020 period. Multivariate analysis is employed to test the hypothesis. The outcome demonstrated that the related party transactions loans have a positive and significant effect on firm value. The increase in debt related party transactions shows that it is easier for the companies to receive funding to finance the company's operational activities and increase investment rather than making loans with the third party which seems to be complicated to approach.

2.2.3 Related Party Transactions of Receivables and Firm Value

Rizki and Erna (2023). examined the effect of related party transaction on firm value with corporate social responsibility reporting as a moderating variable. The study samples 34 companies in the mining sector listed on the Indonesia Stock Exchange from Period 2015 - 2019). The sample in this study was determined through the non-probability sampling method with purposive sampling technique. This research uses a descriptive research type with a quantitative approach using SPSS 21. The results of this study show related party transaction receivables have a significant negative effect on firm value.

Talat and Gehan (2020) looked at the relationship between related party transactions and firm value using sample of 261 firms with 1044 firm-year observations from listed companies in six emerging economies, including Bahrain, the Kingdom of Saudi Arabia, Pakistan, Kuwait, Jordan, and the United Arab Emirates, during the period of 2015 to 2018. The findings demonstrate that three related party transactions (purchases, sales and receivables) are not significantly associated with firm's value. They gave credence to companies listed on Bahrain, the Kingdom of Saudi Arabia, Pakistan, Kuwait, Jordan, and the United Arab Emirates.

2.3 Theoretical Framework

In examining the intricate dynamics between related party transactions (RPTs) and firm value, it was essential to ground the analysis in robust theoretical

frameworks. This study leverages the Agency theory, while information asymmetry and the stakeholder theory are complimentary. Each provides a distinct lens through which to understand the motivations and behaviors of parties involved in related party transactions (RPTs), as well as the broader implications for firm value.

The agency theory was developed by Jensen and Meckling, (1976) which is based on the relationship between the principal (owners) and the agent (Managers). The adoption of the agency theory is based on the fact that financial reporting quality problems occur when the interests of managers do not align with those of owners (shareholders), which could lead to information asymmetries. Information asymmetry arises when managers have more knowledge about the nature of RPTs than external stakeholders. Transparent disclosure of RPTs reduces information asymmetry and enhances investor confidence, potentially impacting firm value. Agency theory addresses conflicts of interest between managers (agents) and shareholders (principals). Therefore, in the context of effect related-party transactions (RPTs) of sales and incomes, loans and receivables on firm value. Firstly, RPTs involving sales and incomes might be used to inflate earnings or misappropriate resources, impacting on firm value. Secondly, RPTs in the form of loans can raise concerns about tunnelling (extraction of firm resources by insiders), harming shareholder wealth. Lastly, RPTs involving receivables may indicate potential earnings manipulation or preferential treatment, affecting transparency and valuation. This theory explains whether RPTs reflect managerial opportunism that reduces firm value or legitimate transactions that enhance firm performance.

Stakeholder theory was developed in the United States by Freeman (1984) maintained that stakeholders are groups or individuals who may benefit or be harmed by activities of a company and who have contrasting interests which have to be taken into account when preparing financial reports because of their varying interests which can affect the company's ability to achieve its objectives (Freeman, et. al., 2001). Therefore, RPTs does not only affect shareholders but also other stakeholders such as

creditors and suppliers. This broader perspective helps evaluate their impact on firm value.

3. Methodology

This study utilized ex-post facto research design using cross sectional data gathered from annual reports of selected listed consumer service companies in Nigeria for the period of ten years (2013-2022) to explore the effect of independent variables (related parties' transaction of sales and incomes, related parties' transaction of loans, and related party transactions of receivables) on the dependent variable (firm value).

The population of this study comprised twenty-four (24) consumer services companies listed on the floor

of Nigerian Exchange Group (NGX) as at 2022. Filtering sampling techniques was used to select consumer services companies based on the following criterion in arriving at the sample size: (i) the consumer service companies that have been acquired within the period under consideration that is 2013 to 2022 are eliminated, (ii) the consumer services companies must have up-to-date and availability of financial statements and also submitted to Nigeria Stock Exchange during the period under consideration, 2013 to 2022. Based on the criteria stated, only Sixteen (16) listed consumer services companies fulfill these criteria, and were examined. These companies are depicted on Table 1 below:

Table 1: List of all Consumer Services Companies Listed on the floor of the Nigerian Exchange Group (NGX)

S/N	Population for the Study	Selected for Sample Size	Not Selected for Sample Size
1	ABC Transport Plc	Yes	
2	Academy Press Plc		No
3	Afromedia Plc	Yes	
4	Capital Hotel Plc		No
5	C & I Leasing Plc.	Yes	
6	Daar Communications Plc	Yes	
7	Eunisell Interlinked Plc		No
8	Global Spectrum Energy Services plc		No
9	Ikeja Hotel Plc	Yes	
10	Juli Plc.	Yes	
11	Learn Africa Plc	Yes	
12	Med-view Airline Plc		No
13	Nigerian Aviation Handling Company Plc	Yes	
14	Red Star Express Plc	Yes	
15	R T Briscoe Plc	Yes	
16	Secure Electronic Technology Plc	Yes	
17	Skyway Aviation Handling Company Plc		No
18	Studio Press (Nig) Plc.		No
19	Tantalizers Plc	Yes	
20	The Initiates Plc		No
21	Tourist Company of Nigeria Plc.	Yes	
22	Trans-Nationwide Express Plc	Yes	
23	Transcorp Hotels Plc	Yes	
24	University Press Plc	Yes	

The study arrived at the sample size by applying filtering sampling techniques. First, from the Table 1

above, eight (8) companies; Academy Press Plc, Capital Hotel Plc, Eunisell Interlinked Plc, Global

Spectrum Energy Services plc, Initiates Plc, Med-view Airline Plc, Studio Press (Nig) Plc, and Skyway Aviation Handling Company Plc were disqualified based on non-availability of their financial statement for 2013, 2014 and 2015 on the website of the Nigerian Exchange Group during the period of the study.

This study used secondary data. The data was collected from annual reports and audited accounts of the sample consumer services companies listed on the Nigerian Exchange Group Fact Book for a period of ten (10) years (2013-2022).

Ordinary least square regression was used to analyse the effect of related party transactions on firm value of listed services sector in Nigeria. Panel regression analysis was used in evaluating the data to be collected with the aid of E-Views 10 statistical software to examine the relationship between the identified variables and to confirm the viability of prior findings. To ensure the accuracy of the findings, the study used diagnostic tests such as Breusch-Pagan-Godfrey to account for the effects of multicollinearity and heteroskedasticity. The Hausman specification test

was conducted to choose the most appropriate and suitable model between fixed effect and the random effect models.

3.1 Model Specification

$$TOBIN_Q_{it} = \alpha_{it} + \beta_1 RPTS_{it} + \beta_2 RPTL_{it} + \beta_3 RPTR_{it} + \beta_4 LEV_{it} + \beta_5 FSIZE_{it} + \epsilon_{it} \dots\dots\dots(1)$$

Where:

TOBIN_Q	=	Firm Value
RPTS	=	Related Parties Transaction of sales and incomes
RPTL	=	Related Parties Transaction of Loans
RPTR	=	Related Party Transactions of Receivables
LEV	=	Leverage
FSIZE	=	Firm Size
β_0	=	Constant term (intercept);
$\beta_1 - \beta_4$	=	Coefficients for the independent variables
ϵ	=	Error Term
i	=	industry (number selected companies)
t	=	time (period of study)

3.2 Variable Measurement

Table 2: Variable Measurement

S/N	Variables	Acronym	Measurement of Variables	Author
Dependent Variable				
1	Firm Value	TOBIN_Q	Market Value of Debt plus Market Value of Equity divided by Total Assets.	Liew et al. (2015), Bona-Sanchez et al. (2017).
Independent Variables				
2	Related Parties Transaction of Sales	RPTS	Sales and incomes to related party divided by total sales.	Martua, Hermanto, Adler & Dominicus, (2017)
3	Related Parties Transaction of Loans	RPTL	Loans to related party divided by total liabilities.	Martua, Hermanto, Adler & Dominicus, (2017)
4	Related Party Transactions of Receivables	RPTR	Total receivables to related party divided by total loan.	Martua, Hermanto, Adler & Dominicus, (2017)
Control Variables				
5	Leverage	LEV	Total debt divided by equity	
6	Firm Size	FSIZE	Natural log of total asset of the firm.	

Source: Author Compilation 2023

4. Results and Discussion

4.1 Descriptive Statistics

Table 3: Descriptive Statistics

	TOBIN_Q	RPTS	RPTR	RPTL	LEV	FSIZE
Mean	0.379289	1.156179	0.683089	9.475992	1.084745	7.145646
Median	0.405130	0.697750	0.325750	9.551050	0.771050	7.019800
Maximum	0.879616	3.929400	5.589700	10.25430	7.576100	9.524900
Minimum	-0.074136	0.007600	0.000000	7.973200	0.026900	5.751700
Std. Dev.	0.198887	1.103051	0.913286	0.455733	1.251712	0.857980
Skewness	-0.445897	1.561731	2.621222	-0.855424	2.618867	1.039047
Kurtosis	2.435906	4.083083	12.23337	3.057736	10.51226	3.871715
Jarque-Bera	7.423334	72.86053	751.5892	19.53557	559.1198	33.85571
Probability	0.024437	0.000000	0.000000	0.000057	0.000000	0.000000
Sum	60.68630	184.9887	109.2942	1516.159	173.5592	1143.303
Sum Sq. Dev.	6.289392	193.4589	132.6204	33.02315	249.1187	117.0445
Observations	160	160	160	160	160	160

Source: EViews 10 Output 2023

The descriptive statistics indicates that firm value (TOBIN_Q) of listed consumer services companies in Nigeria has a mean of 0.379289 with standard deviation of 0.198887, suggesting that the firm value is 37% on average and deviate from both sides of the mean by 19%. The maximum and minimum values of firm value during the period are 0.879616 and 0.074136 respectively. Similarly, the table indicates that the minimum and maximum values of the related party transaction of sales (RPTS) are 0.007600 and 3.929400 respectively with the mean value of 1.156179 and standard deviation of 1.103051. This indicates 1.10% little dispersion from the mean. The result also indicates that related party transaction of receivable (RPTR) of the sampled consumer services companies in Nigeria have the mean value of 0.683089 with standard deviation of 0.913286 and minimum and maximum values of 0.000000 and 5.589700 respectively. The standard deviation suggests that the data deviate from both sides of the mean value by 91%. Furthermore, related party transaction of loan (RPTL) has a minimum value of 7.973200 and maximum value of 10.25430 respectively. The mean

value of related party transaction of loan of listed consumer services companies in Nigeria is 9.475992 with standard deviation of 0.455733 suggesting 45% on average deviate from both sides of the mean value. In addition, leverage (LEV) has a mean value of 1.084745 with maximum and minimum values of 7.576100 and 0.026900 respectively. The standard deviation value of 1.251712 indicates strong clustering around the mean. Similarly, Firm Size (FSIZE) measured as natural log of total asset of the client firm has a mean value at 7.145646 with maximum and minimum values of 9.524900 and 5.751700 respectively. The standard deviation of 0.857980 prove evidence of considerable clustering of firm size around the mean indicating that the sizes of the companies in the sample consumer services companies may not be significantly different from the mean size. The Jarque-Bera probabilities in the respective cases indicate that the data are normal. This is evident in the probabilities of less than 0.05.

4.2 Correlation Matrix

Table 4: Correlation Matrix

	TOBIN_Q	RPTS	RPTR	RPTL	LEV	FSIZE
TOBIN_Q	1.000000	-0.484519	-0.006050	0.380804	0.144119	-0.351708
RPTS	-0.484519	1.000000	-0.166036	-0.292846	-0.243351	0.031446
RPTR	-0.006050	-0.166036	1.000000	0.102158	-0.202271	0.164849
RPTL	0.380804	-0.292846	0.102158	1.000000	-0.127310	-0.080363
LEV	0.144119	-0.243351	-0.202271	-0.127310	1.000000	0.076873
FSIZE	-0.351708	0.031446	0.164849	-0.080363	0.076873	1.000000

Source: E-Views 10 Output 2023

The correlation matrix on Table 4 shows the association between the dependent variable, TOBIN_Q and the independent variables, related party transaction of sales, related party transaction of loans and related party transaction of receivables. Generally, high correlation is expected between dependent and independent variables while low correlation is expected among independent variables. According to Gujarati (2004), a correlation coefficient between two independent variables 0.80 is considered excessive and thus certain measures are required to correct that anomaly in the data. From Table 4, it can be seen that all the correlation coefficients among the independent variables are below 0.80. This points to the absence of possible multicollinearity though the variance inflation

factor (VIF) and tolerance value (TV) test is still required to confirm the assumption. Specifically, the study provided evidence from the correlation matrix to show that related party transaction of sales and incomes, related party transaction of receivables and firm size have negative correlations with TOBIN_Q from the correlation coefficient of -0.484519, -0.006050 and -0.351708 respectively while related party transaction of loans and leverage have positive correlation with TOBIN_Q from coefficient 0.380804 and 0.144119 as evidence by the value shown in the correlation matrix in Table 4.

4.3 Multicollinearity Test

Table 5: Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.093449	6.210437	NA
RPTS	0.000157	2.658625	1.262670
RPTR	0.000208	1.791306	1.146112
RPTL	0.000839	5.016367	1.150380
LEV	0.000116	2.115696	1.205021
FSIZE	0.000217	7.471174	1.055259

Source: E-Views 10 Output 2023

Table 5 above presents the variance inflation factor (VIF) and tolerance coefficients of each of the explanatory variables. The Variance Inflation Factor (VIF) for related party transaction of sales (RPTS), related party transaction of loans (RPTL), related party transaction of receivables (RPTR), leverage and firm size are 1.262, 1.146, 1.150, 1.205 and 1.055 respectively. This indicates that, the VIF are less than

10 respectively. This shows that there is no threat of Multicollinearity or independent errors. This also indicates that Multicollinearity does not constitute a problem when the variance inflation factor (VIF) does not exceed 10.

4.4 Heteroskedasticity Test

Table 6: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	2.696448	Prob. F(5,154)	0.0229
Obs*R-squared	12.87992	Prob. Chi-Square(5)	0.0245
Scaled explained SS	12.40220	Prob. Chi-Square(5)	0.0297

Source: E-Views 10 Output 2023

The result from Table 6 indicates the Heteroskedasticity using Breusch-Pagan-Godfrey test. The value of F-statistic is 2.696 with corresponding probability value of 0.022. The value of observed R-squared is 12.87 with a corresponding probability chi-

square value of 0.024. The value of Scaled explained SS is 12.46 with a corresponding probability chi-square value of 0.029 infers that there is no problem of Heteroskedasticity in the residual.

Table 7: Fixed Effect Regression, Random Effect Regression and Hausman Specification Test for RPTS, RPTL, RPTR, LEV, FSIZE and TOBIN_Q.

Variables	Test	Fixed Regression (FE)	Effect P > t	Random Regression (RE)	Effect P > t
TOBIN_Q	Constant	-0.098602	0.5118	0.456814	0.1902
	Coefficients				
RPTS	β_1	-0.067685	0.0000	0.021645	0.3783
RPTL	β_2	0.113677	0.0000	0.016362	0.5008
RPTR	β_3	-0.004355	0.5391	-0.000190	0.9829
LEV	β_4	0.016967	0.0016	0.009660	0.2295
FSIZE	β_5	-0.075079	0.0000	-0.037498	0.2306
	R^2	0.410498		0.096074	
	F-statistic		21.44749	F-statistic	1.100806
	Prob > F		0.0000	Prob > F	0.361838
Hausman Test		Chi-Sq = 19.334		Prob>Chi-Sq = 0.0017	

Source: E-Views 10 Output 2023

Table 7 shows the results from test for fixed effect and random effect regression models for the variables RPTS, RPTL, RPTR, LEV, FSIZE and TOBIN_Q. The Hausman specification test shows a Chi-Sq (5) value of 19.334 with a probability of 0.0017 (0.17%) less than 5% test criteria. This implies that the fixed effect model is more appropriate than the random effect model.

The fixed effect model shows that RPTS has a negative coefficient of -0.068 with p-value of 0.000 (0%) less than 5% significant level. This indicates RPTS has negative and significant effect on TOBIN_Q, thus, the null hypothesis (H_0) is rejected. Similarly, RPTL has a positive coefficient of 0.114 with p-value of 0.000 (0%) less than 5% significant level. This implies RPTL has positive and significant effect on TOBIN_Q, therefore, the null hypothesis (H_0) is rejected. Additionally, RPTR has a negative coefficient of -0.004 with p-value of 0.539 (53.9%) more than 5% significant level. This depicts RPTR has

negative and insignificant effect on TOBIN_Q, hence, the null hypothesis (H_0) is accepted. Lastly, the control variables LEV and FSIZE have a positive coefficient of 0.017 and negative coefficient of -0.075 respectively with p-values of 0.002 (0.2%) and 0.000 (0%) correspondingly less than 5% significant level. This depicts LEV has positive and significant effect on TOBIN_Q whereas FSIZE has negative and significant effect on TOBIN_Q.

Further, the coefficient of determination (R^2) of 0.410 depicts RPTS, RPTL, RPTR, LEV and FSIZE put together explains 41% variations in TOBIN_Q while other factors (error term) not in the regression equation explains the remaining 59%. The probability of F-statistics is 0.0000 (0%) less than 5% test criteria, consequently the model is of best fit and capable of explaining the effect of RPTS, RPTL, RPTR, LEV and FSIZE on TOBIN_Q.

4.5 Panel Regression Result

Table 8: Regression Analysis

Variables	Test	Panel Regression	P > t	t-value
TOBIN_Q	Constant	-0.098602	0.7475	-0.3225
	Coefficients			
RPTS	β_1	-0.067685	0.0000	-5.3995
RPTL	β_2	0.113677	0.0001	3.9253
RPTR	β_3	-0.004355	0.7631	-0.3019
LEV	β_4	0.016967	0.1179	1.5723
FSIZE	β_5	-0.075079	0.0000	-5.0959
	R^2	0.410498		
	F-statistic	21.44749		
	Prob > F	0.0000		

Source: E-Views 10 Output 2023

Table 8 shows the result of the ordinary least square regression technique. The overall fitness of the model as revealed in the F-statistic of 21.44749 with Probability Prob(F-statistic) of 0.000000 which is less than the standard critical p-value of 0.05. This implies that the estimated model is statistically significant at 5% level and thus the linearized functional specification of the model is appropriate. The R-square, which shows the overall explanatory power of the model, reveals that the independent variables (related party transaction of sales, related party transaction of loans and related party transaction of receivables) explain about 41% of the systematic variation of the dependent variable. While 59% is attributed to systematic variation in the dependent variable (firm value) was not accounted for in the model and have been contained by the error term. However, linking Table 8 with the specified model and hypotheses, the regression output is explained as follows:

$$\text{TOBIN_Q}_{it} = \alpha_{it} - 0.068\text{RPTS}_{it} - 0.004\text{RPTL}_{it} + 0.114\text{RPTR}_{it} + 0.017\text{LEV}_{it} - 0.075\text{FSIZE}_{it} + \varepsilon_{it}$$

H₀₁: Related party transaction of sales has no significant effect on firm value of listed consumer services companies in Nigeria.

The study looked at the extent to which related party transaction of sales can influence the firm value of listed consumer services companies in Nigeria. The regression output in Table 8 showed that a negative and significant relationship exist between related party transaction of sales and incomes and firm value of listed consumer services companies in Nigeria. This is evidenced by the value of coefficient and probability which stands at -0.067685 and 0.0000 respectively with a t-value of -5.399500. Based on this the study rejected the null hypothesis which states that related party transaction of sales has no significant effect on firm value of listed consumer services companies in Nigeria.

H₀₂: Related party transaction of loans has no significant effect on firm value of listed consumer services companies in Nigeria.

The result emanating from the regression result in Table 8 indicated that related party transaction of loans

has a statistically positive and significant effect on firm value of listed consumer services companies in Nigeria. This claim is substantiated by the value of the coefficient and the p-value of 0.113677 and 0.0001 respectively and a t-value of 3.925314. This indicates that related party transaction of loans can be used to determine the firm value of listed consumer services companies in Nigeria. Given this result the study rejects the null hypothesis which states that related party transaction of loans has no significant effect on firm value of listed consumer services companies in Nigeria.

H₀₃: Related party transaction of receivables has no significant effect on firm value of listed consumer services companies in Nigeria.

The result of the regression in Table 8 also indicated that related party transaction of receivables has a statistically negative and insignificant effect on firm value of listed consumer services companies in Nigeria. This can be validated by the value of the coefficient and the p-value of -0.004355 and 0.7631 respectively and a t-value of -0.301917. This indicates that related party transaction of receivables can be used to determine the firm value of listed consumer services companies in Nigeria. Given this result the study failed to reject the null hypothesis which states that related party transaction of receivables has no significant effect on firm value of listed consumer services companies in Nigeria.

4.6 Discussion of Findings

This study provided evidence to show that related party transaction of sales has a negative and significant relationship with firm value of listed consumer services companies in Nigeria. This finding supports the hypothesis put forward by Jian & Wong (2010) and Yeh et. al., (2012) which stated that sales to affiliate party are abnormal and are used as propping. This finding disagrees with the findings of Atanasov, et. al., (2008) that sales to affiliate party is the cash flow tunneling that could reduce firm value whether the related party transactions of sales are of propping nature and benefit minority shareholders, or they just aim to avoid the risk of being delisted from the Nigerian Exchange Group or losing the ability to receive refinancing (Ying & Wang, 2013).

The study examines the extent to which related party transaction of loans affect the firm value of listed consumer services companies in Nigerian Exchange Group. The finding reveals that related party transaction of loans has a statistically positive and significant effect on firm value of listed consumer services companies in Nigeria. This result implies that related party transaction of loans is a determinant of firm value of listed consumer services companies in Nigeria. This finding confirms the study of Jiang, et. al., (2010) that stated that inter-corporate loan is channeling that can reduce firm value and that the loans between related parties are channeling out that can lower firm value.

This study also, investigates the effect of related party transaction of receivables on firm value of listed consumer services companies in Nigeria. The result of the study provides evidence that related party transaction of receivables has negative and insignificant effect on firm value of listed consumer services companies in the area covered by the study. This finding contradicts the finding put forward by Cheung, et. al., (2006) which stated that the transactions of cash receipts and subsidiary relationships are beneficial to minority shareholders. Likewise, this finding differs from the finding proposed by Friedman et. al., (2003) which suggested the existence of propping up over the transactions that benefit minority shareholders. In this study, related party transactions of receivables of cash receipts nature actually decrease firm value, which means it is more tunneling than propping.

5. Conclusions and Recommendations

Related party transaction and its effect have become a topical issue in the literature of Accounting and Finance. Attempt has been made in this study to examine the effect of related party transaction of sales, related party transaction of loans and related party transaction of receivables on firm value of listed consumer services companies in Nigeria. The study formulated three hypotheses bothering on the three independent explanatory variables used in the study. Based on the result obtained, the study concludes that related party transaction of sales, related party transaction of loans and related party transaction of

receivables have combines effect on firm value of listed consumer services companies in Nigeria. The effect however gets diluted as the variables are considered on individual basis.

Specifically, the study found that related party transaction of sales has negative and significant relationship with firm value of listed consumer services companies in Nigeria. This indicates the extent to which related party transaction of sales can influence the firm value of listed consumer services companies in Nigeria. Also, this study conclude that related party transaction of loans has positive effect on firm value of listed consumer services companies in Nigeria. This indicates that related party transaction of loans can be used to determine the firm value of listed consumer services companies in Nigeria. Conversely, the study conclude that related party transaction of receivables has negative and insignificant effect on firm value of listed consumer services companies in Nigeria. This indicates that related party transaction of receivables can be used to determine the firm value of listed consumer services companies in Nigeria.

The study offers the following recommendations based on parties involved in related party transactions directly or indirectly with firm value of listed consumer services companies in Nigeria. The Study, therefore, recommends that: (i) reduction of sales to related parties; the effect will be to reduce the potential negative impact on operating income and the overall firm value. (ii) decreasing funding sources in the form of liabilities. Over reliance on liabilities as funding sources can strain a company's financial health and reduce its operating income. Therefore, alternative funding sources should be used. (iii) related party should engage in proper monitoring of loans in order to reduce the incidence of high rate of non-performing loan. This can include regular reviews, risk assessments and repayment schedules. (iv) companies should differentiate between types of related party transactions and apply appropriate governance and oversight measures tailored to each type. This will ensure that the benefits of certain transactions are maximized while mitigating the risks associated with others.

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