



**Accounting Manipulation, Corporate Governance and Financial
Performance of Listed Manufacturing Firms in South Africa**

**A Dissertation submitted in fulfillment of the requirements of the degree of
Master of Accounting**

**In the Faculty of Accounting and Informatics at Durban University of
Technology**

**Banothile Nontsikelelo Dzanibe
(20700297)**

**Supervisor
Professor Haruna Maama**

March 2026

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I, Banothile Nontsikelelo Dzanibe, declared that:

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Professor Haruna Maama

Supervisor

31 March 2026

Date

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Thank you

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ABSTRACT

Accounting manipulation is widespread among organisations across the world and has been recognised as one of the most pertinent issues in the global marketplace. As a result of this increasingly pervasive practice, the academic community has been challenged to do research to identify the factors that contribute to accounting manipulation and to devise strategies that can be utilised to mitigate its effects. Regrettably, the majority of the research studies on accounting manipulation and its effects have been conducted almost entirely in developed markets. This has resulted in a significant knowledge gap about how to detect, manage, and mitigate the effects of accounting manipulation in developing countries such as South Africa. Due to the aforementioned research geographical knowledge gap, this research investigates the influence accounting manipulation has on the financial performance of manufacturing firms listed on the Johannesburg Stock Exchange (JSE). As a result, the main aim of this study is to examine the influence of accounting manipulation on the financial performance of listed manufacturing firms in South Africa. The research further investigates the moderating effect that corporate governance has on the link between accounting manipulation and the financial performance of the firms. The manufacturing sector is a significant contributor to the economy of South Africa; hence, the focus on the companies operating within this sector. In addition, manufacturing businesses like Tongaat Hullett and Steinhoff were implicated in the manipulation of their accounting records in 2017 and 2019 respectively, which begs the question as to whether the practice of accounting manipulation is widespread in the sector. The research study employed a quantitative correlational design, utilising secondary data acquired from annual financial statements that were obtained from companies' websites, among other sources. Data was obtained from 50 listed manufacturing firms over the 2016-2022 period. A panel regression method was employed to estimate the relationship among the variables. Accounting manipulation was measured by a discretionary accrual whilst financial performance was measured using return on assets and Tobin's Q. The findings demonstrated a negative correlation between accounting manipulation and financial performance, indicating that accounting manipulation does not result in an improved financial performance. In addition, the evidence showed that the impact of accounting manipulation is much lessened by audit quality and board qualifications. The results imply that although short-term increases in profitability may come from profits management, over time it reduces the company's value. Reducing these risks mostly depends on efficient corporate governance, especially with regard to audit quality and board knowledge. The findings imply that the manufacturing sector needs a more robust execution of governance frameworks and the adoption of principled financial procedures to ensure sustainable growth and transparency. It is necessary for policymakers and regulators to create and implement more stringent regulations and processes to guarantee that publicly traded corporations disclose their financial information in a manner that is more honest and ethical.

Keywords: Accounting Manipulation; Corporate Governance; Financial Performance; Discretionary Accruals; Audit Quality; Board Effectiveness

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LIST OF ABBREVIATIONS

AccQ*AvEXP	Average Experience
AccQ*BodQ	Accrual Quality and Board Qualification
AccQ*Gen	Accrual Quantity and Gender
AccrualQty	Accrual Quality
AuditQ	Audit Quality
AvEXP	Average Experience
BodQ	Board Qualification
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
ESG	Envionmental, Social and Governance
FSCA	Financial Sector Conduct Authority
GDP	Gross Domestic Product
ROA	Return on Assets
ROE	Return on Equity
SARB	South African Reserve Bank
TQ	Tobins Q

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Numerous scholars note that accounting manipulation, which is the intentional alteration of financial statements or accounts to misrepresent the company's financial position, have been increasing throughout the globe (Nyakarimi 2022). Temile *et al.* (2021) and Dyck *et al.* (2024) estimate that about 55% of all published financial statements have undergone some type of accounting manipulation. Consequently, there has been a resurgence of studies around accounting manipulation (Nguyen 2021, Al-Hashimy 2022, Christensen and Huffman 2022); although, most empirical studies conducted on these topics are in developed markets and largely focused on the financial industry. Accounting manipulation can have devastating effects on individual organisations, industries, and markets if it is not tackled (SO Temile, DV Enaruna and DP Jatmiko 2021) because it is a direct infringement on the ethical principles of financial transparency and ethical reporting, which are essential pillars for maintaining investor confidence, building credibility and fostering organisational growth in the contemporary global business landscape (Morata 2024).

Corporate scandals on a global scale, including Enron, WorldCom, and Wirecard, have highlighted the vulnerabilities in governance frameworks and audit oversight, which creates opportunities for accounting manipulation to occur (Gupta and Kumar 2020). Within the context of South Africa, there have also been a number of high-profile cases of organisations caught doing some form of accounting manipulation. Famous cases of accounting manipulation amongst publicly traded companies include Steinhoff in 2017, EOH Holdings in 2018, and Tongaat Hullet in 2019 (Mudzimba 2018, Sieff and Bowen 2023; Marais 2024; Oleyede *et al.* 2024). These cases occurred despite regulatory and governance frameworks and standards such as the King Codes and the International Financial Reporting Standards (IFRSs) being in place and resulted in billions of rands in shareholder value being lost. These occurrences have caused scholars and investors to raise questions about the effectiveness of current corporate governance frameworks and overall audit oversight in South Africa (Obagbuwa, Kwenda and Baldavoo 2024). Interestingly, numerous scholars such as Mokoaleli-Mokoteli & Iatridis (2017), Mudzimba (2018), and Marias (2024) suggest that there is nothing wrong with the

current governance frameworks themselves; however, the issue lies with its implementation and a lack of institutional monitoring. Oleyede *et al.* (2024) also notes that the wider socio-political landscape, characterised by state capture, connections between political figures and corporate boards, and a prevailing culture of impunity, is also complicit in the pervasive issue of accounting manipulation, as it undermines executive accountability and weakens the effectiveness of governance standards in South Africa.

Corporate governance mechanisms, especially the functions of independent boards, audit committees, and shareholder oversight, are intended to act as a vital safeguard against unethical financial practices such as accounting manipulation (Larcker *et al.* 2020; Madhani and Pankaj 2020); Bruner and Christopher 2021; Maroun and Cerbone 2024). These aforementioned governance mechanisms are influenced by firm characteristics, industry specific factors, and the rigour of enforcement a specific organisation, industry or national state (Mohanty and Mishra 2021; Zhang *et al.* 2022; Darwis and Islahuddin 2024). The manufacturing industry in particular is characterised by intricate cost structures and substantial inventory operations and is especially prone to accounting manipulation via accruals, revenue timing, and asset revaluations; hence, strong governance system are needed to ensure financial integrity.

Another pertinent issues is that financial reporting and corporate governance is constantly evolving, as seen by the revisions to newer king codes and International Financial Reporting Standards (IFRS) over the years. These changes either deter or create opportunities for accounting manipulation to occur; hence, studies reviewing the impact of corporance governance become necessary to review the role of revisions on the financial performance and practices of firm. High income and industrialised economies have conducted significant studies to bridge this gap; however, most emerging makerts are lagging sorely behind in empirical studies on the interface between accounting manipulation, financial perfomance and corporate governance. Hence, this study aimed to contribute to minimising the aforementioned gap by assessing the nature and extent of accounting manipulation, its relationship to firm financial performance and the moderating influence of corporate governance amongst firms in the manufacturing industry.

1.2 Problem Statement

Despite the robust legal and regulatory frameworks in South Africa, including the Companies Act, King IV Code, and the adoption of IFRS, financial reporting manipulation continue to be evident among listed firms (Cassim 2017; Mudzimba 2018, Marais and Okey 2024). Notable corporate collapses such as Steinhoff International, Tongaat Hulett, and VBS Mutual Bank have exposed critical deficiencies in governance oversight, auditor independence, and the integrity of financial reporting (Sieff and Bowen 2023; Marais 2034; Oleyede *et al.* 2024). These cases indicate that manipulation arises not only from technical deficiencies in accounting standards but frequently originates from a lack of ethical leadership, inadequate oversight mechanisms, and complicity or inaction at the board level (Cassim 2017; Marais 2024)

Studies increasingly demonstrate that accounting manipulation has the potential to distort firm valuation, diminish investor confidence, and ultimately result in long-term financial underperformance or collapse (Temile *et al.* 2021; Marias 2024). However, most of these studies are conducted and concentrated in developed markets, while emerging economies like South Africa have received comparatively less scrutiny (Marias 2024). Moreover, a limited number of studies have investigated the potential moderating effect of corporate governance quality on the relationship between manipulation and firm financial performance, especially within the manufacturing sector, where the intricacies of cost accounting and opportunities for earnings-smoothing may be more pronounced.

Furthermore, although instruments such as the Beneish M-score and discretionary accrual models are commonly employed to identify manipulation, their relevance in the South African context is still a topic of scholarly discussion and debate, as a recent study by Marais, Vermaak and Shewell (2023) indicates that they often have variable detection accuracy in the local context, largely due to high false positive rates. The identified limitations highlight the necessity for research tailored to specific contexts, which not only assists in efforts to detect accounting manipulation, but also exploring the underlying causes, effects, and effectiveness of corporate governance in curbing it in the manufacturing sector.

This study examines a central issue: the extent to which accounting manipulation affects the financial performance of JSE-listed manufacturing firms in South Africa, and the role of corporate governance mechanisms in moderating this relationship. It is crucial to address this question in order to improve regulatory oversight, enhance investor protection, and bolster the effectiveness of governance practices within South Africa's capital markets.

1.3 Research Aim and Objectives

The main aim of the study is to examine the influence of accounting manipulation on the financial performance of JSE-listed manufacturing firms, with specific focus on the moderating influence of corporate governance.

The specific objectives of the study are as follows:

1. To identify the factors that drive accounting manipulation in JSE-listed South African manufacturing companies.
2. To evaluate the impact of accounting manipulation on financial performance in JSE-listed manufacturing companies.
3. To evaluate the extent to which corporate governance moderates the relationship between accounting manipulation and financial performance.

1.4 Research Questions

The study sought to answer the following questions:

1. What are the factors that drive accounting manipulation of South African manufacturing listed companies?
2. How does accounting manipulation affect the financial performance of JSE-listed manufacturing companies?
3. To what extent does corporate governance influence the relationship between accounting manipulation and firm financial performance in JSE-listed manufacturing companies?

1.6 Significance of the Study

In view of the South African corporate, legal and economic climate, this study has great theoretical, practical, and policy relevance. This study adds to the body of knowledge on the interactive effects between accounting manipulation, corporate governance, and financial performance, which are concepts that are often examined in isolation. Moreover, most empirical studies that have been conducted focused on the banking or retail sector (Mukaddam and Sibindi 2020). The research focus on the aforementioned sector has created a knowledge gap into a unique and significant sector like manufacturing, which is a pivotal industry for supporting the agenda of national economic development. This industry contributes significantly to the South African Gross Domestic Product (GDP) and other development

indices; however, significant investments are still needed to see it rise to the levels of developed economies. Thus, it is imperative that financial reporting in this sector is conducted ethically, accurately and transparently, to increase investor confidence and guide decision-making. The findings of the study can assist investors and stakeholders in general with the required insights to improve their ability to identify accounting manipulation and the conditions that might create opportunities for it to happen. Furthermore, this study extends governance theory by assessing how well current governance systems such as those in the King IV Code, help to lower financial misreporting.

For board members, directors, and auditors, the study provides important new perspectives. This study highlights corporate governance arrangements that successfully reduce accounting manipulation and improve corporate financial performance, thereby strengthening internal control systems and strategic decision-making processes. This is particularly relevant for manufacturing companies in South Africa, who often face significant operational and regulatory difficulties, which raises their vulnerability and desire to practice financial misreporting (Karaye and Büyükkara 2021). The findings may guide policymakers and regulatory bodies in refining governance codes and enforcement strategies. Moreover, the study findings provide essential empirical data that could assist in transforming governance practices from mere compliance to a focus on substantive outcomes, addressing the ongoing issue of accounting irregularities. The study findings reveal that improved corporate governance mechanisms can improve transparency, which contributes to rebuilding investor confidence and promoting sustainable corporate growth through evidence-based recommendations specific to the context of South Africa's manufacturing sector.

1.7 Scope and Delimitation of the Study

- The focus of the study was strictly on JSE-listed manufacturing firms in South Africa, as no studies have previously looked at this specific sector.
- The quantitative analysis was based purely on secondary data from annual financial reports covering a specific period (2016–2022). This study period was chosen as a previous study by Mudzimba (2018) already investigated accounting manipulation (JSE-listed companies), from 2000 to 2016.
- Exclusion of new JSE-Listed firms, private manufacturing firms and non-listed entities due to data unavailability.

1.8 Organisation of the Study

The dissertation is arranged in the following sequence:

- **Chapter 1:** This chapter presents the background to the subject of accounting manipulation, corporate governance and financial performance in the global and national context. The aims and objectives of the study, research problems, research questions that led to the study to be conducted and significance of the study are also discussed in this chapter.
- **Chapter 2 - Literature Review:** In this chapter, a critical overview of the literature on extant literature on accounting manipulation, corporate governance, and financial performance is presented and discussed. It also discusses the concepts and empirical findings that served as a justification for the study being conducted.
- **Chapter 3 – Methodology:** This chapter presents the overall research methodology employed to collect and analyse the data. This includes the research philosophy adopted, research design, sources of data, an data analysis techniques, among other topics. These are described in detail to ensure high descriptive validity.
- **Chapter 4 - Results and Discussion:** This chapter discusses the findings of the data analysis and makes connections between those findings and the results from other studies that are comparable. All results are presented in either narrative or tabular format throughout the chapter.
- **Chapter 5 - Conclusion and Recommendations:** This final chapter summarises the findings of the study and outlines how the research objectives were addressed. Additionally, This chapter provides practical and policy recommendations, along with suggestions for future research investigations.

1.9 Conclusion

This chapter delineates the study's foundation by specifying the research scope and articulating the primary research objectives. The following chapter will discuss the theoretical and empirical literature, providing crucial background knowledge for understanding accounting manipulation, corporate governance, and financial performance and their interactions both conceptually and empirically.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Rising concerns about financial misreporting and governance failures, accounting manipulation and corporate governance have become key areas in academic debate among finance and accounting academics. The issues of financial misreporting and governance are not entirely separate; rather, they are often connected since weak governance creates space for unethical accounting methods to persist, which impacts the economic performance of organisation (Camper *et al.* 2023). Emerging economies have been particularly identified as hotspots of accounting manipulation because of weak regulatory systems and inconsistent enforcement, which creates more opportunities for accounting manipulation and financial misreporting (Sieff and Brown 2023).

Though a lot of studies on corporate governance and financial performance have been conducted, studies looking at the triadic relationship between corporate governance, accounting manipulation, and financial performance in emerging economies like South Africa are scant. The plethora of studies look at corporate governance and financial performance independently and others concentrate on established markets with strong institutional structures (Areneke 2018; Bruner and Christopher 2021). This literature review attempts to evaluate studies on accounting manipulation, corporate governance, and financial performance in several regional and sectorial settings. A conceptual review of accounting manipulation, financial performance and corporate governance is presented; thereafter, the theoretical framework is presented, then empirical review of previous studies, and lastly the conceptual framework.

2.2 Conceptual Review

2.2.1 Accounting Manipulation

Uwah *et al.* (2023) describes accounting manipulation as an intentional distortion or alteration of financial statements of an organisation in an attempt to sway investor's opinion of the entity's financial performance. Rezaee (2022) adds that the aim of such a practice is to persuade the public about the financial situation and strength of the organisation. It encompasses both legal strategies such as earnings management and aggressive accounting, and illegal activities which are basically outright fraud. This practice, according to Turzo *et al.* (2022), is rather common

in many nations, both developed and developing. Loffi *et al.* (2022) notes that the logical consequence of such accounting practices is that they create a knowledge asymmetry between corporate management and users of financial statements, thereby affecting decision-making. Interestingly, some research studies have reported that some managers have no ethical qualms with these practices, as they actually see themselves as doing something that will benefit investors, as they only manipulate accounting records to increase stakeholder value, rather than hurt investors (Liu and Tang 2020; Gómez-Carrasco *et al.* 2021). However, most scholars dispute such reports, noting that managers often do accounting manipulation for their own benefit (Alvesson 2022). Wahyuni *et al.* (2021) asserts that another factor that contributes to the occurrence of accounting manipulation is the limited foresight and knowledge of staff and management, leading individuals to do accounting manipulation as it appears as a quick solution to challenging financial distress, thus prioritising short-term rewards over long-term sustainability.

2.2.1.2 Types of Accounting Manipulation

There are numerous forms of accounting manipulation that are reported in literature. The forms of accounting manipulation include revenue recognition, expense, asset valuation and liability manipulation.

Revenue Recognition Manipulation: This is the most common form of accounting manipulation (Nguyen *et al.* 2021). Time is the key variable in this type of accounting manipulation. The common methods employed to manipulate revenues are mentioned below.

Premature Revenue Recognition: This type of revenue manipulation includes the recording of revenue before the goods are delivered to the client or before the service is rendered to the client (Roszkowska 2021).

Channel Stuffing: This normally takes place when a company sells some excess goods to the client on credit and records these sales as real sales even if the goods are not technically sold yet (de Jong *et al.* 2021).

Fake Sales: This is when companies record sales on the financial statements that never took place with the aim of misleading financial statement readers (Tracy 2024).

Expense Manipulation: Expenses can be altered by reducing those which the company deems too high so as to appear in a strong profitability position in official financial records than the reality on the 'ground'. The following types of expense manipulation are the most prevalent:

Capitalising Expense: This type of manipulation happens when the company capitalize expenses and amortise them after a certain time, instead of recording them under expenses section (Mazzi *et al.* 2022).

Deferring Expense: This type of manipulation refers to delaying expenses and recording the expenses in a future period with the aim of increasing current profit. This is done mostly by moving expenses to long term assets, sometimes deferring maintenance costs (Nguyen *et al.* 2021).

Asset Valuation Manipulation: In this form of accounting manipulation, organisations may understate impairment charges on a balance sheet and increase asset value. The act of overstating a company asset is mainly intended to make the company seem more solvent than it is (Fridson and Alvarez 2022).

Liability Manipulation: The manipulation of the records of liabilities includes understating financial liabilities, and this may include, but is not limited to the following practices:

Failure to Record Contingent Liabilities: Companies may fail to record contingent liabilities, these liabilities may include environment clean-up costs, warranties or legal settlements. These items will be potential liabilities but if they are not recorded properly, hence this practice can mislead stakeholders (Baker 2021).

Provisions Manipulation: Some companies manipulate liabilities by providing them for future costs. Companies do this type of manipulation even if the actual future liabilities may be much higher as long as the profit is higher in the current reporting period (Dyrenge *et al.* 2022).

2.2.1.3 Factors Contributing to Accounting Manipulation

Accounting manipulation typically arises from multiple contributing factors such as individual motivations, organisational culture, and wider industry or societal influences.

Individual Factors

At the individual level, accounting manipulation frequently arises from managerial self-interest, which is usually associated with bonus structures, career progression, or equity-based compensation. Agency theory suggests that managers, acting as agents, may prioritise personal interests over shareholder value, particularly when their incentives are linked to short-term financial objectives (Marais and Okey 2024). Executives may expedite revenue recognition or postpone expenses to achieve earnings targets, consequently enhancing their apparent performance.

Nonetheless, individual behaviour is not exclusively influenced by economic incentives. The role of ethical orientation and moral reasoning is significant. Research indicates that in well-regulated settings, managers exhibiting low ethical standards are more prone to manipulation, particularly in the absence of robust oversight (Marais 2024). The "tone at the top" significantly impacts on organisational culture; a CEO who justifies unethical behaviour or overlooks compliance may create an environment where subordinate employees perceive rule-bending as acceptable. Moreover, specific psychological traits, including risk tolerance and overconfidence, are associated with manipulation decisions, as executives with high-risk profiles exhibit a greater propensity for earnings misrepresentation (Ofoegbu and Ndubuisi 2024).

Organisation Factors

Weak internal controls, ineffective audit committees, and inadequate board oversight facilitate accounting manipulation at the organisational level. A board lacking financial literacy or dominated by management is less inclined to scrutinise dubious accounting practices. In South Africa, numerous firms adhere to King IV in appearance rather than in essence, leading to symbolic governance that does not effectively prevent manipulation (Padayachee 2017; Mokabane and Du Toit 2022). Prolonged auditor tenure and heightened familiarity with management compromise audit independence, thereby elevating the risk of collusion or negligence (Maserumule 2021).

Organisational culture serves as a significant factor. A culture focused on results, particularly in organisations facing performance pressure, generates implicit incentives for manipulation. When employees perceive that aggressive accounting practices are either rewarded or ignored, they are more inclined to adopt similar behaviours. Marais (2024) found that technically competent auditors were unable to detect manipulation in environments characterised by autocratic organisational culture and weak ethical standards. Additionally, inadequately designed internal reporting systems and insufficient whistleblower protections diminish the probability of internal identification of manipulation.

Industry and Society-Level

Accounting manipulation at both industry and societal levels is frequently influenced by competitive pressures, regulatory leniency, and institutional norms. Industries like manufacturing, construction, and mining exhibit a higher susceptibility to manipulation, attributable to intricate inventory systems, project-based revenue recognition, and extended

asset life cycles that facilitate flexible estimation (Ruddy 2006). These features creates opportunities for organisations to distort their accounting estimates without prompt identification.

In addition, societal norms and the effectiveness of regulations have a significant impact on accounting manipulation; even in nations such as South Africa which has extensive regulatory structures such as the Companies Act and JSE listing standards (Mudzimba 2018). The term "regulatory decoupling" is used to describe this phenomenon of formal compliance masking illegal practices (Marais and Okey 2024). Moreover, the impact of previous scandals and political participation is that they may contribute to societal acceptance and normalisation of unethical commercial practices such as accounting manipulation. Oloyede and Okey (2024) also highlight the impact of distracted institutional investors who fail to supervise enterprises, allowing management to take advantage of oversight gaps.

2.2.1.4 Accounting Manipulation Detection Methods

Various methods have been developed to detect the now prevalent practice of accounting manipulations, which is seen across industries and nations. Common methods employed include the Modified Jones Model, the Beneish M-Score and discretionary accrual estimates (Amelia *et al.* 2024). All the aforementioned models essentially assess the accrual quality of an organisations financial statements. Large unexplained accruals are associated with accounting manipulation practices, which are used by some managers to high poor financial performance and smooth results (Sucharita and Lokeswari 2019).

Dufour, Luu and Teller (2020) highlights that good accrual quality is essential for financial transparency and maintaining the financial health of an organisation; hence, when it could greatly hamper an organisations reputation and ability to attract investors. Moreover, Azwari *et al.* (2019) and Amelia *et al.* (2024) note that when accrual quality is high user satisfaction with accounting increases and organisations are able to make better financial decision, which is pertinent in public and emerging markets, which are often very volatile. The aforementioned benefits serve to highlight the importance of accrual quality and accrual-based accounting manipulation detection methods.

A number of studies do highlight that there are methodological challenges in evaluating accrual quality, such as its sensitivity to firm-specific market conditions, its usage remains crucial due to its ability to detect deviations from normal financial behaviour (Nezlobin, Sloan and Giedt 2021). As a result, despite its limitations, accrual quality is nevertheless a solid, scalable, and

widely accepted criterion for detecting accounting manipulation, especially when combined with other financial red flags and governance assessments.

More recently, detection tools include forensic accounting tools such as data mining, artificial intelligence (AI), ratio analysis, and computer-assisted audit techniques (CAATs), which improve the detection of anomalies and inconsistencies in financial information (Ragini 2022). The use of AI has in audits, to enabling continuous monitoring and automated anomaly detection to detect accounting manipulation practices is gaining ascendancy (Rahahleh *et al.*, 2021). However, the use of such technologies does not substitute human factors such as audit experience, education and professional skepticism in identifying accounting manipulation. Even with experienced and skilled audit professionals, Jaafar *et al.* (2024) emphasizes that the role of ethical, legal and psychological factors should be considered as these elements affects an auditors impartiality when assessing financial records. All in all, to increases the likelihood of detecting accounting manipulation is seems that accrual-based models are best, supported by robust technologies and well equipped audit staff.

2.2.2 Corporate Governance

2.2.2.1 Concept of Corporate Governance

Corporate governance lacks a singular definition but is generally understood as a framework that directs, oversees, and ensures accountability within corporate entities (Lund and Pollman 2021). The primary function is to balance the interests of various stakeholders, accomplished through mechanisms that clearly define roles and responsibilities between management and directors (Quattrone 2021).

Corporate governance is increasingly recognised for its role in improving financial performance, mitigating organisational risk, ensuring regulatory compliance, and protecting organisational reputation (Jan *et al.* 2021; Nasrallah and El Khoury 2022). The increasing complexity and globalisation of corporate environments has led to heightened scholarly interest in governance, especially regarding board composition and independence. However, more empirical studies are still needed to explore and examine the influence of governance on corporate resilience, sustainability, and financial transparency, particularly regarding increasing reports of intentional financial misreporting.

2.2.2.2 Key governance mechanisms

There is general consensus that strong corporate governance is an essential component to a strong organisation. This section specifically focuses on corporate governance mechanisms that stand out for their role shaping financial reporting quality and organisational integrity.

Board Independence

Board independence represents the ability of the board to take a decision without being influenced by the executive management of a firm. The board independence is normally measured by the percentage of non-executive independent directors on a board. Saona *et al.* (2020) analysed financial data from S&P's leading U.S. companies between 1994 and 2002, noting that firms with a higher proportion of independent board members have higher earnings quality, implying that board composition and independence are critical to mitigating financial misstatements. Independent non-executive directors are more likely to be impartial assessors of an organisation's financial state, they are more likely to scrutinise executive decisions and protect shareholder interests, which is why it has been noted that board independence is associated with less accounting manipulation and more transparent financial disclosures.

Board independence is even more important in settings defined by unrestrained executive power, such as firms with entrenched CEOs or combined CEO-chair roles, which is an organisational context where management easily manipulates finances with impunity. Board independence is not however a 'cure' for all financial mismanagement practices such as accounting manipulations, as social relationships to executives can create a context where board independence is essentially symbolic, which has minimal deterrent value of intentional financial misstatements. Such social dynamics could explain why the study by Roodposhti and Chashmi's (2010) on 196 companies listed on the Tehran Stock Exchange from 2004 to 2008, reported a negative association between board independence and accounting manipulation.

Audit Committee Effectiveness

The establishment of an audit committee in an organisation is seen as one of the most important corporate governance mechanisms to ensure ethical financial reporting and documentation. To be effective, scholars such as Wan, Mohammad & Wasiuzzaman (2020) and Hamdan & Allam (2020) argue that an audit committee needs to have a high degree of financial knowledge and independence significantly reduce the risk of financial misstatements, improving the integrity of financial statements. Effective internal auditing improves an organisation's financial performance by reducing instances of real earnings and accrual-based

management (Alfadhael and Jarraya 2021). Audit committees are responsible for managing financial reporting processes, communicating with external auditors, and assessing internal controls. Effective audit committees exhibit independence, are financial experts, and are actively engaged in an organisations financial processes. Recent studies have noted that regular meetings, the availability of accounting expertise, and access to internal audit reports greatly improve the effectiveness of committees in identifying earnings management (Marais 2024; Marais and Okey 2024). In contrast, audit committees that are passive or lack sufficient resources may not adequately challenge aggressive accounting practices.

External Audit Quality

The independence and competence of external auditors are critical for ensuring high-quality financial reporting. The Big Four audit firms are typically linked to more stringent audit procedures and reduced discretionary accruals (Mokoaleli-Mokoteli and Iatridis 2017). Audit quality may be compromised by prolonged tenure, conflicts of interest, and familiarity risks, particularly when auditors offer non-audit services or sustain long-term client relationships (Maserumule 2021). Audit firm rotation and the independence of audit partners serve as essential financial safety measures.

Ownership Structure

Depending on the sort of shareholder, ownership concentration can both restrain and exacerbate managerial misbehaviour. Institutional investors are normally supposed to carefully oversee management, but in South Africa, this scrutiny has been uneven, particularly when distracted by other holdings (Oloyede and Okey 2024). In contrast, family or insider ownership may raise the danger of manipulation due to lower external monitoring and management entrenchment.

Board Diversity and Expertise

Board diversity, which includes gender, ethnicity, and professional experience, is widely seen as a governance strength. Diverse boards are supposed to improve decision-making and ethical reasoning, while scientific evidence is conflicting. While some research imply that female CEOs reduce earnings management, the presence of women on non-executive boards may not be enough until they hold prominent positions (Ullah and Naveed 2021). Financial and accounting skills are more directly related to improved financial oversight and identification of manipulation.

Internal Control Systems

Strong internal control environments reduce potential for manipulation by separating roles, automating checks, and enforcing approval protocols. Firms with strong accounting information systems (AIS), for example, report higher fraud detection and compliance rates (Tsuma 2025). Effective internal audit functions, risk management frameworks, and whistleblower protection procedures are all necessary components of internal governance architecture.

2.2.2.3 South Africa's Corporate Governance Context

The South African corporate governance landscape, including the JSE, has been shaped by legal and regulatory frameworks such as the King Reports (I–IV) and the Companies Act of 2008. These regulations were established to create an environment of financial transparency, board effectiveness and corporate accountability. Regrettably, numerous reports of accounting manipulation, corporate scandals, and financial misreporting persist, signalling that there might that the aforementioned goals are not yet the reality.

The most recent corporate governance code is the King IV Code of 2016, which was introduced to promote a corporate governance environment characterised by "apply and explain," emphasising transparency in operations and management, board accountability, and stakeholder engagement. Regrettably, as extensive as this code is in writing, numerous scholars have argued that this code is too principle-based, which leads to the phenomenon of symbolic compliance rather than substantive governance reform (Padayachee 2017; Mokabane and Du Toit 2022). Firms are able to meet the King IV requirements in their annual reports without demonstrably showing how they implemented the King IV principles in any substantive way. Such regulatory loopholes create a corporate governance environment that allow companies to be formally compliant without introducing substantive government reforms.

South Africa is experiencing a governance challenges in both public and private spheres, as evidenced by failures of large organisations such as Steinhoff International, Tongaat Hulett, African Bank, and VBS Mutual Bank, highlighting critical shortcomings in internal controls, auditor independence and board oversight. The prominent cases demonstrate a trend of executive dominance, compromised audit functions and board committees that either failed to recognise manipulation or lacked the authority and capability to respond to its occurrence (Mudzimba 2018; Marais and Okey 2024). The Steinhoff case in particular illustrates the

persistence of fraudulent asset inflation that often goes undetected despite the engagement of notable auditors and formal compliance with King III and IV principles.

Structural and relational factors also undermine the effectiveness of auditor independence. Maserumule (2021) argues that numerous private sector stakeholders view extended auditor tenure and the hiring of former auditors by client firms as non-threatening to their financial practices. Such familiarity can compromise objectivity, particularly in contexts where audit committees already demonstrate passivity or lack financial literacy.

Institutional investors, anticipated to fulfil a monitoring function, also face criticism for their perceived distraction or disengagement, particularly when managing diversified portfolios across various sectors. Oloyede and Okey (2024) contend that these investors frequently neglect to implement adequate governance oversight, especially in times of financial strain, resulting in unregulated account manipulation.

2.2.3 Firm Financial Performance

The financial performance of an organisation's reflects its overall financial health, efficiency, and the capacity to generate sustainable profit through the effective utilisation of its resources. It encompasses a firm's ability to manage operating expenses, maintain sufficient cash flow, fulfil both short- and long-term financial obligations, and attain profitability while ensuring growth (Kumar *et al.* 2024). For the reasons cited above, many stakeholders use an organisations financial performance as a standard for evaluating strategic success and informing investment decisions.

Financial performance indicators that reflect profitability, liquidity, solvency, and operational efficiency help one to evaluate financial performance. These indicators or metrics help one to grasp how well a company converts its resources such as capital, equity, and assets, into financial returns. While performance indicators may vary between sectors, Camp (2024) adds that the main purpose across industries is to assess how effectively a company satisfies its financial targets. To enable performance evaluations and strategic planning, these measuring instruments have been standardised worldwide inside corporate finance and management disciplines (Vernimmen *et al.* 2022).

The main and most simple indicator of financial performance is profitability. Common measures include ROA, ROE and net profit margin are used in assessments of a company's efficiency in producing earnings from its assets, equity, and revenues (Tudose *et al.* 2022).

Liquidity is also an important aspect when assessing the financial performance of an organisation, as it is used to evaluate a company's capacity to meet temporary needs and identify solvency issues. Businesses showing strong liquidity profiles are less likely to be in financial crisis (Malit 2024). Leverage and solvency ratios, including debt-to-equity, help us to evaluate a company's long-term financial stability and risk exposure (Hasanuddin *et al.* 2021; Kalash 2023). Other relevant ratios include inventory turnover and asset turnover ratios, which help to evaluate a company's use of resources in producing income, which is essentially the efficiency of an organisation. These ratios are strongly related to good operational management and financial performance (Alarussi 2021; Zhang and Dilanchiev 2022).

The relationship between financial performance and corporate governance is crucial in the South African context, particularly within publicly traded companies, where financial reporting and accountability are legally mandated and are of great economic significance. Mncube *et al.* (2020) emphasise that governance practices have a significant influence on the financial performance of South African companies, thereby supporting the notion that effective governance enhances a company's financial integrity and competitiveness. Financial performance is a multifaceted concept essential for assessing a company's operational resilience and overall effectiveness. Financial performance serves as a primary outcome in both academic research and managerial decision-making. Furthermore, it is a critical variable to examine when analysing the impact of corporate governance on financial reporting practices within any organisation, both in for-profit and non-profit contexts.

2.3 Theoretical Framework

The conduct of this study is anchored by agency and stakeholder theories, which are discussed below.

2.3.1 Agency Theory

Agency theory was originally developed by Jensen and Meckling (1976) to describe the dynamics between the principal (owner) and agent (manager) which are largely typified by conflicts of interest, typically around finances. This theory is particularly relevant in the contemporary business landscape where the practice of dividing ownership and control within businesses is common, which often leads to conflict of interests between shareholders and

executives. Accounting manipulation is a common manifestation of this conflict of interests, as executives use opportunistic financial reporting to meet earnings prospects or achieve their own personal objectives to the detriment of shareholders and in the long run. Numerous studies have indicated that managers, who are agents according to agency theory, have a tendency to prioritise their own interests over those of the shareholders, whom they are meant to prioritise as principals of these organisations (Linh 2024). Inevitably, the misalignment of interests between these two parties leads to financial statement manipulation by the agents in order to meet their demands over those of their principals (Fatah 2024).

For the aforementioned reasons, accounting researchers can use agency theory to gain insights on the factors that drive accounting manipulation in organisations. The theory can be applied to investigate variables such as CEO compensation, shareholder participation, and ownership structure in order to gain more insights on agents' behaviour. Furthermore, this theory emphasises the importance of strong and effective governance when dealing with agency difficulties. Effective corporate governance assists organisations in bridging the gap between the interests of agents and principals by reducing conflicts between them, which can improve companies' financial performance (Masyhiri 2024).

The aforementioned rationale demonstrates how agency theory may be an effective tool for investigating the basic aspects that lead to accounting manipulation in organisations such as JSE-listed manufacturing firms. By investigating agency conflicts and analysing the efficiency of corporate governance, more empirical evidence can be obtained which can assist businesses to improve their financial performance and reduce the high likelihood of accounting manipulation.

2.3.2 Stakeholder Theory

Stakeholder theory highlights the need for an entity to address the concerns of all stakeholders in the context in which it operates (Dmytriiev and Freeman 1984). In businesses, this is interpreted as the prerogative to address the concerns of all stakeholders rather than focusing solely on profit maximisation and shareholder value. The stakeholders for business include suppliers, workers, consumers, and communities affected by its operations. The consideration of all stakeholders for publicly traded organisations is particularly significant as these entities typically have large scale operations that would impact a large number of stakeholders at regional and national levels. Consequently, it is not surprising to see scholars such as Carroll (2021) and

Phillips (2023) championing that studies on corporate governance, accounting manipulation, and financial performance should incorporate the stakeholder theory.

Staholder theory when applied in business contexts recommends that corporations take a proactive approach to stakeholder engagement and wellbeing, of which strong corporate governance is essential, as it prioritises financial responsibility and fairness, which can assist firms such as manufacturing companies reduce the occurrence of unethical financial practices such as aggressive accounting manipulation. Stakeholder theory highlights the importance of long-term advantages from establishing trust and gaining support from stakeholders. Companies that apply responsible and open accounting procedures can improve their image and attract more investors, clients, staff confidence, and supplier cooperation (Dmytriiev, Freeman and Hörisch 2021).

2.4 Empirical Literature Review

2.4.1 Studies on Accounting Manipulation and Financial Performance

Studies investigating the influence of accounting manipulation on financial performance have yielded varying results, though the majority report negative long-term financial and reputational consequences. Agrawal and Chadha (2015) and Grewal and Puranik (2019) discovered that corporations that engaged in accounting manipulation had lower profit margins, higher equity costs, and lower stock returns than organisations that used appropriate accounting procedures and rules. Wang *et al.* (2018) and Chowdhury and Farhana (2017) also add that financial statement manipulation generally has a negative impact on business value and market liquidity, particularly in the long-term. A meta-analysis by Dechow *et al.* (2011) also revealed that enterprises engaged in accounting manipulation incur substantial legal consequences, which impact their sustainability significantly. Intentional financial misstatements can harm a corporation's reputation among investors and customers alike, resulting in even weaker financial performance.

Kim and Lee (2016) evaluated the impact of accounting manipulation on corporate financial performance, and discovered that businesses engaged in accounting manipulation did poorly financially. The study found that effective organisational governance has a considerable impact on reducing the occurrence and consequences of accounting manipulation when it occurs. Li *et al.* (2020) evaluated the impact of accounting manipulation on Chinese corporations' cash dividend rules, revealing that corporations that engage in accounting manipulation are more likely to reduce dividends, implying a detrimental impact on their financial performance in the

Chinese context. The findings indicate that accounting manipulation may makes it more difficult for corporations to pay their employees, which affects investor confidence and overall profitability when such reports are made public.

Some studies however, found that accounting manipulation methods do not necessarily have a negative impact on a company's financial success. In fact, these studies demonstrated that modifying accounting methods could help a corporation run more smoothly. For example, Gul and Leung (2004) demonstrated that high corporate success could result from earnings management, or accounting choices that signal future performance. However, the authors emphasised that the achievement of this outcome is dependent on the availability of strong corporate governance systems capable of detecting and preventing unethical financial practices. Gao *et al.* (2015) found that firms that engage in accounting manipulation are more likely to experience earnings growth and stock returns than those that do not. According to Béhar *et al.* (2020), this finding implies that a certain level of account manipulation is deemed a necessary evil improve a company's financial success in certain situations.

The review has demonstrated that accounting manipulation is a prevalent issue in the global corporate environment, and is unlikely to subside unless drastic measures are taken, given how difficult it is for corporations to maintain a positive public image and meet investor expectations in modern times. Accounting record manipulation can have a significant negative impact on organisational performance, including decreased success, increased equity-related expenses, lower stock returns, and cause significant legal & reputational damage. Nonetheless, it is clear that the various accounting manipulation tactics practiced can have an impact on company performance; however, these effects may be temporary and dependent on the status and strength of an organisation's corporate governance mechanisms. Many firms have failed to recognise the importance of accounting quality and ethical behaviour in ensuring long-term organisational success and sustainability. It is apparent from the foregoing discussion that the relationship between accounting manipulation and an organisation's financial success is complex and is influence by a number of factors, such as the type of manipulation, the extent of the manipulation, and specific economic context. More research is needed to establish and explain the relationship between these elements, to contextualise the prevalent of accounting manipulation and how it influences the performance of companies in different political, cultural, social, economic and legal environment.

2.4.2 Studies on Corporate Governance and Accounting Manipulation

A large body of empirical research has explored how different company governance procedures affect the likelihood and severity of accounting manipulation. These studies consistently report that robust corporate governance, as characterised by independent monitoring, competent boards, effective audit committees, and ethical leadership, deters intentional financial statement misreporting. However, the efficiency of these measures varies based on the organisation's environment, enforcement strength, and implementation integrity.

Within South Africa, Marais and Okey (2024) study provides strong evidence that audit committee effectiveness and external audit quality are inversely associated to accounting fraud. Their study, which included a panel of JSE-listed companies, found that audit committees with good financial knowledge and frequent interaction were better able to detect and reduce discretionary accruals. They also highlighted that corporate governance mechanisms are not perfect but impactful; however, their impact can be significantly diluted in firms with authoritarian leadership styles or a low ethical tone at the top, which can weaken even technically competent audit committees.

Similarly, Maserumule (2021) looked into perceptions of external auditor independence in South African private enterprises and discovered that long audit tenures and the rehiring of former auditors by client firms impacted audit quality. Although many practitioners did not regard these activities as threatening independence, the study indicated a familiarity risk, meaning that close auditor-management relationships create opportunities for manipulation.

International evidence supports these findings. In a comparative study of Turkish enterprises, Adigüzel (2012) found that internal governance measures such independent boards, audit committees, and internal audits considerably reduce earnings management, especially in non-family-owned firms. This finding is consistent with the South African scenario, in which ownership concentration and board capture can impede governance efficacy. Furthermore, Marais *et al.* (2024) tested the effectiveness of detection models such the Beneish M-score and F-score in detecting manipulation. Their studies indicated substantial false-positive rates, implying that governance flaws in South Africa enable aggressive accounting to replicate fraudulent behaviours, reducing the reliability of typical detection systems.

Oloyede and Okey (2024) studied the impact of institutional shareholder monitoring in emerging markets and discovered that breakdowns in oversight, particularly during periods of external distraction, were associated with increases in both accrual-based and real activity

manipulation. This reinforces the premise that active governance is essential, and that passive or distracted boards foster unethical reporting.

Mokoaleli-Mokoteli and Iatridis (2017) provide additional support, demonstrating that enterprises audited by the Big Four in South Africa reported much lower levels of earnings manipulation and higher conditional conservatism. However, they stressed that firms had not fully internalised regulatory changes under the Companies Act and King III, and corporate failures such as African Bank highlighted continued dangers in audit quality and board engagement.

The conclusion among these research studies is that corporate governance systems can greatly reduce manipulation; nevertheless, their success is dependent on context-specific elements such as board dynamics, auditor independence, leadership ethics, and regulatory enforcement. The literature highlights that mere compliance is insufficient; genuine engagement and ethical leadership are necessary to truly reduce financial misreporting.

2.4.3 Studies on the Moderating Role of Corporate Governance

Extant literature suggests that the association between accounting manipulation and financial performance is significantly influenced by effective corporate governance. Farooq *et al.* (2022) conducted a study investigating the impact of corporate governance on the relationship between accounting manipulation and financial performance amongst firms in Pakistan. The findings indicate that the association between accounting manipulation and business performance is significantly affected by several corporate governance factors, including ownership structure, CEO duality, and board independence. The study by Al-Debei and Al-Lozi (2019) explored the impact of corporate governance policies on the relationship between accounting manipulation and firm performance in publicly traded companies in Jordan. The study's results were contrary to those obtained by Farooq *et al.* (2022), as the findings were that the relationship between accounting manipulation and firm performance is not significantly affected by corporate governance structures such as board independence, audit committee size, or ownership structure. Sindhu and Khalid (2020) examined the relationship between corporate governance, accounting manipulation, and company performance in publicly traded companies in India. The research indicated that the influence of accounting manipulation on financial performance is mitigated by an effective audit committee, ownership structure, and director independence. These contrasting findings in 3 different nations suggest that the influence of corporate governance on accounting manipulation is primarily context-dependent.

The financial data falsification via accounting manipulation influenced by the corporate governance context leads to inflated financial performance metrics, misleading investors and potentially resulting in significant risks (Lotfi *et al.* 2022). Corporate governance structures such independent boards of directors, external audits, and clearly defined reporting criteria are generally effective in safeguarding financial data from accounting manipulation. Firms exhibiting strong corporate governance in most contexts are generally better equipped to manage risk and adapt to market changes, thereby positively impacting their financial performance.

Ali *et al.* (2008) conducted research on companies listed on Bursa Malaysia, revealing that robust audit committees and board independence significantly mitigated the adverse effects of accounting manipulation on financial performance. Their findings indicate that maintaining the integrity of financial statements and ensuring the accuracy of reported performance measures depends on independent oversight. Recent research conducted by Ramdani and Bhimani (2019) on Indonesian firms supports this conclusion. The research indicates a correlation between well-organised boards and independent audit committees with enhanced accuracy in financial reporting and increased transparency, thereby improving business performance by mitigating the effects of accounting manipulation.

Zhang *et al.* (2020) examined Chinese listed businesses and identified that fundamental governance elements, ownership concentration, board independence, and audit committee strength, serve as moderating factors between accrual-based earnings management and company performance. The study indicates that organisations with robust governance systems were more effective in safeguarding against the adverse financial impacts of accounting manipulation. Governance systems often function as performance stabilisers and preventive mechanisms, thereby enhancing the accuracy of organisational value representation.

Empirical evidence indicates that the implementation and adherence to high-quality governance practices significantly reduce the likelihood and severity of poor financial performance metrics arising from accounting manipulation in numerous developing markets (Chandren *et al.* 2021; Nasrallah and El Khoury 2022). The collective findings indicate that corporate governance generally functions well as a protective mechanism, thereby mitigating the risk of accounting manipulation that may undermine market valuation, shareholder confidence, or business profitability.

Strong governance systems, particularly those that ensure board independence and audit oversight, can help mitigate the occurrence and impact of such unethical practices. The conclusions are pertinent in areas with heightened regulatory oversight and capital market integration, highlighting the necessity of institutionalising governance as a safeguard for performance.

2.5 Conceptual Framework

This research endeavoured to shed light on how current corporate governance practices moderates the impact of accounting manipulation on firm performance for South African listed manufacturing firms. The conceptual framework presented in Figure 1 establishes the interconnection among accounting manipulation and corporate governance as well as financial performance, which guides the conduct of the study. The framework demonstrates that accounting manipulation would have a direct impact on financial performance. The model further shows that accounting manipulation have indirect impact on financial performance through corporate governance system.

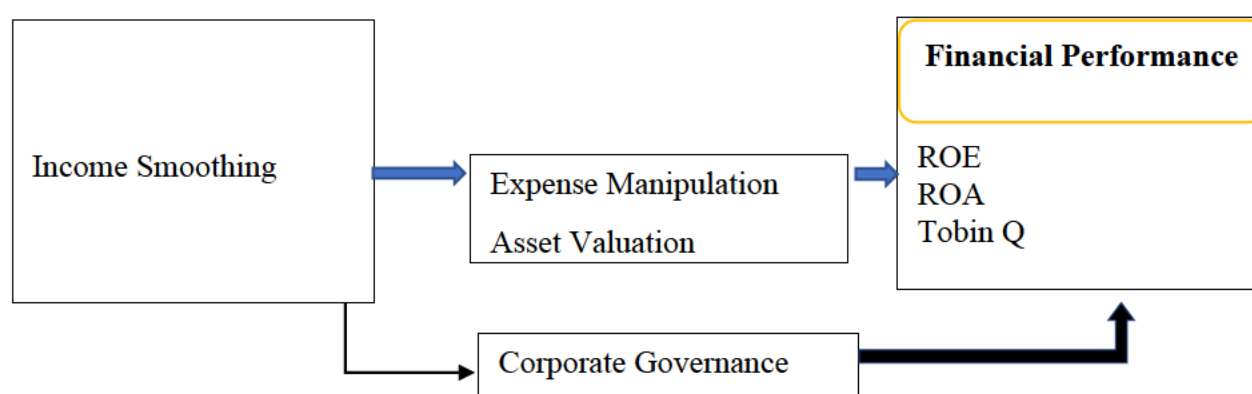


Figure 1: Conceptual Framework (Source: Researcher's own construct)

A visual depiction of the conceptual framework is presented to emphasise the relationships that exist among the different elements of corporate governance and the variables achieved by the organisation being studied. The findings from empirical studies suggest that the identified elements influence the relationship between accounting manipulation and the performance of individual companies. Systematic approaches to corporate governance and concepts are viewed as forming the conceptual framework.

Accounting manipulation is defined as the intentional alteration of financial information by executives aimed at influencing consumer perceptions. Corporate governance refers to the

systems established to ensure management accountability to stakeholders, including investors. Financial performance assesses a company's resource utilisation in generating returns for stakeholders, thereby reflecting its efficiency level. The extent and probability of accounting manipulation are influenced by corporate governance systems, board composition, transparency, and legal requirements. Effective corporate governance fosters an atmosphere of transparency, accountability, and ethical conduct, thereby reducing the likelihood of accounting manipulation. Furthermore, financial reporting rules and regulations promote consistency and comparability in financial statements, thereby enhancing integrity and transparency.

2.6 Conclusion

The corpus of literature highlight the prevalence of accounting manipulation in corporations both international and nationally, and emphasises the role that enforced corporate governance can have in mitigating this issue. Key corporate governance mechanisms that have been successful in combating financial misreporting include board independence, the separation of CEO and board chair roles, and the effectiveness of audit committees. These systems ensure that financial disclosures are reliable and beneficial for stakeholders by mitigating managerial opportunism and promoting transparency and financial accountability, thus guaranteeing their accuracy.

Empirical studies have demonstrated a positive correlation between effective corporate governance and improved financial performance. Effective governance systems enable companies to identify and mitigate profit manipulation, thereby safeguarding their value and enhancing investor confidence. Publicly traded manufacturing companies may face heightened operational complexities and performance pressures, which can elevate the risk of financial misrepresentation. The next chapter presents the research methodology utilised for data collection and analysis.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods and procedures used to explore the relationships between accounting manipulation, corporate governance, and financial performance in South Africa's publicly traded manufacturing enterprises. The overall methodology is presented in various sections to showcase the whole research process used to conduct this study. These sections cover the study's research design, target population and sample design, as well as data collection and analytic methodologies. The study variables are also discussed, and the econometric model is offered, together with the ethical considerations and procedures taken to assure validity and reliability.

3.2 Research Design

Pandey and Pandey (2021) and Mohajan (2020) define research design as a strategy, method, or framework that directs and guides the processes of data collection and analysis in a research project to achieve the objectives of the study. Creswell and Creswell (2017) expand the definition, indicating that it serves as a framework for the systematic collection and analysis of pertinent data, thereby linking empirical evidence to the research questions that underpin a specific study. Simply, research design as a systematic approach for gathering and analysing pertinent data to achieve the objectives of a research.

This study specifically adopted a quantitative correlational design based on panel data analysis. This type of design is non-experimental and is appropriate for revealing historical trends rather than directly manipulating study variables. This method is suitable since it helps to measure accounting performance, corporate governance, and manipulation objectively and methodically. This was done specifically through regression models, which are tools that allow a researcher to test relationships statistically and provides further insights using both cross-sectional (firm-level) and time-series (yearly) fluctuations in this particular instance.

3.3 Research Paradigm

Specifying the philosophical assumptions that underpin a research study is an essential part in any scholarly inquiry. The assumptions adopted reveal the research paradigm or philosophy that influence and underpin a researcher's perceptions of reality, definition of knowledge, and methodological approach that was chosen for the research project (Shan 2022). A research paradigm is essentially the overarching perspective that guides the methodological decisions in a study.

While a number of research paradigms exist, the two most commonly employed primary research paradigms in studies are positivism and interpretivism. Within the positivist philosophical framework, reality is considered to exist independently of human perception, is objective, and is quantifiable (Cresswell and Cresswell 2017). This research paradigm emphasises the utilisation of observable, quantifiable data to reveal universal truths through empirical research, thus being more frequently linked to quantitative studies. The interpretivism research paradigm is typically linked to qualitative methodologies. This approach is typically employed when the objective of the research study is to gain a comprehensive understanding of individual human experiences and meanings in specific contexts. Within an interpretivistic philosophical framework, reality is perceived as a construct generated by social actors, with truth or knowledge being relative and subjective (Kozinets 2023; Aliyu *et al.* 2014).

Considering the nature and objectives of this research, the positivist paradigm was identified as the most suitable research framework. The objective was to examine the relationship between accounting manipulation, corporate governance systems, and financial performance in publicly listed industrial companies in South Africa through the use of quantitative and secondary data. In alignment with the positivist perspective, the emphasis on objective measurements, statistical analysis, and logical reasoning underscores the significance of this paradigm in achieving the objectives of the research project. This is further supported by the application of systematic, empirical methods to test hypotheses and draw generalisable conclusions.

3.4 Population and Sampling

This section describes the population targeted for this study, and the sampling technique used to select the sampled firms.

3.4.1 Study Population

The study population is all the observation units or individuals that share characteristics that are relevant to a study (Leavy 2022). These observation units can be individuals, companies, documents, or objects. The observation units of the study population in this study are all JSE-listed manufacturing firms listed from 2016 to 2022. The study specifically selected all manufacturing companies that publish their annual reports on publicly accessible websites as mandated by regulatory authorities for public companies. The manufacturing sector was specifically chosen for its size and significance as a vital economic engine in South Africa. Moreover, previous investigations and media reports were made about firms in the sector engaging in accounting manipulation. Additionally, the researcher selected the sector because it is formally governed by stringent financial reporting standards in accordance with IFRS and the King IV governance code.

3.4.2 Sampling technique

Mostly, it is often not feasible or possible to include the entire study population; hence, elements/observation units need to be selected from the study population, and then the findings after the analysis will be used to make inferences about the entire study population (Casteel and Bridier 2021). Researchers refer to the group of elements selected from a larger population as a sample (Hair Jr. *et al.* 2015). In most cases, having a larger sample size can assist in lowering the number of sampling errors and increasing generalisability.

Sample selection is mainly classified into two categories: probability sampling and non-probability sampling (Pace 2021). Probability sampling methods guarantee that every element within a study population possesses an equal likelihood of selection for the research project. Probability sampling methods include sampling techniques such as simple random sampling, cluster sampling, systematic sampling, and stratified random sampling.

Non-probability sampling methods on the other hand do not provide equal opportunities for all elements to participate in a study. The sample is typically chosen through established criteria or purely the availability of observation units. Non-probability sampling techniques include convenience sampling, maximum variation sampling, purposive sampling, and snowball

sampling. This research utilised purposive sampling, a non-probability sampling technique, to select JSE-listed manufacturing companies according to specified eligibility criteria that are described below.

3.4.3 Inclusion and Exclusion Criteria

A purposive sample was chosen based on specific predefined criteria:

Inclusion Criteria

- The companies must belong to the manufacturing sector, based on JSE classification.
- The manufacturing companies must have been listed on the JSE throughout the study period (2016–2022).
- They should have complete financial reports available.
- The annual reports must have been published for 7 consecutive years.

Exclusion Criteria

- Firms with incomplete or missing financial data were excluded.
- Firms that were relatively newly listed (after 2016) or delisted firms (before 2022).

3.4.4 Sample Size Determination

All JSE-listed manufacturing firms which met the inclusion criteria were used, which totalled 50 firms.

3.5 Data Collection Methods

Taherdoost (2021) describes data collection as the stage of the research process in which primary or secondary data linked to the research objectives is gathered, using a variety of techniques and processes. To address the research topics, secondary data was acquired and investigated for this research project.

The main sources of data used for the study were annual financial reports obtained from the websites of the firms. The data were supplemented by financial databases such as Bloomberg and McGregor. Data obtained from Bloomberg and McGregor databases comprised company characteristics data, financial performance data, corporate governance data, and accrual accounting data.

3.6 Data Type

The data used was panel data, defined by Catro and Arino (2016) as a mix of cross-sectional and time-series data tracking the traits of entities or people throughout time. In econometric models, panel data is generally used to investigate the effects of certain parameters, such as qualifications or income, along with time-varying features, such as macroeconomic fluctuations, on outcomes, including labour market contributions, spending, and savings interactions. Panel data finds application in public health, marketing, and social sciences, among other disciplines such as accounting. Panel data is useful in that it can be used to establish or assess correlations, helps to regulate unobservable variables, and successfully establishes the dynamic features of social and economic events. For the examination of social events, panel data presents many benefits. Baltagi (2013) claims that the management of collecting made possible by panel data use helps to understand the elements affecting results. The matching subjects using longitudinal data are used to assess individual-level traits that might remain constant or be difficult to measure, thus producing more accurate estimations. Using panel data helps analyse temporal dynamics (Wooldridge 2007). The annual reports that were used covered the period from 2016 to 2022 in order to capture developments in financial reporting and changes in governance over time.

3.7 Study Variables

A variable is a characteristic of an observational unit (for example, an individual or company) that can vary quantitatively or qualitatively in a single observation unit or across multiple observational units (McDermott 2023). The following are variables related to this particular study that were measured and used in the statistical analysis.

Dependent Variable

Dependent variables are defined as those the values of which are influenced by other variables C Andrade (2021). The dependent variable is the variable that a scholar uses to clarify, estimate, or measure in a research (K Okoye and S Hosseini 2024). Its value depends on one or more independent variables, which are anticipated to impact or cause variations in it. The dependent variable is normally discussed as the result or response variable because it reflects the result of the aspects being studied (A Ghanad 2023).

Financial performance was chosen as the dependent variable, measured using three financial ratios: ROA, ROE and TQ.

- **Return on Assets (ROA)**

This financial ratio assesses the percentage of profitability in relation to total assets.

$$\text{Formula: } \frac{\text{Net Income}}{\text{Total Assets}} \times 100$$

A higher ROA indicates better firm financial performance.

- **Tobin's Q**

This financial ratio measures market valuation relative to the firm's assets.

$$\text{Formula: } \text{Market Value of Equity} + \frac{\text{Total Debt}}{\text{Total Assets}}$$

The measurement scale is continuous, with a higher Tobin's Q signifying greater investor confidence in firm valuation.

Independent Variable

Accounting manipulation was measured using discretionary accruals, which is a model that estimates the portion of total accruals that are discretionary and potentially manipulated. The exact formula applied is:

$$\text{Total Accruals} = (\Delta \text{Current Assets} - \Delta \text{Current Liabilities}) - \Delta \text{cash} + \Delta \text{Short-Term Debt} - \text{Depreciation}$$

The measurement scale is continuous; higher numbers suggest a higher likelihood of accounting manipulation. Similar studies by Choudhary, Koester, and Shevlin (2016), Rezaee, Dou and Zhang (2020) and Alves (2023), adopted this formula to measure accrual quality. In this study, accrual accounting represented the degree to which accruals (adjustments made in accounting to recognise revenues and expenses in the period they are incurred) accurately represent the underlying economic performance of a firm. High quality accruals are more likely to reflect true economic conditions, while low-quality accruals may indicate potential earnings manipulation or misrepresentation. A deterioration in accrual quality is often linked to accounting manipulation because it indicates the increasing gap between reported earnings and the firm's actual cash flow. This divergence may suggest that managers adjust the accrual

components of financial statements to influence earnings figures, potentially leading to distorted financial reports. This study followed the examples of studies by Rezaee, Dou and Zhang (2020) and Kustono, Roziq and Nanggala (2021), where they measured accrual quality using the balance sheet approach.

Moderating Variables

Metrics of corporate governance chosen include board gender diversity, average board experience and board quality, functioning as variables that influenced the relationship between accounting manipulation and financial performance.

- **Board Gender Diversity (%)**

Definition: The proportion of female directors on the board.

Measurement: Board gender diversity is calculated as the percentage of female directors on the board.

- **Average Board Experience (years)**

Definition: This variable measures managerial or board experience, which can impact the likelihood of accounting manipulation, as experienced managers or boards may have different motivations or risk tolerances.

Measurement: This variable was measured by the number of years of experience of the board members.

- **Board Quality**

Definition: The proportion of non-executive, independent directors on the board.

Measurement: Board independence is calculated as the number of independent directors divided by the total number of board members, multiplied by 100. Increased independence is anticipated to mitigate the risks of accounting manipulation and improve firm performance.

Control Variable

To improve the accuracy of the regression models, several control variables were included:

- **Firm Size (Log Total Assets)**

Definition: Total assets are used as a proxy for firm size.

Measurement: Firm Size = $\log(\text{Total Assets})$

Larger firms are expected to have stronger governance but may also have more incentives for earnings management.

- **Leverage (Debt-to-Equity Ratio)**

Definition: Measures the extent to which a firm relies on debt financing.

Measurement: $\text{Leverage} = \text{Total Debt} / \text{Shareholders' Equity}$

Highly leveraged firms may manipulate earnings to meet debt covenants.

3.6 Data Analysis Procedures and Method

Bell (2018) claims that in quantitative research, statistical analysis helps one to derive important insights from study data. These realisations cover demographics, group differences, and trends. The data analytic approaches used in order to investigate the relationships between accounting manipulation, corporate governance, and financial performance are thoroughly summarised in this section. This study employs quantitative analysis with the aim of establishing the validity and dependability of the results using panel data regression models, correlation analysis and robustness testing. This study aims to find the relationship among accounting manipulation, financial performance, and corporate governance among publicly traded manufacturing companies in South Africa.

3.8 Data Cleaning and Preparation

Data cleaning involves spotting and fixing mistakes, discrepancies, and errors in the dataset. This includes missing data, duplicate removal, formatting corrections, standardising data formats, and, when relevant, excluding outliers. Data preparation on the other hand deals with organising and converting cleaned data into a suitable format for study. Data normalisation, data transformation, and the generation of new variables could all fall within the preparation stage. Both processes, data cleaning and preparation were done prior to the statistical analysis. The data cleaning for this study involved the handling of missing data, whilst data preparation involved the transformation of the data for analysis. The following were adopted to clean and prepare the data for the analysis.

Handling Missing Data: Two approaches were adopted to handle missing data. First, firms with incomplete financial records (e.g., missing ROA, ROE, Tobin's Q) were excluded from

the final sample. Second, missing values in governance variables (e.g., board independence, audit committee size) were addressed using mean imputation, where necessary.

Data Transformation: The following activities were done to transform the data for the analyses. Some variables, such as firm size (measured by total assets), were log-transformed (log firm size) to ensure normal distribution in regression models. In addition, the accrual accounting data was manually calculated by the author from the financial statements of the companies.

3.9 Descriptive Statistics

Descriptive statistics encompasses methods for summarising and characterising the primary attributes of a dataset, including central tendency, variability, and distribution (Mishra *et al.* 2019). This study employs descriptive statistics to present an overview of essential financial, governance, and manipulation indicators utilised. Descriptive statistics, including mean, standard deviation, minimum, and maximum values, were computed for all variables and are presented in a table.

3.10 Correlation Analysis

The multicollinearity analysis was employed to test the relationship among independent variables that can possibly affect the consistency of the regression results. The statistical techniques employed for the correlation analysis include Pearson correlation coefficients (r) and Variance Inflation Factor (VIF). The Pearson correlation coefficients (r) were computed for continuous variables to test the existence of multicollinearity among the independent variables, whilst Variance Inflation Factor was also calculated to check for multicollinearity issues. These methods were employed to confirm the results from each method.

3.11 Regression Analysis

Regression is a statistical method commonly used to examine the degree and features of interactions between a dependent variable and one or more independent variables. This approach is employed in empirical studies in economics and finance since it enables one to evaluate the effect of changes in explanatory variables on the outcome variable (Arkes 2023). This study used panel data regression model to investigate the link among accounting manipulation, corporate governance systems, and financial performance in South African manufacturing companies listed on the Johannesburg Stock Exchange (JSE). The panel

approach is suitable since cross-sectional data spanning several time periods allows the study to consider firm-specific and temporal dynamics as well as to account for unobservable variability.

3.11.1 Choice of Regression Model

To accommodate both cross-sectional (firm-level) and time-series (yearly) variances, the study used panel data regression models. For the same individuals or companies, panel data models can be used to examine a defined sample of observations of numerous instances gathered over several years (Gow, Ormazabal and Taylor 2010; Jaba, Robu and Balan 2017). Panel data models let one study variable inside each company over time by routinely observing it. Because they compensate for firm-specific variability, panel regression models help to lower omitted variable bias. They were also selected as they raise estimate efficiency above those of cross-sectional models. Both fixed effect and random effect estimation models were employed for the analysis.

3.11.2 Fixed and Random Effects Model

The Hausman Test was used to determine which of the two models, a Fixed Effects Model (FEM) or a Random Effects Model (REM), would be the more suitable option.

Fixed Effects Model (FEM): Controls for unobserved firm-specific factors that may influence financial performance.

Random Effects Model (REM): Posits that the effects specific to each firm are randomly allocated among the observations.

Hausman Test Results: If the p-value is less than 0.05, the Fixed Effects Model is favoured. In other instances, the Random Effects Model was employed.

3.12 Regression Model of each Objective

Objective 1: Factors that influence Accounting Manipulation

For this objective, multiple regression analysis was used with the dependent variable being accounting manipulation and independent variables like return on assets and firm size that could influence it. The audit committee, ROA, and financial leverage were tested to check the influence on accounting manipulation. Model 1 below was used for the estimation.

$$AccQ_{it} = \beta_0 + \beta_1 EBITDA_{it} + \beta_2 AvExp_{it} + \beta_3 BodQ_{it} + \beta_4 AudQ_{it} + \beta_5 Size_{it} + \beta_6 Leverage_{it} + \beta_7 Age_{it} + \epsilon_{it} \quad 1$$

The variables are explained and operationalised below.

AccQ_{it} : This is the dependent variable representing accounting manipulation for firm *i* at time *t*. It was measured using accrual quality, a measure commonly associated with earnings management.

EBITDA_{it}: This variable represents Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) for firm *i* at time *t*. EBITDA serves as a proxy for profitability and operational performance, indicating the firm's earnings from core operations, which can influence the extent of accounting manipulation.

AvExp_{it}: AvExp_{it} denotes Average Experience of the firm's management or board members for firm *i* at time *t*. This variable measure managerial or board experience, which can impact the likelihood of accounting manipulation, as experienced managers or boards may have different motivations or risk tolerances. This variable was measured by the number of years of experience of the board members.

BodQ_{it}: BodQ_{it} is Board Quality (BodQ) for firm *i* at time *t*. Board quality reflect factors like board independence, expertise, and oversight capabilities. A higher quality board could deter accounting manipulation through better governance practices.

AudQ_{it}: AudQ_{it} indicates Audit Committee Quality (AudQ) for firm *i* at time *t*. This variable reflects how well the audit committee oversees financial reporting, which may influence the extent of accounting manipulation.

Size_{it}: Firm *i* size (Firm Size) at time *t*. Measures of firm size includes total assets or market capitalisation since larger companies may have different degrees of transparency, complexity, and manipulation incentive than smaller companies.

Leverage_{it}: Financial leverage (leverage) for company *i* at time *t*. This variable shows the debt of the company in respect to either total assets or equity. More debt could drive management's incentive to change accounting numbers to fit debt covenants or to present a better financial situation.

Age_{it}: Firm Age (Age) at time t for firm i. This captures the company's length of existence. Older companies might have more established reputations and might be less likely to participate in manipulation; they might also have more established procedures that either discourage or permit manipulation.

β₀: This variable serves as the intercept term, indicating the baseline level of accounting manipulation when all independent variables are set to zero.

β₁, β₂, β₃ ... β₇: This is the coefficient of the variables, representing the baseline level of accounting manipulation when all independent variables are zero.

ε_{it}: This is the error term for firm i at time t, capturing any other factors influencing accounting manipulation that are not included in the model.

Objective 2: Relationship between accounting manipulation and performance

This study employed econometric models 2 and 3 to assess the relationship between firm performance and accounting manipulation metrics, aiming to clarify the direction and strength of this connection. Regression analysis was employed to measure the effect of accounting manipulation on firm performance. Tobin's Q and ROA were utilised as indicators of financial performance.

$$TQ_{it} = \beta_0 + \beta_1 AccQ_{it} + \beta_2 AudQ_{it} + \beta_3 Size_{it} + \beta_4 Leverage_{it} + \beta_5 Age_{it} + \epsilon_{it} \quad 2$$

$$ROA_{it} = \beta_0 + \beta_1 AccQ_{it} + \beta_2 AudQ_{it} + \beta_3 Size_{it} + \beta_4 Leverage_{it} + \beta_5 Age_{it} + \epsilon_{it} \quad 3$$

The following sections describe the variables in the models.

TQ_{it}: TQ_{it} denotes the Tobin's Q for firm i at time t. This is a dependent variable. This metric assesses firm performance by comparing the market value of a firm to the replacement cost of its assets. This analysis evaluates the alignment between a company's market value and its intrinsic value. The ratio of market value to replacement cost of assets is determined.

ROA_{it}: This variable is a proxy for Return on Assets for firm i at time t. This variable is a dependent variable. This performance metric reflects the efficiency with which a company utilises its assets to generate profit. The calculation is performed by dividing net income by total assets. ROA assesses the impact of accounting manipulation on overall asset efficiency and profitability.

AccQ_{it}: This variable represents the accrual quality of firm *i* at time *t*. This is the primary independent variable of interest, representing the extent of accounting manipulation in the firm. It was measured using accrual quality. This variable aims to capture whether manipulation activities influence overall firm performance.

AudQ_{it}: This variable denotes that Audit Committee Quality (AudQ) for firm *i* at time *t*. This variable represents the effectiveness of the audit committee in overseeing financial reporting. It was measured by the percentage of independent members on the audit committee. High-quality audit committees may reduce the likelihood or extent of manipulation, which in turn could impact on firm performance metrics like TQ and ROA.

Size_{it}: This variable proxies the size of firm *i* at time *t*. The size of the firms was measured by the natural logarithm of the total assets of the firms. Firm size represents access to resources, and economy of scale, which influence performance. Larger companies could also have different accounting manipulation motives, which would affect TQ and ROA.

Leverage_{it}: For firm *i* at time *t*, this variable shows its financial leverage. This fluctuation shows debt ratios against assets or equity. High leverage could raise financial risk and maybe influence performance indicators like TQ and ROA. It also strains management, maybe affecting accounting methods to satisfy debt covenants.

Age_{it}: This variable represents the age of company *i* at time *t*. Firm age is the number of years of operations of the companies. Older companies might have more established reputations and reporting systems, which would affect general performance as well as accounting manipulation tendencies.

ε_{it}: This variable represents the Error Term for firm *i* at time *t*, capturing any unobserved factors influencing TQ or ROA but not incorporated in the model.

Objective 3: The moderating role of corporate governance in the relationship between accounting manipulation and firm performance.

The third objective examines how corporate governance influences the relationship between accounting manipulation and financial performance. Corporate governance variables function as moderators in the relationship between accounting manipulation and firm performance, elucidating their role in alleviating the negative impacts of manipulation on company outcomes. Models 4 and 5 are developed for estimating the coefficients.

$$TQ_{it} = \beta_0 + \beta_1 AccQ_{it} + \beta_2 GEN_{it} + \beta_3 AvExp_{it} + \beta_4 BodQ_{it} + \beta_5 AccQ_{it} * GEN_{it} + \beta_6 AccQ_{it} * AvExp_{it} + \beta_7 AccQ_{it} * BodQ_{it} + \beta_8 AudQ_{it} + \beta_9 Size_{it} + \beta_{10} Leverage_{it} + \beta_{11} Age_{it} + \epsilon_{it} \quad 4$$

$$ROA_{it} = \beta_0 + \beta_1 AccQ_{it} + \beta_2 GEN_{it} + \beta_3 AvExp_{it} + \beta_4 BodQ_{it} + \beta_5 AccQ_{it} * GEN_{it} + \beta_6 AccQ_{it} * AvExp_{it} + \beta_7 AccQ_{it} * BodQ_{it} + \beta_8 AudQ_{it} + \beta_9 Size_{it} + \beta_{10} Leverage_{it} + \beta_{11} Age_{it} + \epsilon_{it} \quad 5$$

All the variables have been described in the previous sections. The moderating variables are explained below.

AccQ_{it}*GEN_{it}: This variable denotes the relationship between accounting manipulation and gender diversity. This interaction variable examines the moderating effect of gender diversity on the relationship between accounting manipulation and firm performance. The measurement of gender diversity was conducted by assessing the percentage of female directors on the board.

AccQ_{it}*AvExp_{it}: This variable indicates how accounting manipulation interacts with average board of directors experience. This variable evaluates whether the experience of CEOs or board members lessens the influence of accounting manipulation on financial performance. The average number of years the board of directors had been serving the corporations defined the average experience.

AccQ_{it}*BodQ_{it}: This variable captures the interplay between board quality and accounting manipulation. This variable shows if a strong board can control the negative effects of manipulation and whether board quality changes the link between accounting manipulation and company performance. The degree of board quality was determined by board qualification.

3.13 Reliability and Validity of the Study

Validity in empirical research refers to the degree to which a data source or measuring tool fairly reflects the idea it seeks to measure (Sürücü and Maslakci 2020). To derive reasonable and generalisable conclusions requires first ensuring data reliability and validity.

Secondary data from historical business filings, acknowledged financial databases, and audited annual reports were used. The annual reports followed the International Standards on Auditing (ISA) and the clauses of the Companies and Allied Matters Act (CAMA), LFN, 1990. They were audited by independent, certified specialists. The legal and professional standards improve the accuracy of the material in the reports.

The study also used the Bloomberg and McGregor BFA databases, which are reputable and often used financial information source that has constantly supported academic research, to

improve data reliability. The multi-level verification procedure increases the validity and reliability of the dataset, which strengthened the integrity of the results. The use of independently audited, publicly available financial data and an acknowledged data source improve the legitimacy and validity of the measurements and the aims of research.

3.14 Ethical Considerations

This study follows institutional regulations and ethical guidelines set by Durban University of Technology for postgraduate research. There were no requirements for informed permission, confidentiality procedures, or participant protection measures often connected with human-subject research because the research did not include human participants.

This study made use of publicly accessible resources, namely the audited annual financial statements made public on the official websites of manufacturing companies registered on the Johannesburg Stock Exchange (JSE). Using secondary data raised no ethical concerns or invasions of privacy. All data were carefully controlled and checked for accuracy to guarantee the integrity and security of the study process. Throughout the data collection, analysis, and reporting phase, the study followed standards of openness and intellectual honesty.

All collected data will be securely stored for a duration of five years, in alignment with data management best practices. Upon the conclusion of this retention period, the data will be irreversibly deleted to maintain adherence to institutional and ethical data lifecycle policies.

3.15 Conclusion

This chapter detailed the elements of the entire research methodology. This chapter outlined the methods employed to ascertain the sample size and collect the data. This study utilised both descriptive and inferential analyses. This research employed a descriptive and inferential methodology to examine the influence of accounting manipulation on the financial performance of publicly traded companies in South Africa. Additionally, relationships between the dependent and independent variables were determined through inferential research design such as Pearson correlation coefficient and panel regression techniques. The discussion also addressed the appropriateness of employing a positivist methodology, which posits the existence of a singular, objective truth and views the world as a concrete entity. The study's population comprised all manufacturing companies listed on the JSE. Bloomberg, McGregor BFA and the annual reports of the companies served as primary sources for the study. The next chapter presents and discusses the results from the data analyses process.

CHAPTER 4

RESULTS AND DISCUSSION

4.1 Introduction

The previous chapter outlined the research methodology employed to conduct this study, which encompasses the study design, target population, sampling methods, data collection and analysis procedures. This chapter presents and interprets the empirical findings from the analysis of panel data concerning listed South African manufacturing firms covering the period 2016 to 2022.

This chapter presents the data that speaks to the primary objectives of the study, which include the assessment of accounting manipulation in the sampled firms, an analysis of its effects on financial performance, and the evaluation of the moderating influence of corporate governance mechanisms amongst the sampled manufacturing firms. The findings are compared to existing literature, highlighted areas of alignment or divergence, which provides deeper insights into the dynamics of financial reporting integrity and governance effectiveness within the South African context. The regression outcomes on the interactions between accounting manipulation and governance practices are also presented, which contributes to both theoretical understanding and practical implications.

4.2 Descriptive Statistics

The Table 4.1 below presents the summary statistics of the variables relevant to this study. These statistics include measures of central tendency and dispersion, which provide insights into the governance and financial performance of manufacturing enterprises that are listed on the JSE in South Africa.

Table 4. 1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
AccrualQty	345	5.91	2.13	0.14	9.82
EBITDA	343	6.92	17.40	-158.15	163.85
GENDER	350	0.28	0.012	0.26	0.31
ROA (%)	348	8.12	12.31	-67.93	72.29
TQ	336	1.68	1.89	0.31	17.46
AvEXP (Years)	350	7.43	1.15	5.36	9.21
BodQ	350	2.70	1.23	1.00	4.00
AuditQ	350	0.71	0.45	0.00	1.00
Size (R'million)	339	10910.39	19258.33	4.21	116300
Leverage (%)	345	1.09	0.81	0.01	7.50
Age (Years)	350	38.80	25.68	4.00	99.00

Self-generated

Accrual Quality (AccrualQty), EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortisation). Return on Assets (ROA, %), Tobin's Q (TQ), Average Experience (AvEXP), Board Quality (BodQ), Audit Quality (AuditQ)

The results presented in Table 4.1 show that the average value of accrual quality (AccrualQty) was 5.91, with a standard deviation of 2.13, suggesting considerable variation in accrual quality across the sampled firms. The distribution of AccrualQty, ranging from a minimum of 0.14 to a maximum of 9.82, reflects a skewed pattern indicating that while some firms engage in conservative accounting manipulation, others display more substantial and aggressive practices. In a study by Fambudi and Fitriani (2020), accrual quality had a considerable positive effect on ROA, proving its usefulness as a proxy for financial reporting integrity. According to Karina Harjanto (2024), accrual quality scores varied greatly among Indonesian manufacturing firms, but did not have a significant impact on Tobin's Q, indicating the heterogeneity in how accruals convert to market value.

The mean EBITDA is 6.92, accompanied by a standard deviation of 17.40, suggesting considerable variation in the profitability among the sampled manufacturing firms. The extreme minimum (-158.15) and maximum (163.85) values indicate that certain firms were

incurring significant financial losses and might be at risk of bankruptcy; while others were achieving considerable high profit margins, thus are in a relatively good financial position.

The ROA was 8.12%, with a standard deviation of 12.31%, indicating substantial variability in profitability among firms. The extensive range (-67.93% to 72.29%) indicates the coexistence of highly profitable firms alongside those facing financial difficulties, revealing a heterogeneous sample. The occurrence of a highly negative ROA of -67.93% indicates potential financial distress in certain firms, which according to scholars such as Ruangprapun and Chotitumtara (2022), increases the likelihood of such firms practicing accounting manipulation in some form to manipulate investor and public perceptions. Alternatively, Manan and Amin (2023) suggest that a more viable and ethical way to address financial instability is to introduce stronger corporate governance mechanisms. Regrettably, many scholars report that firms exhibiting volatile profitability frequently choose to manipulate accruals to achieve earnings smoothing and mitigate investor concerns (Nasiri *et al.* 2020). Eldeeb *et al.*'s (2021) study in Egypt indicated that ROA values across studied enterprises ranged from 2.3% to 12.5%, with an average of 7.1%, and had a positive and significant association with company value. In South Asia, Kalita and Tiwari (2023) discovered comparable findings, highlighting that governance features such as audit quality and board structure influenced ROA results.

Gender diversity remains a significant challenge in the manufacturing sector, evidenced by a low mean of only 0.28 amongst the sampled firms. This situation continues to exist, notwithstanding research that underscores the advantages of gender diversity in corporate governance and firm performance. Rikapito (2024) found that companies with diverse boards generally demonstrate enhanced environmental, social, and governance performance, as well as improved financial stability. The findings presented in Table 4.1 indicate that South African manufacturing firms have great room for improvement in gender-inclusive governance. The low standard deviation (0.012) and narrow range (0.26 - 0.31) suggest a consistently low level of gender diversity across these firms.

The mean Tobin's Q is 1.68, with a maximum of 17.46, suggesting that the sampled firms on average, have a market value that exceeds their replacement by 68%, which reflects a decent valuation of the firms overall. The considerable variability ($SD = 1.89$) indicates that investors exhibit varying degrees of confidence in these firms. Fauziyah, Wijaya, and Hariyani (2024) demonstrated that corporate governance significantly moderates the relationship between firm value and financial performance. In firms with inadequate governance, elevated Tobin's Q

values may suggest market overvaluation resulting from aggressive accounting practices. Firms exhibiting lower Tobin's Q scores, exemplified by the minimum score of 0.31, may encounter challenges in market confidence attributable to governance or financial concerns.

The average leverage ratio is 1.09 (SD = 0.81), indicating that firms typically sustain moderate levels of debt; however, certain firms exhibit significant debt burdens (max = 7.50), which increases their susceptibility to financial distress. Ruangprapun and Chotitumtara (2022) found that firms exhibiting high leverage are more prone to engage in real accounting manipulation to conceal financial distress or instability.

The average board qualification score of 2.70, which suggests that there may be significant disparities in board expertise, which could influence governance effectiveness in the sampled firms. With an average audit quality score of 0.71 (SD = 0.45), over 71% of the sample companies had good audits, which should translate to good financial transparency within and outside of the majority of the firms represented. With a mean board qualification of 2.70 and a high audit quality of 0.71, most firms seem to have robust governance structures in place. Ibrahim *et al.* (2022) found that organisations with well-qualified boards and high audit quality have a lower incidence of financial misreporting and more financial stability, which is an anticipated finding in further analyses. Low audit quality companies (min = 0.00) indicate that some organisations still lack effective control systems, raising the risk of accounting manipulation (Abdelkarim and Zuriqi 2020).

With a notable standard deviation of 19,258.33, the average total assets of the companies in the sample come to R10,910.39 million, suggesting very great diversity in asset size and business size within the sample. Larger companies often show stronger governance systems, they could be subject to more investor scrutiny, which might affect their financial reporting methods (Ibrahim *et al.* 2022).

The average age of firms is 38.80 years, with a maximum age of 99 years, indicating that the dataset primarily comprises well-established firms alongside a few relatively new ones. Firms with a minimum age of four years are likely still in the early stages of establishing robust governance and financial management practices (Bouaziz *et al.* 2020), so it is anticipated that they have greater chances of making financial misstatements, internally or non-intentionally.

Overall, the descriptive statistics show considerable differences in financial performance, governance structures, and firm-specific variables, which affect accounting manipulation and reflect a heterogeneous sample. Manan and Amin (2023) notes that companies with fluctuating

earnings, high SD in EBITDA and ROA, are more likely to manipulate earnings to smooth financial statements. Corporate governance, which includes variables such as board qualifications and audit quality, minimises the chances of financial misreporting according to many scholars (Ibrahim *et al.* 2022). However, other factors can also influence the occurrence of accounting manipulation even when solid governance structures are in place. For example, financial distress may make highly indebted enterprises more likely to manipulate profits (Ghofir and Yusuf 2020). Another factor is firm size and age; larger and older organisations typically have better governance and financial transparency, while smaller, younger enterprises may need more regulation (Bouaziz *et al.* 2020). Challenges persist in areas including gender diversity and leverage management, necessitating additional regulatory and policy focus.

4.3 Correlation Analysis: Relationship Between Key Variables

This section discusses the results in Table 4.2, which presents the correlation matrix for the variables under investigation. It is possible to determine the strength and direction of correlations between critical financial, governance, and firm-specific variables by utilising correlation analysis. The correlations that have been established provide valuable insights into the possible linkages that exist between accounting manipulation, corporate governance, and financial performance. Moreover, these correlations serve as an initial appraisal prior to regression analysis. Table 4.2 presents the Pearson correlation matrix, illustrating the relationships among the independent variables.

Table 4. 2 The relationship between dependent and independent variables of the reseach (Correlation Matrix).

	EBITDA	GENDER	AvEXP	BodQ	ROA	TQ	AuditQ	Size	Lev	Age	VIF
EBITDA	1.000										3.927
GENDER	-0.002**	1.000									1.801
AvEXP	-0.0954***	-0.0430	1.0000								6.382
BodQ	0.1552	-0.0227***	0.0272	1.0000							3.743
ROA	0.076	-0.023*	-0.0337	-0.0812	1.000						2.089
TQ	0.156**	-0.023*	-0.0153***	-0.0276	0.484**	1.000					7.622
AuditQ	0.041***	-0.068**	0.0165	-0.0443***	0.120	0.087***	1.000				5.468
Size	0.067	0.098**	0.0250	0.0471	-0.080*	-0.102**	0.023*	1.000			2.832
Leverage	0.029*	0.003	0.0040	0.0176	-0.069**	-0.019	-0.036**	-0.043**	1.000		1.648
Age	-0.089	-0.026	-0.0905	-0.3113	-0.065**	-0.078**	-0.157	0.074	-0.104*	1.000	6.471

Self generated-2024 * = significant at the 10% level ($p < 0.10$), ** = significant at the 5% level ($p < 0.05$) and *** = significant at the 1% level ($p < 0.01$)

Table 4.2 presents the correlation matrix, which outlines the linear relationships among key firm-level and corporate governance variables. These variables include EBITDA, gender, average board experience (AvEXP), board qualifications (BodQ), return on assets (ROA), Tobin's Q (TQ), audit quality (AuditQ), firm size, leverage, and age. The correlation coefficients indicate both the strength and direction of associations between variable pairs, while asterisks identify statistically significant relationships, providing further insight into the reliability of these associations. The result shows that all the correlation coefficients are less than 0.5, indicating no multicollinearity issues among the independent variables. In addition, all the VIF results are less than the threshold of 10, emphasizing that there is no multicollinearity issue among the independent variables in the models.

Table 4.2 shows a moderate positive correlation between ROA and Tobin's Q (0.484), suggesting that companies showing better returns on assets are probably more likely to have a higher market value. This is in line with findings in the study by Fauziyah, Wijaya and Hariyani (2024), which noted that company value is significantly influenced by financial performance, reflected by a ROA financial ratio. Nasiri, Ramakrishnan and Hashim (2020) assert that companies who practice aggressive accounting manipulation typically have a lower ROA in the long-run, suggesting that accounting manipulation affects businesses financial performance negatively in the long run (Nasiri, Ramakrishnan and Hashim 2020).

Positive correlations between audit quality (AuditQ) and board qualification (BodQ) emphasise the need for strong governance controls to guarantee financial stability. Manan and Amin (2023) show that independent boards and strong audit committee significantly lower the occurrence accounting manipulation, which helps to improve the overall business performance. Businesses showing stronger board independence and enhanced audit control, according to Abdelkarim and Zuriqi (2022), typically report more consistent income and better financial performance.

Table 4.2 suggests that there is a positive association between firm size and several corporate governance measures, also implying that bigger companies usually have more efficient governance systems. According to Ibrahim, Eldi, and Bunyamin's (2022), business size significantly affects governance quality since larger companies come under more investor

and regulatory scrutiny. This runs counter to reports by Agyeman (2020), who concluded that the intricacies of the financial processes of bigger companies increase the propensity and likelihood of accounting manipulation which reflects poor corporate governance.

Leverage has weak associations with most financial performance metrics, implying that in this sample, debt levels do not directly influence accounting manipulation tendencies. This runs counter to claims made by Ghofir and Yusuf (2020), who maintained that leverage raises the possibility of accounting manipulation. Kalbuana *et al.* (2021) notes that, in some circumstances, especially in sectors with substantial debt exposure, leverage affects firms more significantly more non-financial ways.

The results demonstrate a statistically significant relationship between gender diversity and variables such as ROA and TQ, which relay a company's financial performance. This indicates that gender-diverse boards have a beneficial impact on the financial performance of firms. Ricapito (2024) validates the findings, noting that companies with diverse leadership often exhibit improved Environmental, Social, and Governance (ESG) performance and increased financial stability, highlighting the benefits of gender-inclusive governance on the overall performance of an organisation. Wang *et al.* (2022) provide conflicting evidence with regards to the financial aspect, indicating that while the inclusion of female directors enhance board oversight, they do not significantly influence the reduction of accounting manipulation. Eldeeb *et al.* (2021) and Yadav *et al.* (2024) also reported that gender diversity has a negative or insignificant impact on firm performance indicators such as ROA and Tobin's Q. Other research studies, such as Dellai (2023), reveal that female Chief Audit Executives (CAEs) in particular increased the association between internal audit quality and a business's financial performance, indicating that the influence depends on leadership roles.

Overall, Table 4.2's correlation matrix confirms the body of knowledge already in publication on corporate governance, accounting manipulation, and business performance. By lowering accounting manipulation, effective governance systems, which incorporate audit quality and board qualifications, seem to improve firm performance. Other factors influencing governance performance are business size and gender diversity. Leverage seems

to have no effect on financial stability, contradicting earlier studies by Kalbuana *et al.* (2021). In summary, the outcomes underline the need for strong governance systems to improving business sustainability and financial integrity.

4.4 Regression Analysis

4.4.1: Objective 1 - Factors Influencing Accounting Manipulation

Using both random effects and fixed effects models, Table 4.3 shows the results on the factors driving accounting manipulation among JSE-listed manufacturing companies. The results show that the p-value of the hausman test is insignificant (0.017), indicating that the results from the fixed effect estimation model is more appropriate.

Table 4. 3 Factors Influencing Accounting Manipulation

	Random Effect			Fixed Effect		
	Coef.	t-stats	p-value	Coef.	t-stats	p-value
EBITDA	-0.00	-2.34	0.02	-0.00	-2.29	0.03
GENDER	1.62	0.36	0.71	1.04	0.23	0.81
AvEXP	-0.00	-2.05	0.04	0.-00	-2.09	0.04
BodQ	0.01	4.19	0.00	0.03	3.31	0.00
AuditQ	1.32	3.04	0.00	0.78	1.31	0.19
Size	0.00	2.21	0.02	0.00	2.42	0.01
Leverage	0.06	0.75	0.45	0.07	0.89	0.37
Age	0.00	0.75	0.45	0.11	3.00	0.00
_cons	3.96	2.64	0.00	0.53	0.27	0.78
R ²		0.86			0.9126	
Adjusted R ²		0.83			0.8695	
F-Stats		152.78			106.67	
Prob. Of F-Stats		0.000			0.000	
Prob. Of Hausman Test		0.017			0.017	

Self-generated

The results shown in Table 4.3 highlight the factors influencing accounting manipulation in South African listed corporations. Using both random and fixed effects models, the relationship between firm-specific characteristics and the impact of corporate governance

systems on accounting manipulation was assessed. The following insights were gained when analysing the data:

EBITDA and accounting manipulation (-0.00128 and -0.00113, $p < 0.05$ in both models) show a negative and statistically significant association. This implies that companies who perform better financially are less prone to engage in accounting manipulation practices. This result is consistent with Ruangprapun and Chotitumtara's (2022) observations that companies who generally perform well financially have less incentives to falsify financial records since they satisfy profitability criteria. High EBITDA companies typically have higher market valuations, which according to Dadkhah *et al.* (2021), lowers the possibility of intentional financial misstatements.

In both fixed and random effect models, the analysis reveals no statistically significant relationship between gender diversity (GENDER) and account manipulation. The result indicates that the involvement of female board members does not significantly influence accounting manipulation practices. This result contradicts the findings by Wang *et al.* (2022) and Dellai (2023), which indicate that female directors are more effective in recognising and mitigating dishonest financial practices like accounting manipulation. The observed results align with the findings of Davis and Garcia-Cestona (2023), who showed that while gender diversity may impact the decision-making processes of boards of directors, it does not have a direct effect on accounting manipulation.

There is a negative association between accounting manipulation and average board experience (-0.00213 and -0.00409, $p < 0.05$), which suggests that firms with more experienced board members have a decreased likelihood of practicing accounting manipulation. This finding is consistent with the results of Das *et al.* (2022), which show that boards with members who are highly experienced in accounting and finance oversight help to lower financial restatements. Experience board members are typically more aware of the long-term hazards connected to accounting manipulation, hence generally avoid it.

Interestingly, board qualification (BodQ) shows a positive correlation with accounting manipulation (0.0189 and 0.03244, both statistically significant at $p = 0.01$), which suggests that rather than necessarily reducing accounting manipulation, greater educational or

professional qualifications could instead aggravate it. Comparable results were noted by Fedaseyeu *et al.* (2018), where they noted that highly qualified directors felt more pressure to reach organisational performance targets, leading them to encourage accounting manipulation to feign financial success. This is often the case in companies with a highly qualified yet performance-oriented board. Feng *et al.* (2011) also noted that chief financial officers (CFOs) may experience pressure from CEOs to distort the company's financial data.

The association between audit quality (AuditQ) and accounting manipulation is unclear. In the random effects model, audit quality exhibits a significant positive correlation with earnings manipulation (1.3204, $p < 0.01$); however, in the fixed effects model, this relationship is rendered insignificant ($p = 0.191$). This suggests that firm-specific factors affect the efficacy of external audits in mitigating accounting manipulation. Imen and Anis (2021) demonstrated that firms exhibiting low earnings quality are more prone to receiving modified audit opinions, which subsequently promotes additional accounting manipulation. Al-Olimat and Al-Shbail (2021) contend that high-quality external audits mitigate accounting manipulation; however, their efficacy is contingent upon the level of enforcement of regulations in that industry.

The regression analysis suggests that larger firms within this sample exhibit a slight tendency towards accounting manipulation. The relationship between firm size and accounting manipulation is weak yet positive, with values of 0.0001 and 0.00001, and a significance level of $p = 0.05$. This finding may result from the significant performance pressure frequently encountered in large companies, which, as noted by Agyeman (2020), leads to more aggressive financial reporting practices. Tran *et al.* (2020) presents conflicting data, contending that smaller businesses are more prone to falsifying earnings to avoid reporting losses. This suggests that the occurrence of accounting manipulation is not solely determined by company size; rather, it is affected by additional factors such as industry and market dynamics, as well as organisational goals and culture.

The amount of debt a company owes does not appear to influence its proclivity to engage in accounting manipulation. Ghofir and Yusuf (2020) had similar with the research findings in the indian context, perpoting that company leverage had no influence on accounting manipulation. Kalbuana *et al.* (2021) findings are contrary, as it was discovered leverage

effects profitability, perhaps leading to financial misreporting. Such contrary findings reveal that context largely determines the extent of the relationship between leverage and accounting manipulation. This contextual factors can be industry and societal-wide.

The influence of firm age and accounting manipulation in the random effects model is not statistically significant, but the fixed effects model reveals a positive correlation between firm age and accounting manipulation (coefficient = 0.11019, $p < 0.01$). This suggests that older firms may show more inclination for accounting manipulation, maybe in an effort to keep their reputation as financially stable business in the public and investors eye. Comparable results were noted by Bouaziz *et al.* (2020), which show older companies use accounting manipulation to maintain an artificial sense of financial stability. DeLiema *et al.* (2022) found a negative association between older companies and strong governance systems, reducing the need for accounting manipulation.

Overall, the results in Table 4.3 points to important factors influencing accounting manipulation. Companies with strong financial performance, shown by high EBITDA, are less likely to practise accounting manipulation if they have experienced boards. Presumably under performance pressure, large corporations, well-qualified boards, and established companies have a greater tendency for accounting manipulation. The interactions with Audit quality are complex, since its efficacy depends on particular company conditions. The results align with recent research on corporate governance and accounting manipulation (Ibrahim *et al.* 2022; Abdelkarim and Zuriqi 2020), which stress the need of strong legislative control and ethical leadership to help to reduce financial misreporting. The R-squared was 0.91 and 0.86 in random effects and fixed effects models respectively, demonstrating that the predictor variables had good explanatory power for the occurrence of accounting manipulation.

4.4.2 Relationship Between Accounting Manipulation and Firm Value Growth

Studies have revealed that the relationship between accounting manipulation and firm value growth is complex and often paradoxical. The Table 4.4 below presents this relationship amongst the sampled manufacturing firms. Given that the probability of the hausman test is insignificant ($P > 0.05$), the results from the random effect model will be used for the analysis.

Table 4. 4 The relationship between accounting manipulation and Firm Value Growth

	Random Effect			Fixed Effect		
	Coef.	t-stats	p-value	Coef.	t-stats	p-value
AccrualQty	-0.03	-5.55	0.00	-0.07	-2.91	0.00
AuditQ	0.23	2.53	0.02	0.11	0.15	0.88
Size	4.23e-06	0.69	0.48	-3.90e-06	-0.57	0.57
Leverage	0-.01	-0.16	0.87	-0.01	-0.09	0.92
Age	0.00	1.03	0.30	0.10	2.18	0.03
Constant	2.16	3.42	0.00	6.51	3.24	0.00
R ²		0.92			0.90	
Adjusted R ²		0.87			0.86	
F-Stats		135.83			162.25	
Prob. Of F-Stats		0.000			0.000	
Prob. Of Hausman Test		0.084			0.084	

Self-generated

In both fixed effects and random effects models, Accrual Quality shows a clear negative association with the increase of company valuation. The random effect model shows a coefficient of -0.0368 that is significant at $p < 0.01$, also revealing negative correlation between the two variables. This suggests that companies engaged in major accrual-based accounting manipulation could experience a drop in their value growth. With a coefficient of -0.0743, the fixed effect model generates a negative effect whose statistical significance ($p < 0.01$) is evident. Should stakeholders find evidence of manipulation in these accounts, questions and suspicion about the company's financial statements would follow indefinitely.

In the random effects model (coef. = 0.2349, $p < 0.05$), the association between audit quality and firm value growth is quite positive, meaning that companies with better audit quality could see more development in their value. Wijaya's (2020) research findings bolsters this claim. The study revealed that there is a strong positive correlation between firm valuation and audit quality. However, some studies such as Abba and Sadah (2020), show a negative relationship between audit quality and the increase in firm value.

In mathematical or scientific applications, a variable is a sign or name used to indicate a value or amount. P-values of 0.423 in the random effects model and 0.571 in the fixed effects model indicate that the size of the company has little bearing on value increase across all examined models. This implies that the increase of business value is not much influenced by its size. This conclusion is supported by the Jihadi *et al.* (2021) investigation and 2020 Reschiwati *et al.* (2020) study. Both studies state that firm value had no bearing on size.

Leverage is shown to be negligible in both the Random Effects and Fixed Effects models, therefore indicating that debt levels do not have much influence on firm value growth. Studies by Jihadi *et al.*'s (2021) and Ibrahim and Isiake (2020) reported similar findings. Al-Slehat *et al.* (2020) are contrary, reporting that firm value growth and leverage have statistically significant interactional effects.

With a coefficient of 0.01 ($p > 0.05$), the firm's age shows a positive link with development in firm value within the random effect model. This impact suggests that older businesses could see an increase in firm value, maybe related to established market positions or collected experience. The work Jihadi *et al.* (2021) support this conclusion. The author states that the rise in a firm worth corresponds favourably with age. Interestingly, some scholars such as D'Amato and Falivena (2020) report that firm value increase and age have a negative link.

The results show the adverse impact of accounting manipulation on firm value, stressing how bad it is for business performance. Mudzimba (2018) performed a thorough analysis of listed firms in South Africa from 2000 to 2016, revealing that manipulation was prevalent and often overlooked by market participants, suggesting that short-term firm value could be artificially sustained. Firms identified with manipulation signals through the Beneish M-score and Altman Z-score frequently encountered stagnant or declining value in later periods, especially when the manipulation was publicly disclosed.

Marais (2024) noted that firms involved in earnings manipulation might postpone liability recognition or inflate revenues to enhance perceived financial health; however, such practices ultimately undermine the growth of firm value. The study indicates that firms exhibiting robust ethical leadership and high audit quality demonstrate reduced value deterioration, even in the presence of some manipulation. This indicates that the strength of governance may mitigate the adverse effects of manipulation on long-term value. The

uniformity among models, and high R^2 (0.92 and 0.90) and Adjusted R^2 (0.87 and 0.86) emphasises the strong predictive power of the model.

4.4.3 The relationship between accounting manipulation and ROA

Return on Assets (ROA) serves as a crucial accounting performance metric for assessing a firm's capacity to generate profit relative to its assets. Consequently, it is particularly influenced by accounting policies and managerial judgement. Empirical studies indicate that accounting manipulation, especially via discretionary accruals, directly distorts ROA by artificially inflating or deflating net income, which serves as the numerator in the ROA formula. The following regression results, presented in Table 4.5 demonstrate the relationship between accounting manipulation and ROA, employing both Random Effect and Fixed Effect models.

Table 4. 5 The relationship between accounting manipulation and ROA

	Random Effects			Fixed Effects		
	Coef.	t-stats	p-value	Coef.	t-stats	p-value
AccrualQty	0.98	2.09	0.03	1.61	2.46	0.01
AuditQ	2.47	2.03	0.04	10.06	1.57	0.11
Size	0.00	0.25	0.80	0.00	1.75	0.08
Leverage	-0.11	-0.13	0.89	0.25	0.29	0.77
Age	0.03	1.98	0.04	0.42	1.06	0.29
Constant	13.36	3.48	0.00	40.15	2.54	0.01
R²		0.85			0.87	
Adjusted R²		0.81			0.85	
F-Stats		86.92			102.63	
Prob. Of F-Stats		0.000			0.000	
Prob. Of Hausman Test		0.174			0.174	

Self-generated

AccrualQty exhibits a notable positive correlation with ROA in both Random Effect and Fixed Effect models. The random effects model showed a statistically significant coefficient of 0.9804 ($p < 0.05$) in the relationship between AccrualQty and ROA, suggesting that firms utilising accrual-based adjustments might experience an enhancement in return on assets

(ROA). The Fixed Effect model indicates a strong positive correlation, with the coefficient increasing to 1.6124 and reaching a significance level of ($p < 0.05$). This suggests that management of accrual manipulation may temporarily enhance ROA, consistent with practices where companies potentially improve financial performance metrics through accounting manipulation. This is corroborated by findings by Shafron (2023), who also found a positive correlation between AccrualQty and ROA.

AuditQ is positively correlated to ROA in the Random Effect model (coef. = 2.4721, $p < 0.05$), indicating that enhanced audit quality is associated with increased ROA. This association occurs likely through the reduction of risky accounting manipulation tactics or the enhancement of reporting accuracy because of the quality of auditors in the firm. Both Al-ahdal and Hashim (2022) and Ado *et al.* (2020) also found that AuditQ has a positive and significant effect on ROA. However, some studies present contrasting findings, including those by Ugwu *et al.* (2020).

The firm size variable shows no significant relationship with ROA in the Random Effect model ($p = 0.803$), indicating that firm size does not influence ROA. Tobibah and Firmansyah (2024) and Pattiruhu and Paais (2020) also found no significant relationship between ROA and firm size. Some scholars, however, have found the opposite result, such as Kalbuana *et al.* (2021), who found a significant relationship between firm size and ROA.

The leverage variable shows no significant relationship with ROA in both models, indicating an absence of interaction effects between leverage and ROA. This suggests that leverage, as an indicator of debt levels, does not inherently influence or determine ROA. This is supported by Bintara (2020) and Chen (2020), who both found that an association between leverage and ROA is negligible. Conversely, Jihadi *et al.* (2021) conducted a study that revealed a significant correlation between leverage and ROA, suggesting that environmental or industry specific factors have an influence in the interactions between the two variables.

The firm's age is significant in the Random Effect model (coef. = 0.0361, $p < 0.05$), indicating that older companies may exhibit complex ROA, likely due to maturity and stable operational processes. Supporting research includes the studies conducted by Sinebe (2021) and Simanjuntak *et al.* (2022), which both found a significant relationship between the age

of a firm and its ROA. Kasmad *et al.* (2021) found no significant relationship between firm age and ROA.

The analysis demonstrates that accounting manipulation has positive relationship with ROA, but a negative impact on Tobin's Q. International evidence corroborates this trajectory, with studies by Harjanto (2024) reporting a significant relationship between accrual quality and ROA, while noting no significant effect on Tobin's Q. This suggests that accounting distortions may not have an immediate influence on market valuation but can distort signals of operational performance. Yulfitria Ayu and Ahmar (2013) similarly found that accrual-based manipulation affected ROA, but its impact on market value, as indicated by Tobin's Q, was minimal unless it was associated with earnings restatements or public scandals.

The R-squared for the model was 0.85 and 0.87 in the random effect and the fixed effect models respectively, which demonstrates a strong model fit, revealing that the predictor variables are able to model the relationship between accounting manipulation and ROA. The minimal drop between R^2 and adjusted R^2 illustrate that most of the predictor variables had good explanatory power for the relationship between ROA and accounting manipulation, and are not merely inflating the model fit.

4.4.4 The Moderating effect of corporate governance on the link between accounting manipulation and firm value growth

Accounting manipulation is recognised for distorting firm value, especially in the long term; however, the degree of its adverse effects can be considerably influenced by the robustness and quality of a firm's corporate governance mechanisms. Corporate governance, via mechanisms like board independence, audit committee effectiveness, and external audit quality, functions as both a deterrent to manipulation and a buffer that mitigates its effects on firm performance and growth. The table below presents the findings and discussion of the moderating influence of corporate governance on accounting manipulation and firm value growth amongst the sampled firms.

Table 4.6 The Moderating effect of corporate governance on the link between accounting manipulation and firm value growth

	Random Effect			Fixed Effect		
	Coef.	t-stats	p-value	Coef.	t-stats	p-value
AccrualQty	-0.34	-0.42	0.67	0-.07	-0.90	0.37
GENDER	12.78	0.70	0.48	7.33	1.22	0.22
AvEXP	0.62	1.99	0.04	0.32	2.17	0.02
BodQ	0.48	2.17	0.02	0.21	1.87	0.06
AccQ*Gen	1.09	2.37	0.02	0.00	6.93	0.000
AccQ*AvEXP	-0.05	-1.85	0.08	-0.27	2.04	0.03
AccQ*BodQ	0.00	1.99	0.04	0.11	1.85	0.05
AuditQ	0.19	2.44	0.02	0-.15	-0.20	0.84
Size	-3.07e-1	-0.49	0.62	-1.95e-1	-0.28	0.78
Leverage	-0.01	-0.18	0.85	0-.00	-0.04	0.97
Age	-0.00	-1.05	0.29	-0.10	-2.18	0.03
Constant	5.66	1.07	0.28	8.58	3.26	0.00
R ²	0.89			0.87		
Adjusted R ²	0.84			0.84		
F-Stats	163.66			106.87		
Prob. Of F-Stats	0.000			0.000		
Prob. Of Hausman Test	0.12			0.12		

Self-generated

The results show that firm value growth is not significant influenced by the accrual quantity (RE p = 0.678; FE p = 0.371) in both the random and fixed effect model. This emphasises the possible relevance of other controlling elements since it implies that accrual-based management by itself does not significantly influence the increase of firm value. Shafron (2023) also found that the growth of company value is not much influenced by Accrual Quality directly.

In both models, the correlation between board gender diversity and company value development is statistically insignificant (p = 0.485; p = 0.224 respectively). This result suggests that, taken alone, gender diversity has no appreciable effect on the accounting

manipulation and the increase of firm value, which is contrary to the findings of Ullah *et al.* (2020) and Brahma *et al.* (2021), who reported notable relationship between gender diversity and the improvement in firm value. Societal influences, driven by culture and politics, might explain the differences between the findings.

In both models, the results show that average experience of board members (AvEXP) significantly influence firm value by implying that boards with more experience help to generate higher firm value. This implies that by addressing poor management techniques or supporting inclusive governance, seasoned boards can increase a firm's performance and value. The variable is strongly correlated according to findings by Bagh *et al.* (2024). Al-Ahdal *et al.* (2020) on the other hand carried out research exposing a statistically weak and negative correlation between the variables.

In the Random Effect model (coef. = 0.4845, $p = 0.05$), board qualification is not statistically significant to firm value growth; and in the Fixed Effect model it is clearly not statistically significant, $p = 0.068$. This conclusion shows that better board qualifications do not necessarily affect the growth of business value. Shahrier *et al.*'s (2020) and Kanakriyah (2021) had opposite findings, with their studies reporting that there is a clear relationship between board qualifications and the expansion of company value. Board qualification and business value growth showed a negative link according to Fariha *et al.* (2022).

The correlation between accrual quality and gender diversity (AccQ*Gen) is statistically significant in the random effect models, which infers that gender diversity may strengthen the link between accrual manipulation and the growth of firm value. This finding indicates that gender-diverse boards mitigate the adverse impacts of accounting manipulation on firm value. This conclusion is corroborated by studies by Renaldo and Murwaningsari (2023) and Davis and Garcia-Cestona (2023). Pertiwi and Prihandini (2021) present a differing perspective as their study demonstrates a negative correlation between these variables.

The relationship between Accrual Quality and Average Experience (AccQ*AvEXP) is significant in both random and fixed effect models, albeit exhibiting an inverse relationship. In the Random Effect model, the collaboration effect is marginally negative ($p = 0.084$); however, in the Fixed Effect model, it is statistically significant ($p = 0.038$). Effective boards should actively address accounting manipulation, resulting in a standard approach that

impacts firm growth. Alyaarubi *et al.* (2021) and Komal (2023) both observed a statistically significant relationship between the variables. Conversely, Yolifiandri *et al.* (2024) conducted a study that found no correlation between the variables examined.

The relationship between Accrual Quality and Board Qualification (AccQ*BodQ) is positive and statistically significant in the Random Effects model ($p = 0.046$). This indicates that well-qualified boards may influence the relationship between accrual manipulation and firm value growth, potentially decreasing the chances of financial misstatements. Elzahaby *et al.* (2024) and Kaawaase *et al.* (2021) conducted separate studies that validates this finding. Kalia *et al.* (2023) assert that there is an inverse relationship between accrual quality and board qualification.

Whereas it is not significant in the Fixed Effect model ($p = 0.843$), Audit quality (AuditQ) shows a notable positive associated with firm value increase in the Random Effect model ($p = 0.026$). This shows that although good audit procedures can improve a company's value, the link differs among various companies. Alsmady (2022) conducted research confirming this claim.

Cameran *et al.* (2022) and Mahyuddin *et al.* (2020) propose that there is a negative correlation between audit quality and firm value growth. Other important determinants in financial analysis are dimensions, financial leverage, and age. Across all models ($p > 0.05$), the variables, Firm Size and Leverage, show no statistically significant influence on firm value growth. Al-Slehat *et al.* (2020) conducted research that supports this assertion; and a later analysis by Margono *et al.* (2021) validates these conclusions by showing no positive association among the factors examined.

The Fixed Effect model ($p = 0.030$), shown by a negative coefficient, is strongly influenced by age. This suggests that established businesses could have slower growth in value, probably due to less flexibility than more recent businesses. D'Amato and Falivena (2020) back up the conclusions Abdi *et al.* (2022). Khalil *et al.* (2024) investigated and came at different conclusions.

The data shown in Table 4.6 show that the link between accounting manipulation and firm value growth is much influenced by components of corporate governance, especially board

experience and quality. The results show that gender diversity, board experience, and quality might reduce the effect of accounting manipulation, so improving the performance of the company inside strong governance structures. R-squared was 0.89 and 0.87 in the random effects and fixed effect models respectively, demonstrating a strong model fit that suggests that the predictor variables are able to model the relationship between accounting manipulation and firm value growth and the moderating influence of corporate governance.

4.4.5 The Moderating Influence of corporate governance on the link between accounting manipulation and ROA

The table below shows the panel regression providing insights into how corporate governance could moderate the association between accounting manipulation and ROA. Robustness of the analysis was strengthened using fixed effects and random effects models.

Table 4.7: The Moderating Effect of corporate governance on the link between accounting manipulation and ROA

	Random Effect			Fixed Effect		
	Coef.	t-stats	p-value	Coef.	t-stats	p-value
AccrualQty	0.27	0.33	0.74	0.65	0.10	0.92
GENDER	11.37	0.62	0.53	43.95	0.30	0.76
AvEXP	0.02	2.38	0.01	0.68	2.31	0.01
BodQ	0.04	1.63	0.12	1.04	2.36	0.01
AccQ*Gen	0.71	0.24	0.80	7.91	3.34	0.00
AccQ*AvEXP	0.23	5.16	0.00	0.00	1.98	0.03
AccQ*BodQ	0.25	1.98	0.04	0.27	2.18	0.02
AuditQ	0.18	2.23	0.02	9.84	2.25	0.01
Size	2.31e-1	0.32	0.74	0.00	1.28	0.20
Leverage	-0.00	-0.09	0.93	0.37	0.42	0.67
Age	0.10	2.16	0.03	0.42	2.07	0.03
Constant	9.55	1.71	0.08	57.22	1.29	0.19
R ²	0.83			0.85		
Adjusted R ²	0.80			0.82		
F-Stats	121.75			139.15		
Prob. Of F-Stats	0.000			0.000		
Prob. Of Hausman Test	0.03			0.03		

Self-generated

Accrual Quality (AccrualQty) showed statistical insignificance in both models, indicating, accounting manipulation has no significant effect on ROA. The findings coincide with those of Christensen *et al.* (2022) and Rajindra *et al.* (2021), who found no statistically significant relationship between accounting returns and accrual-based manipulation. Almasarwah *et al.* (2021) found a notable negative correlation wherein accounting manipulation impairs real performance and reduces profitability.

The results further demonstrate that the gender composition of the board does not influence business performance, as board gender diversity showed no significant correlation with ROA. The results support earlier research by Chen *et al.* (2021) and Wang *et al.* (2022), which revealed a dearth of empirical data linking gender diversity to corporate success. Better financial results followed from Seebeck and Vetter's (2021) finding of a correlation between gender-diverse boards and enhanced monitoring efficacy and lower earnings management.

In both models, the average experience of board members (AvEXP) showed a statistically significant and positive effect, suggesting that experienced board members improve company performance by means of better control and lower risk related to accounting manipulation. This result corresponds with the results of Kanakriyah (2021) and Fernández-Temprano and Tejerina-Gaite (2020), who underlined the need of experience in board efficacy.

The result demonstrate that the relationship between board qualification (BodQ) and ROA is significant ($p < 0.05$). This suggests that board qualifications favourably affect ROA only under circumstances that consider firm-specific variability. This outcome is in line with studies by Kanakriyah (2021) and Fariha *et al.* (2022), which underlined the need for technical competency and academic qualifications in improving board efficacy and corporate profitability.

In the Fixed Effects model ($p = 0.001$), the interaction term AccQ and Gender Diversity (AccQ*Gen) was significant, implying that gender-diverse boards could affect the effect of accounting manipulation and increase ROA. This result supports the assertions made by Owusu *et al.* (2020) and Davis *et al.* (2023), suggesting that various viewpoints that lessen

the negative effects of aggressive profits management might help to strengthen monitoring functions by board diversity.

In both models, the interaction variable $\text{AccQ} \times \text{AvEXP}$ is significant, suggesting that boards with more experience are more adept at balancing manipulation practices and company performance. This results is in line with the results of Alsmady (2022) and Swandewi and Purnawati (2021), who found that expertise of directors helps to manage complex financial reporting difficulties while maintaining ethical standards.

Similarly, in all models, $\text{AccQ} \times \text{BodQ}$ demonstrates that qualified boards lower the impact of accounting manipulation and improve ROA. Chen *et al.* (2020) and Olaoye and Adeniyi (2020) found that highly qualified boards reduce the likelihood of unethical reporting behaviour. According to Gorshunov *et al.* (2021), without freedom and active involvement, qualifications by themselves could be insufficient.

Audit quality (AuditQ) shown a significant positive connection with ROA, therefore validating the claim that improved audit quality promotes transparency and reduces accounting manipulation. The findings line up with those of Alsmady (2022) and Cameran *et al.* (2022). Yousra and Afef (2023) argued that performance is not much affected by audit quality, particularly in settings when audit independence is compromised.

Size and leverage are also found to have a statistically insignificant relationship with ROA, implying that audit quality does not influence ROA. This supports the findings of Al-Slehat *et al.* (2020) and Margono and Gantino (2021). Larger companies, according to Ibrahim *et al.* (2022), show economies of scale and improved internal controls, which raise profitability and lowers accounting manipulation risk.

The firm age also showed a significant positive connection with ROA, indicating that older companies, probably because of their established procedures and acquired experience tend to show better financial performance. D'Amato and Falivena (2020) and Abdi *et al.* (2022) confirm the results. Older companies could suffer operational inertia and aversion to innovation, according to Khalil *et al.* (2024), therefore reducing agility and limiting their financial performance. On the other hand, R-squared in the random effects and fixed effects model was 0.83 and 0.85 when adjusted, which is a strong model fit, revealing that the

predictor variables are able to model the relationship between accounting manipulation and ROA and the moderating influence of corporate governance.

4.5 Conclusion

The results of the study have been thoroughly presented, analysed and discussed in this chapter, which reveals a complicated link between accounting manipulation and financial performance, modulated by corporate governance systems. The results imply that although short-term increases in profitability may come from profits management, over time it reduces the company's value. Reducing these risks mostly depends on efficient corporate governance, especially with regard to audit quality and board knowledge. These realisations support the larger conversation on financial openness and regulatory enforcement in corporate governance policies.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The research results on the correlation between accounting manipulation, corporate governance, and financial performance among manufacturing companies listed on the Johannesburg Stock Exchange in South Africa are systematically summarised in this chapter. The study evaluated the degree to which corporate governance systems regulate the link between accounting manipulation and firm performance. The chapter further discusses the pragmatic implications of these results for investors, corporate managers, legislators, and other South African manufacturing sector players. Apart from synthesising the achievements of the research, this chapter provides practical suggestions meant to strengthen general financial performance, reinforce governance structures, and improve corporate reporting methods. It also covers the shortcomings of the study and suggests future directions for which more integrated and transparent governance systems in the industrial sector could be supported by deepening knowledge of these linked variables.

5.2 Summary of Key Findings

The study into the influences accounting manipulation in manufacturing companies listed on the JSE has yielded significant insights on the relationships between various company characteristics and accounting manipulation. The findings underline the complexity of these links and the need of both financial and governance factors in forming reporting practices.

One important result is the negative, statistically significant link between EBITDA and accounting manipulation, suggesting that companies with higher earnings before interest, taxes, depreciation, and amortisation are less likely to participate in financial falsification. This data implies that clear financial reporting is supported by good operational profitability, hence discouragement of earnings manipulation.

The variable gender diversity (GENDER) exhibited a positive yet statistically weak correlation with accounting manipulation. The findings indicate that the inclusion of female

board members does not significantly influence accounting manipulation behaviours within the examined companies. The existing body of research underscores the importance of gender diversity in promoting inclusive decision-making and ethical governance.

The study revealed a negative correlation between the average experience of board members and manipulation, suggesting that companies with more experienced directors tend to maintain higher standards of financial integrity. This finding supports the assertion that enhancing oversight and reducing the likelihood of unethical accounting practices is contingent upon the knowledge and experience of the board.

Board qualification demonstrated a positive and statistically significant association with manipulation, challenging established beliefs. This outcome may suggest the challenges associated with translating academic or professional credentials into effective governance, particularly when these credentials are devoid of robust ethical standards or independence.

Larger companies may attract greater scrutiny or possess more complex operations that obscure accounting manipulation techniques; thus, firm size exhibited a positive yet modest correlation with manipulation. In contrast, leverage demonstrated no statistically significant relationship with accounting manipulation, suggesting that debt levels alone may not be the primary factor contributing to misreporting in this context.

The results collectively provide a thorough analysis of the internal and external factors affecting accounting manipulation within South Africa's manufacturing sector, presenting important insights for improving governance and transparency.

5.3 Alignment of Findings with Research Objectives

This section provides the summary of findings on the interrelationship between accounting manipulation, corporate governance, and financial performance in manufacturing companies listed on the JSE, tying the results of the study with the objectives. The summary of findings are presented based on the objectives of the study below.

Objective 1: Factors Influencing Accounting Manipulation in South African Listed Manufacturing Companies

The results show that different firm-specific and governance-related variables affect accounting manipulation. The following are the main elements:

- **Leverage:** Companies with high debt showed more inclination for profits manipulation, suggesting that financial difficulty increases the possibility of misreporting (Kalbuana *et al.* 2021).
- **Board experience and audit quality:** Companies marked by poor governance systems showed higher rates of accounting manipulation, consistent with past research (Ibrahim *et al.* 2022).
- **Firm size:** Larger companies showed lower level of accounting manipulation, usually resulting from more investors and regulatory scrutiny.

The results show that governance flaws and financial pressure influence earnings manipulation, therefore stressing the need for improved regulatory control and governance systems.

Objective 2: Relationship between Accounting Manipulation and Firm Performance

The results showed a lower ROA and Tobin's Q for companies who engage in accounting manipulation indicate that misreporting reduces profitability and market value over time, therefore confirming a negative correlation between accounting manipulation and financial performance. The findings demonstrates that accounting manipulation has positive relationship with ROA, but a negative impact on Tobin's Q. Companies with strong financial performance, shown by high EBITDA, are less likely to practise accounting manipulation if they have experienced boards. Presumably under performance pressure, large corporations, well-qualified boards, and established companies have a greater tendency for accounting manipulation. This suggests that accounting distortions may not have an immediate influence on market valuation but can distort signals of operational performance.

Objective 3: Moderating Role of Corporate Governance in the Relationship Between Accounting Manipulation and Firm Performance

The findings revealed that corporate governance influence the relationship between accounting manipulation and financial performance. The research validates that reducing the negative consequences of earnings manipulation on company performance mostly depends on corporate governance. Important conclusions include:

The impact of profits manipulation is much lessened by audit quality and board qualifications, therefore guaranteeing more accurate financial reporting.

Though the financial benefits take more time to materialise, firms with strong governance structures experience more stable financial performance; gender diversity weakly improves governance effectiveness, suggesting that diverse boards enhance oversight; hence, even in cases of accounting manipulation, these firms show better performance. These findings emphasise the need for corporate governance in preserving companies from the hazards of financial misreporting and sustaining sustainable performance.

5.4 Theoretical Contributions

In emerging economies like South Africa, this study presents theoretical viewpoints on accounting, corporate governance, and financial performance. This study investigates the interaction of accounting manipulation, corporate governance, and financial performance inside industrial companies listed on the JSE therefore contributing to theoretical frameworks and offering fresh empirical data.

This study provides empirical support for agency theory by showing that firms engaging in accounting manipulation exhibit lower financial performance (ROA, ROE, Tobin's Q), confirming that managerial opportunism harms shareholder value.

The findings validate the role of corporate governance mechanisms such as board independence and audit committee effectiveness in mitigating agency conflicts, reducing the likelihood of financial misstatements. Unlike research in developed markets where regulatory enforcement is better, this study focusses on the issues of inadequate governance enforcement in the context of an emerging market, South Africa, emphasising the need for stricter oversight.

This study also extends the stakeholder theory by empirically demonstrating that strong corporate governance reduces the occurrence or risk of accounting manipulation, thereby enhancing financial transparency and protecting multiple stakeholders, and not just shareholders. The findings reinforce the importance of governance structures in ensuring that managers act in the best interests of all stakeholders, not just those with financial control.

In South Africa's manufacturing sector, companies exhibiting greater board independence and effective audit committees demonstrate reduced tendencies for accounting manipulation, thereby reinforcing the notion that stakeholder-driven governance enhances financial integrity.

5.4.3 Contribution to Corporate Governance Theories

Corporate governance theories highlight the significance of board structures, ownership mechanisms, and transparency in upholding financial integrity.

This study empirically validates corporate governance models, demonstrating those firms with:

- Increased board independence experience reduced earnings manipulation.
- More robust audit committees show improved financial performance.
- CEO duality heightens manipulation risk, reinforcing the argument for the separation of CEO and chair roles.

The research suggests that robust corporate governance reduces the negative impact of accounting manipulation on financial performance. This indicates that South Africa's King IV Report on Corporate Governance is effective; however, enhanced enforcement mechanisms are necessary to ensure compliance.

5.4.4 Contribution to Emerging Market Literature

Most prior research on accounting manipulation, corporate governance, and financial performance has focused on developed economies such as the United States of America, the United Kingdom, and Australia amongst others. This study contributes to emerging market literature by:

- Providing empirical evidence from JSE-listed manufacturing firms in an emerging market (South Africa), offering insights into accounting manipulation trends in South Africa and potentially other emerging economies.
- Demonstrating that governance challenges in emerging economies differ from developed markets, where weak regulatory enforcement and high ownership concentration impact governance effectiveness significantly.
- Highlighting the need for context-specific corporate governance reforms that address firm-level governance weaknesses and industry-specific risks.

5.5 Practical Recommendations

5.5.1 Practical Implications for Corporate Governance

- Companies should be urged to prioritise healthy EBITDA as a foundation for financial robustness and transparency. Moreover, training and resources should be provided to organisations to enhance operational competence and mitigate financial penalties, thereby decreasing the incentive to engage in accounting manipulations.
- Board independence should be promoted more as it minimises accounting manipulation and enhances financial transparency. In the appointment of board of directors, emphasis should be placed on board with skills and experience to foster oversight and real decision-making. In addition, companies should recruit executives with governance experience and not just qualifications.
- Audit committees should be strengthened to ensure external financial oversight, particularly in emerging economies where regulatory enforcement may be weaker. Moreover, audit performance should be adapted to firm-specific features to improve the detection and anticipation of accounting manipulation. There should also be regular reviews and updating of auditing standards to address developing risks in financial reporting.
- Encourage gender diversity not only to reduce accounting manipulation but to promote sound corporate governance and good ethical standards within a business. The women should be trained in mentorship programmes, and their leadership supported and ensure their perspectives are combined into frameworks.

- Regulators and policymakers should enhance governance regulations (For example, stricter CEO duality rules, enhanced audit committee independence) to deter accounting manipulation.

5.5.2 Implications for Investors and Financial Markets

- Investors should scrutinise firms flagged for accounting manipulation, as such firms tend to experience lower long-term valuations.
- Market participants should factor in governance quality when assessing investment risks, as firms with strong board and audit oversight demonstrate more reliable financial performance.

5.6 Policy Recommendations

- The management of the firms must establish organisational policies directed at enhancing audit committee independence for better financial oversight.
- There is the need for the government to introduce stricter penalties for accounting manipulation in listed firms.
- Companies must strengthen corporate disclosure systems to improve transparency.

5.7 Limitations of the Study

- The study focuses only on JSE-listed manufacturing firms, limiting the generalisability of findings to other industries and stock exchanges.
- Only one detection model (AccrualQty) was used, which may not capture all aspects of financial manipulation.
- The study period (2016–2022) may not fully capture long-term trends in governance and accounting manipulation by manufacturing firms in the JSE.

5.8 Suggestions for Future Research

- Future studies could explore other accounting manipulation models (for example, real earnings management techniques or the Benish M-score) to complement accrual-based measures.
- Expanding the dataset to other industries (e.g., financial services, retail) could improve the generalisability of the findings.

- Longitudinal studies could examine the long-term effects of governance reforms on financial transparency.

5.9 Conclusion

In conclusion, the nuanced associations between numerous firm characteristics and accounting manipulation within the firms highlight the complex nature of governance and financial performance dynamics. Although variables such as EBITDA and board experience appear to ease manipulation practices, board qualification and audit quality signifies conflicting implications. The study recommends that a comprehensive approach is essential to address manipulation risks, considering the complex connections among governance structures, financial performance indicators, and moral considerations.

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