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Is Share Price a Measure of Financial Performance: Evidence from Enron Corporation

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Abstract: Purpose: *This is a qualitative study that reviewed empirical literature in regard to the role of share price as a predictor of company financial performance.* ***Methodology:*** *Systematic Approach utilizing meta-synthesis in the analysis of 23 publications was applied in this study.* ***Findings:*** *The study discloses that share price is not an exact measure of company financial performance. It was evidenced that other factors including; rumours, analysts forecast, and earnings management influences company value and financial performance which then translates to misleading share price. Investors have frequently utilized rumour in making investment decisions. Besides, there is a positive relationship between stock market analysts and share price. Analysis has also shown that companies engage in creative accounting with the view of increasing the reported earnings which then influences share price. These empirical findings are practically confirmed in Enron where maintaining a strong and generally growing company stock price was the strategy. To meet analyst expectations, Enron Corporation engaged in several unethical accounting practices so as to communicate better earnings which were though misleading. Enron Corporation applied professional judgment by creating special purpose entities which were utilized in transferring part of the liabilities off the books. Enron Corporation also adopted market to market accounting practices which allowed reporting of income and value of assets at their replacement costs thus ignoring depreciation expense and inflating the earnings which translated to a high share price. Enron formed off balance sheet partnerships in 1991 which were then utilized as an avenue to conceal money losing ventures. Enron Corporation blatantly showed profits on its books with an aim of increasing share price even though this was really misleading and this is confirmed in 1999 when Enron's Assets inflated. Enron Compromises to repay Merrill Lynch's investment with interest in order to show a profit on its books to inflate share price.* ***Implications:*** *This study confirms that even though share price ought to reflect the true company value, it does not. The findings can therefore be utilized by stakeholders and investors at large in making investment decision and in comprehension that share price can at times be really misleading despite how highly priced it may be.* ***Value of the Study:*** *The study contributes to investment decision making to various stockholders and potential investors who are willing to invest in companies trading in shares. It also forms a basis for further study utilizing the results of meta-synthesis. That is, other studies may measure rumours in terms of heard on the street, and irregular information. While stock analysts may be measured as analysts' recommendations. Earnings management can be viewed in line with accrual anomaly and company book value.*

Keywords: Financial performance, share price, Rumour, Earnings management

1.0 INTRODUCTION

It has been unanimously consented that the financial performance of any given company has become a fundamental item of significance to the accounting information users including the public, shareholders, analysts, and the government. This is the reason why determinants of the financial performance of a company are much appreciated.

Financial performance refers to the attainment of planned or predicted organization's financial long-term and short-term objectives (Gitman & Lawrence, 2001). Financial performance measurement entails the assessment of the level at which a company is effectively and efficiently achieving its financial objectives. This present study is concerned with the determinants of the financial performance of a company, particularly if the company's performance is reflected in the company's share price.

Share price advises the users of financial information and majorly investors. The share price is obtained from a company's economic declarations. The share price, therefore, tends to believe to portray the actual internal accounting information of the company which is then utilized by the investors in making investment decisions. From the normative theory perspective, decision usefulness is the main aim that the share price should portray by aiding the investors in their decision-making process and providing full and accurate information of a company's accounting information (Jayne, Ann, Jane, & Scott, 2010). Accordingly, it is a real concern if truly share price reflects the true and fair position of companies.

According to the neoclassical theory of investment, (Jorgenson, 1967), profit maximization is the aim of any investor. Consequently, an investor requires very clear information to engage in investment activities. Besides, (Rajesh, 2017) suggests that stock prices are the most apparent measures of a company's financial performance which can therefore be utilized in estimating the performance of a corporation. (Rajesh, 2017) further suggests that share prices are continually informed to depict fresh facts. In consequence, company executives' performances are measured against the reflected share prices. This implies that when corporations maximize the share prices, then investors are capable of exploiting dividends arising from company operations or capital gains arising from trading shares. Nevertheless (Rajesh, 2017) acknowledges that even though an increase in share price is attributed to a company's financial performance, there are other macroeconomic factors that might affect share price which in turn may distort the information the share price should portray. This present study concentrates on these other macro-economic factors which may hinder the share price from being a true predictive value of the firm.

(Zarah, 2017) evidence that an adequate approach to measuring the financial performance of a firm is by conducting technical analysis or fundamental analysis where technical analysis is performed with the analysis of the company's previous years' stock price fluctuations. On the other hand, fundamental analysis is performed in regard to the company's present financial information (liquidity, profitability, and growth) with an aim of forecasting future share price fluctuations.

1.1 Enron Corporation Scandal

Enron Corporation was an American energy, commodities, and services corporation based in Houston, Texas with an employee base of 20,600. It was formed from a merger in 1985 with the Chief Executive Officer being Kenneth Lay. So as to promote its financial strength, Enron hired McKinsey & Co, a consortium to re-engineer its processes. McKinsey assigned a young 29-year-old Jeffrey Skilling to perform the task. Indeed Skilling got it right and as a result, Kenneth Lay hired Skilling as the head of the gas bank to help implement some of Skilling's recommendations in 1991. Jeffrey Skilling utilized the top-notch students from the best universities in the US to move Enron to the next level and this saw the employment of Andrew Fastow as the Chief Financial Officer (Enron's Empire, corpwatch, 2022).

At the end of 2001, it was concluded that Enron Corporation's reported financial condition was sustained by an institutionalized, systematic, and creatively planned accounting fraud known since the Enron Scandal (Enron Corporation - Company Profile, Information, Business Description, History, Background Information on Enron Corporation, 2016). Enron Corporation is therefore summarized in table 1.

Table 1: Enron Corporation formation to Bankruptcy

Year	Event
1980's	New favorable regulations created by the Federal government in regard to the market pricing system
July 1985	Houston Natural gas run by Kenneth Lay merges with InterNorth a natural gas company
November 1985	Kenneth Lay is appointed the chairman and CEO of the merger. The merger then settles on the name Enron Corporations
1986	Enron Corporations moves the headquarters to Houston where Kenneth Lay lives
1987	Enron Oil- a flourishing marketing operation reports a loss of USD 85Million. Though the true loss concealed is USD 142-190million.
1988	Enron Corporation enters UK energy market
1989	Enron launches Gas bank later headed by Jeffrey Skilling in 1990
1990	i. Enron launches plan to expand its US operations abroad ii. Enron begins trading in futures and options iii. Ken Lay hires Jeffrey Skilling from Mc Kinsey & Co to become the CEO of gas bank division iv. Jeffrey Skilling hires Andrew Fastow who quickly rises to become the CFO

1991	i. Enron adopts market to market accounting practices, reporting income and value of assets at their replacement costs ii. Rebecca Mark becomes Chairman and CEO of Enron Development Corp., a unit formed to pursue international markets iii. Andy Fastow forms the first of many off-balance-sheet partnerships for legitimate purposes. Later, off-balance-sheet partnerships and transactions will become a way for money losing ventures to be concealed and income reporting to be accelerated
1991-2000	✓ Enron operates as a trading firm ✓ Enron enters the retail energy market ✓ Enron joins the data management market where they dealt in fiber optics. It is in this trade that Enron made a lot of profits as a result of its announcement to be the sole provider of the internet. The announcement saw the share price rise from £40 in January 2,000 to £70 in March 2,000.
2001	**February-**Enron and Blockbuster Inc. to stream movies on demand over Enron's connections was canceled, with Enron shares dropping from $80 per share in mid-February 2001 to below $60 the week after the deal was killed **April-**Enron Data management business report losses Enron was declared Bankrupt and the facility sold in an auction

Enron Misleading Accounts	
1993	Andrew Fastow-CFO establishes several special purposes entities which allowed Enron to transfer part of its liabilities off the books thus maintaining its profitability and high share prices
1999	i. Enron Assets inflated-Enron Compromises to repay Merrill Lynch's investment with interest in order to show a profit on its books. ii. Debts and losses were put into entities formed offshore that were not included in the company's financial statements; other sophisticated and arcane financial transactions between Enron and related companies were used to eliminate unprofitable entities from the company's books**.**
2001-December 2	✓ Enron filed bankruptcy after restating its books from the 1990s resulting in a shareholders' loss of £11 billion. ✓ Share prices reduces from £90.56 to £15
2001	Enron's demise occurred after the revelation that much of its profit and revenue were the result of deals with **special-purpose entities (limited partnerships which it controlled).** This maneuver allowed many of Enron's debts and losses to disappear from its financial statements. Enron's Auditor Arthur Andersen was dissolved

Post-Bankruptcy	• Kenneth Lay and Skilling were charged with conspiracy, fraud, and insider trading. • Ken died before sentencing while Skilling was convicted for 24 years. • The CFO Andrew Fastow was sentenced for 6years.

1.2 Problem Statement

The share price is established by the market forces of supply and demand of a company share (Zarah, 2017). Empirically, it has been documented that share price is a true reflection of the company's financial performance. (Norazidah, Mansor, Mahmood, & Fathiyah, 2013) posits that a true reflection of the company's performance is the stock price. Hence it is assumed that companies with better performance usually reflect on the company's share price. Though, practically, share prices are not a true image of the company's financial performance. There are other factors including rumors, speculation, and earnings management that affect the company's share price which therefore hinder the share price from being a true reflection of the company's financial strength. This is affirmed by (Choiriyah, Fatimah, Sri, & Fithri, 2020) who stipulate that increases or reductions in the share price may be a result of other factors which are fundamental, external or psychological. The present study seeks to establish if the share price is a true reflection of the financial performance of a corporation as evidenced in the practical Enron Corporation scandal.

1.3 Study Objectives

The specific study objectives were;

i. To determine the effect of rumors on the share price
ii. To establish the effect of stock analysts on the share price
iii. To determine the effect of earnings management on the share price

1.4 Study Questions

i. What is the effect of rumors on the share price?
ii. What is the effect of stock analysts on the share price?
iii. What is the effect of earnings management on the share price?

2.0 Methodology

2.1 Research Design

This study employed a systematic review method. (Liberati, et al., 2009) submit that systematic review is the procedure of isolating, gathering and examining records from earlier online printed articles. The main objective of systematic review is to therefore consider only studies that in the opinion of the author suffices the pre-set inclusion criteria.

2.2 Population of the Study

This study targeted previous publications on stock price and company financial performance. That is the search was conducted considering date and relevance. Therefore, not all the articles ever published were considered. Additionally, this study consisted of a critical review of a particular case study, the Enron Corporation compared with other research findings on the same topic.

2.3 Search Approach

An in-depth internet search was conducted in google scholar. Key terms implying share price, stock price, company book value, and company financial performance were utilized. The date was customized from 1990-2022. The search was customized in regard to relevance. A total of 25,800 results were found.

2.4 Eligibility Criteria

Of the 25,800 publications extracted, 25,826 were not relevant and thus were excluded. They included repeated publications, low-quality content studies, studies in low-quality journals, and articles with similar or irrelevant study topics. At total of 151 abstracts were read of which 23 articles were included in the analysis and consequently were completely appraised.

2.5 Data Analysis

Meta-synthesis also known Qualitative systematic review as opined by (Jensen & Allen, 1996) was utilized in analyzing the study findings. In other words, meta-synthesis is the qualitative equivalent of meta-analysis which implies utilization of already existing information in adding new value at the end of the study and not just putting together figures or mere review of previous studies. This was advised by the fact that meta-synthesis allows presentation of new knowledge while not losing the intent of the original works.

2.5.1 Methodology flow chart

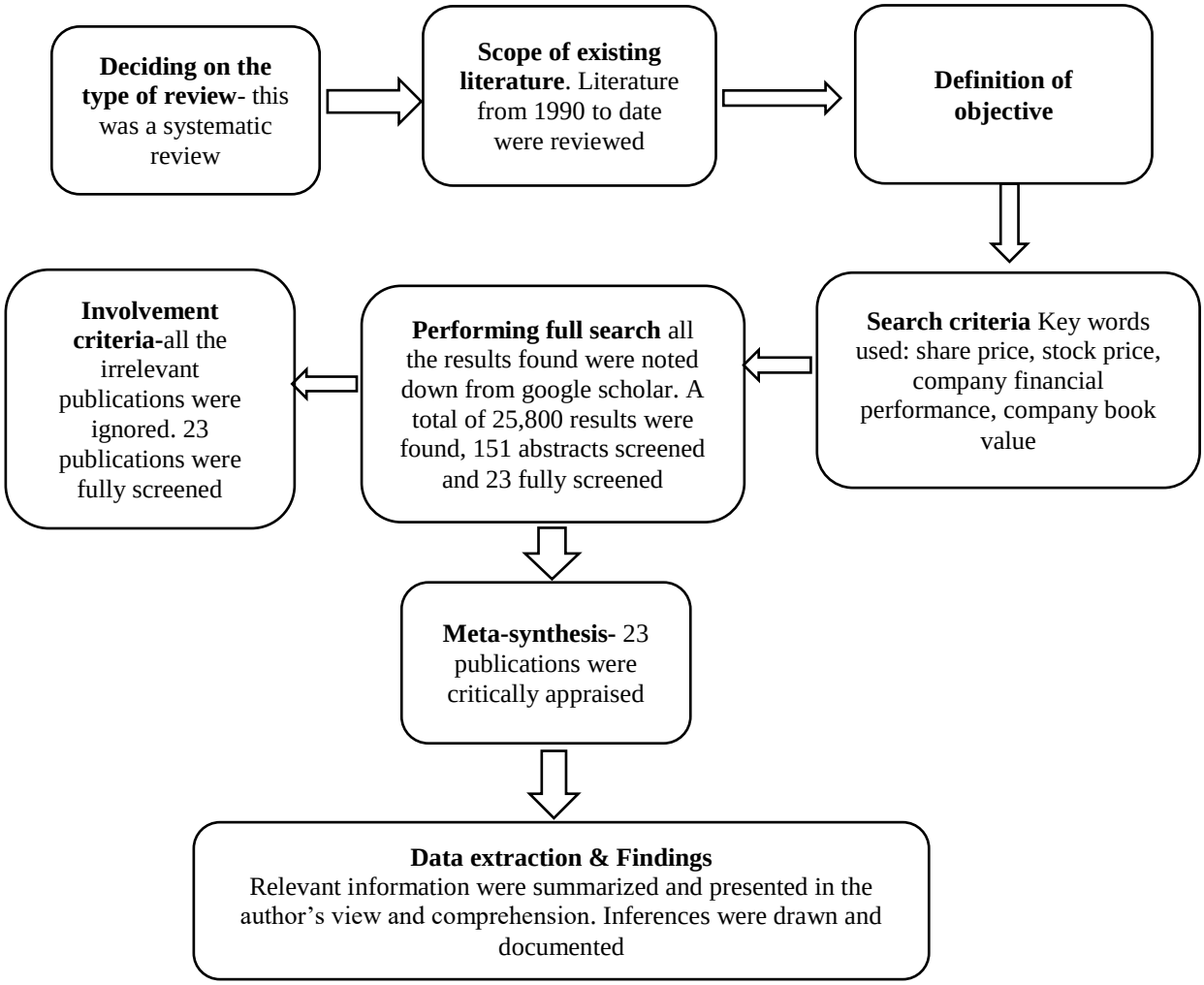

Figure 1: Flow chart of the review process

3.0 Theoretical Application

3.1 Agency Theory

Agency theory was initiated by (Jensen and Meckling, 1976) and it discusses the mutual existence among stockholders and administrators. It is instituted on the dictum that the agent (administrator) admits to accomplishing particular responsibilities for the master (stockholders) and the principal undertakes to reward the agent (Odek & Oyugi, 2021).

Agency theory holds that the relationship between the principal and the top managers is a focal point in the governance of the company. That is, it is based on the Agency theory that an adequate relationship exists thus leading to proper stockholder objective consideration by managers (Dumitru-Nicușor, 2015).

However, it has been observed that agency theory comes with its own challenges. The agency conflicts include; moral hazard-that is an individual insured against uncertainty behaves differently compared to the manner that he/she could have behaved without the insurance. Put differently, the chief executive officer, have an objective of benefiting from the position of management first and put last the stockholders' interests. Moreover, managers will work less with the knowledge that they are not the owners of the organization. This, therefore, reduces the level at which a company will achieve its objectives. Other studies suggest that remuneration of managers is based on the size of the firm and not on the returns. This notion thus is usually the main drive for company managers in investing

in projects that grow the size of the organization and not projects that increases shareholders returns. Avoidance of risk is also another aspect which most of the agents embrace. That is, top managers would want to only concentrate of projects with low risks and low returns thus keeping the status quo in the company operations.

Jensen and Meckling, (1976) posited that modern corporate control and corporate governance tools and philosophies are considered congruently with the agency theory which emphasizes that managers do not act on the best interest of the shareholders. This then implies that corporate control has to apply other monitoring tools to enable achievement of the shareholders objectives. These other tools to enable achievement of stockholders' interests include; developing remuneration packages for executive directors and top-notch supervisors that entices them to obey the shareholders directions as they subordinate their own interests. Introducing debt in the capital structure of the company so that there is less liquidity in the firm. (Dumitru-Nicușor, 2015) observed that free cash flow has got negative effects in the firm, that is managers who are capable of assessing high volume of cash flow would simply want to invest the same probably in projects which enlarges the firm but with low profits which is against the objective of the stockholders who would rather have the same cash invested in projects which will generate high return to the company. Formation of a Board with high level of skills to carry out the monitoring aspect of the company management team. This will minimize the employment of detrimental strategies against the will of the shareholders.

Agency theory is applicable in this study since it evidences the relationship between the top management team of Enron Corporation and the Board of management of Enron. The first agency conflict evidenced is the CEO duality. Upon the merger and formation of Enron Corporation in 1985, Kenneth Lay is appointed the CEO and chairman of the company. This then allowed Kenneth Lay to drive the firm to his interests. For instance, he moved the headquarter of the firm to Houston where he lived. This was purely in his interest and not in the interest of the shareholders. Further, the Act of top management t, for instance, Jeffrey Skilling who headed the gas section reflect the extent to which the CEOs are interested in the growth of the company and not returns. When Jeffrey Skilling advised the Enron Corporation to venture into the operations of data management, the returns obtained against the returns forecast were much lower. Several other company's, managers traded their shares to the public and obtained capital gains. Even though they were aware of the ailing of Enron Corporation. Information asymmetry was the order of the day at Enron Company. From the onset, in 1990, losses were already concealed and what was presented to the public was simply but a scam. The managers knew exactly the challenges of the company. Though they still went ahead and portrayed profits with the aim of increasing share price which convinced the public that Enron Corporation was doing well. Accounting practices were over interpreted. Andrew the Chief Finance Officer commenced the application of market to market policy. Besides, he embraced special purpose entities accounting with the aim of concealing losses in other ventures abroad as he deceived the public with non-existent profits which led to rise in the share prices.

3.2 Signaling Theory

Signaling theory opined by (Spence, 1973) in his research work on the labor markets pronounced how a job aspirant may participate in particular activities to decrease information asymmetry between the job seeker and the employer. This theory is therefore based on the tenet that information communicated by the top managers to the public is a true reflection of the company's dealings. In other words, signaling theory is basically concerned with reducing information asymmetry (Brian, Trevis, Duane, & Christopher, 2011).

Executives signal company performance which may not be directly observed by the public to the stakeholders via adequate financial reporting (Zhang & Wiersema, 2009). Therefore the signaler is usually the company management. On the other hand, the receiver is the company stakeholders. The managers possess a lot of rich information about the organization including the pending litigations, new product development, challenges the company is facing, and general information about the firm. The management, therefore, will take the necessary steps to relay positive and quality information about the firm to the public. The information relayed will therefore advise the investors on their next course of Action.

The Signaling theory is applicable in the current study on the basis that the management of Enron Corporation had the obligation to portray true company information to the stockholders. The managers having known the losses incurred by Enron Corporation on its trade dealings, had the duty to exactly communicate the same. This could have made a meaningful decision to the investors who definitely could have not incurred losses as a result of investing in non-performing company. Thus the managers of Enron Corporation were opportunistic and utilized the information asymmetry situation to deceive the public by giving misleading signals.

3.3 Empirical literature review

3.3.1 Effect of Rumors in the stock market on the share price

Rumors refers to the infected market place information circulating in the market of stocks. It is normally spread via various means, thus, social media, newsrooms and the internet at large. Rumors has majorly been advanced in the current market place as a result

of technological advancement. (Keneth, 2015) found that newspapers are likely to publish information despite being a rumor if it is conceived to be related to a well-established organization. This will therefore greatly affect the share price even before the release of the official breaking news.

Other studies suggest that rumors in the stock market affect a lot of financial decisions made by investors (Kalim & Mohd, 2021). (Kalim & Mohd, 2021) cited that brokers majorly do create rumors about company stock prices with the self-interest of gaining an advantage over the companies. (Zhang, Chen, Rong, Wang, & Tan, 2022) evidence that rumors play an imperative info communication effect on stock market volatility and the constructed Internet Financial Forum Rumor Index is useful to sense the possible impression of rumors, that is, a significant lagged negative effect.

(John & Richard, 1990) in their study using a sample of rumors published in the wall street journal suggested that the market reacts to the published takeover rumors efficiently. That is, they found that properly diffused rumors adequately forecasted takeovers. This implies that the information diffused in the rumors plays a role in the stock prices. (Clarkson, Daniel, & Irene, 2006) suggested that investors respond rapidly to rumors in the stock market as soon as the rumor is posted. (Clarkson, Daniel, & Irene, 2006) concluded that the marketplace reacts positively to the rumors posted in the market thereby telling that rumors also affect the share price. This affirms that share price does not entirely represent the company's financial strength.

(Yakov, Haim, & Robert, 1990) shown that one of the factors that led to the crisis in the financial market in 1987 was information on the share price. That is, investors and other stakeholders at large believed that share price reflected the true position of company value. Contrary to that, the share prices did not reflect the actual liquidity position of the listed companies. This they revealed in their study when they commented that this was a result of the information released to the market in the form of rumors before the official breaking news.

Studies propose that investors can trade on rumors and reap positive results from the same (Hsin-I, Gloria, & Xiangkang, 2010). It thus implies that there is a positive correlation between rumors and share prices which in the long run results in some influence on the share price deterring the share price from revealing true position of the company in regard to financial strength. (Fábio, 2013) studied effect of rumors in the stock market with an analysis of the Sao Paulo stock exchange market. The study utilized panel data ranging from 2007-2011. Their results ascertained that the firms' rejoinder to rumors had an effect on changes in the pricing of its stocks. (Uriel, Tchai, & Joseph, 2009) affirms the same in their findings when they conclude that the market responds positively to rumors. This is after carrying out an analysis of the impact of rumours released on the web on stock returns.

3.3.2 Effect of stock analysts on the share price

(Ron & Maureen, 2002) investigated if the marketplace rewards organizations that meet analysts' prospects. Their results portrayed that firms meeting the contemplation of analysts usually have higher returns in their earnings compared to firms that rarely achieve their forecasted earnings. (Ron & Maureen, 2002) also found that the stock market assigns a higher value to firms that meet analysts' forecasts even if the real value of the firm is below upon conducting a fundamental analysis.

Studies also suggest that if there is a higher rating of the firm, then the share price of that organization will rise (Martin & David, 2010). Besides, when there is a downgrade in the rating of the company, the same will translate to a reduction in share prices. The latter evidence that analysts grading impacts a company's share price despite the fact that the share price rating may not be reflecting the actual company value.

Another study by (Ezra, 1999) evidenced that the share price of firms that were not covered by analysts reduced. It hence implies that share prices are to a great extent influenced by the comments of the stock market analysts. Besides, investors make investment decisions based on the stock market analysts' forecast which translates to either a negative or positive influence on the share price of the firm. This may not necessarily reflect the true financial performance of the company. Though the same is confirmed to be utilized in making investment decisions.

(Kee & Hoje, 2010) submit that security analysts aid in motivating company top management to work toward achieving their targets. Additionally, the latter authors suggest that stock market analysts are much more recognized by investors in regard to making stock market decisions. Based on the foregoing, (Kee & Hoje, 2010) concluded that stock market analysts play a role in influencing share price which then may predict firm value. Therefore, stock market analysts are considered to be one of the influences on share price despite the fact that the share price adopted in the market as a result of the analyst involvement is not a guarantee of a true reflection of company's financial performance.

(Shreya, 2022) analysed short-effect of analysts' propositions in the Indian stock market using a sample of 100 firms in the Indian securities exchange market. He reports that analysts' contemplations come in two folds vis a vis, analysts predict changes in the firm's fundamentals or they rejoin to news or the firm's release of breaking news. (Shreya, 2022) conclude that analysts contribute

to market efficiency by giving out their studies on stock behavior which may result in share price changes either positively or negatively. This implies that analysts' predictions also affect share prices and thus existence of analysts considered one of the factors which may deter share prices from reflecting true company financial positions.

A study based on 277 recommendations in a period of 2years in Karachi Stock exchange by (Attaullah & Muhammad, 2012) revealed that analysts' commendations do generate optimistic abnormal returns for stockholders which are as a consequence of information content. Similar study by (Oskar, Andri, & Jens, 2021) revealed that analysts forecast affect stock prices which in the long run translate to investor actions which maximizes returns. (Casper & Filip, 2021) reported similar findings in their study in the Swedish stock market using a three year period with 313 recommendations. (Brett, 2016) also affirmed that a positive correlation between the analysts expectations and the share price in the stock market.

3.3.3 Effect of earnings management on the share price

Earnings management is a modern approach utilized by firms in arriving at their final worth. It is where the top management of a company decide to embrace various accounting techniques which minimizes losses and probably boost revenue during reporting. The main objective in earnings management is therefore to portray the firm as profit making and not loss making with underlying objectives with the most eminent objective being to convince stock holders and the public at large the firm is doing well.

(Odek & Kimanzi, 2022) stipulates various earnings management techniques. Firstly is income maximization where managers increases the company earnings with an aim of increasing the bottom line of the business. The aim of income maximization is to portray to the stakeholders that the company is doing well and also to increase management reward especially performance based rewards. Another technique is income smoothing where firm management releases consistent company performance with less deviation from the previous year's reported earnings with the objective of convincing stockholders that the company is moving in the right direction. Additionally, income smoothing enables managers to consistently earn bonuses on performance. Other earnings management technique include accruals earnings management where the company decides to use professional judgement in arriving at which accounting policy to put into use. The objective is to use an accounting policy that favours the company's deals.

(Kasznik & McNichols, 2002) disclose that meeting the stock market analysts' forecast is one of the motivators towards earnings management. (Clinch, Fuller, Govendir, & Wells, 2012) suggest that corporations that meet the analysts' predictions usually ride in higher market valuation irrespective of the actual position of the corporation's value. Therefore, stock return reflected in share price and earnings management are closely associated. (Himma, 2013) conveyed that earnings and books value affect stock price. In other words, to arrive at book value, then probably managers may want to practice creative accounting (earnings management) to enhance the firm value which will then portray high valued share price which though do not reflect real value of the firm.

(Ahmed, Omush, Walid, & Rasha, 2019) conducted a study in Amman Stock Exchange market among 18 firms utilizing panel data of four years (2014-2018). Their study showed that there is no relationship between stock returns and earnings management. This reflects on the stock price by not affecting the share prices. (Jolene, 2016) in her study on how earnings management influences stock returns, a study of 19 firms listed in Nairobi securities exchange (NSE) found that there is no relationship between earnings management and firm book value. This implies as per this finding that earnings management does not affect share price and in turn, does not translate to the company value. Though a similar study in NSE by (Denis, 2018) using a sample of 65 firms found that there exist a relationship between earnings management and firm financial performance.

(Himma P. , 2013) investigated the link between earnings management and firm valuation among manufacturing firms listed in Indonesian stock market. Their results suggest that earnings and book value affects stock price. This posits that creative accounting reduces reliability of accounting information and thus the share price to a greater extent could only reflect the extent to which earnings are managed and not necessarily the truth.

3.3.4 Operationalization of empirical review

Table 2: Operationalization table

Author	Finding	Conclusion
Effect of rumours on share price		
1. (Keneth, 2015)	Shows that news media are likely to publish information in the stock market even if it is a rumour	The published rumour affects stock prices thus inhibiting the share price from reflecting true company value
2. (Kalim & Mohd, 2021)	Stock market rumours affect investor decisions	Rumor is created by brokers with an aim of convincing the stockholders and investors irrespective of whether the share price is reflecting true firm value or not

3.	(Zhang, Chen, Rong, Wang, & Tan, 2022)	Posits that rumours play a major effect on the stock market volatility	This affects share price and to a given extent may inhibit share price from reflecting true company financial performance
4.	(John & Richard, 1990)	Showed that the market reacts efficiently to published takeover rumours	Implies information diffused in rumours takes effect on stock prices
5.	(Clarkson, Daniel, & Irene, 2006)	Submitted that investors respond rapidly to rumors in the stock market as soon as the rumor is posted.	Affirms that share price does not entirely represent the company's financial strength.
6.	(Yakov, Haim, & Robert, 1990)	Factors that led to the crisis in the financial market in 1987 was misleading information on the share price.	Share prices did not reflect the actual liquidity position of the listed companies.
7.	(Hsin-I, Gloria, & Xiangkang, 2010).	There is a positive correlation between rumors and share prices	Rumors influence share price deterring the share price from revealing true company financial strength.
8.	(Fábio, 2013)	Ascertained that the firms' rejoinder to rumors has an effect on changes in the pricing stocks.	The market responds positively to rumors
Effect of stock analysts on the share price			
9.	(Ron & Maureen, 2002	Firms meeting the contemplation of analysts usually have higher returns in their earnings compared to firms that rarely achieve their forecasted earnings.	Meeting analysts forecast is almost a guarantee of high valuation of the firm irrespective of the true position of the firm
10.	(Martin & David, 2010)	Higher rating by analysts will provide the firm an incentive for presumption that its book value is equally high	When analysts highly rate a particular firm then this enhances the firm to be positively perceived by stock holders irrespective of inherent information asymmetry
11.	(Ezra, 1999)	Evidenced that the share price of firms that were not covered by analysts reduced	The findings affirm that there is a high positive correlation between share price and the analysts forecasted figures
12.	(Kee & Hoje, 2010)	Stock market analysts play a role in influencing share price which then may predict firm value.	Stock market analysts are considered to be one of the influences on share price. Though the share price adopted in the market as a result of the analyst involvement is not a guarantee of a true reflection of company's financial performance
13.	(Shreya, 2022)	Analysts contribute to market efficiency by giving out their studies on stock behavior which may result in share price changes either positively or negatively.	Analysts' predictions also influences share prices and thus existence of analysts considered one of the factors which may deter share prices from reflecting true company financial positions.
14.	(Attaullah & Muhammad, 2012)	Analysts' commendations do generate optimistic abnormal returns for stockholders	It implies stockholders believes in analysts and they invest based on information analysts provide. Thus analyst info has effect on share price and perception of the firm value irrespective of the actual true position
15.	(Oskar, Andri, & Jens, 2021)	Analysts forecast affect stock prices	There is a direct relationship between analyst forecast and stock price

16. (Casper & Filip, 2021)	There is a positive correlation between the analysts' expectations and the share price in the stock market.	Analyst forecast plays a role in the share price communicated by the company
Effect of earnings management on the share price		
17. (Kasznik & McNichols, 2002)	Revealed that meeting the stock market analysts' forecast is one of the motivators towards earnings management	Managers would therefore practice creative accounting provide they meet the prediction by the analysts who really investors trust.
18. (Clinch, Fuller, Govendir, & Wells, 2012)	Corporations that meet the analysts' predictions usually ride in higher market valuation	Company management would therefore embrace any available earning management techniques since it would in the long run result to positive perception by investors thus increase in investment
19. (Himma, 2013)	Earnings and books value affect stock price	The company may therefore want to manage its books to portray high earnings which will translate to highly priced stocks in the market, though quite misleading
20. (Ahmed, Omush, Walid, & Rasha, 2019)	Did not find any relationship between stock returns and earnings management	Confirms that share price reflects company value and other factors remain with no effect.
21. (Jolene, 2016)	No relationship between earnings management and firm book value	Affirms that share price reflects company value and other factors do not affect share price
22. (Denis, 2018)	There exists a relationship between earnings management and firm book value	This study is portraying that share price is not the final reflection of the firm value. Companies can always disseminate news that they believe clients want to hear so long as it will work in the company's favour.
23. (Himma P. , 2013)	Suggest that earnings and book value affect stock price	Thus there are other underlying factors like earnings management which is part of what is displayed as the share price

4.0 Results and Presentation

4.1 Background Data

This section presents the background data of the examination from the 23 articles. This summarizes the data on total number of publications by year of research and the themes found in terms of the relationship between the variables. Given the 23 articles from the survey, it implies 100% response rate.

4.1.1 Total Publications by Year

The research aims to determine the overall quantity of the research manuscripts and their respective years of publication. The results were reported in the fig 1:

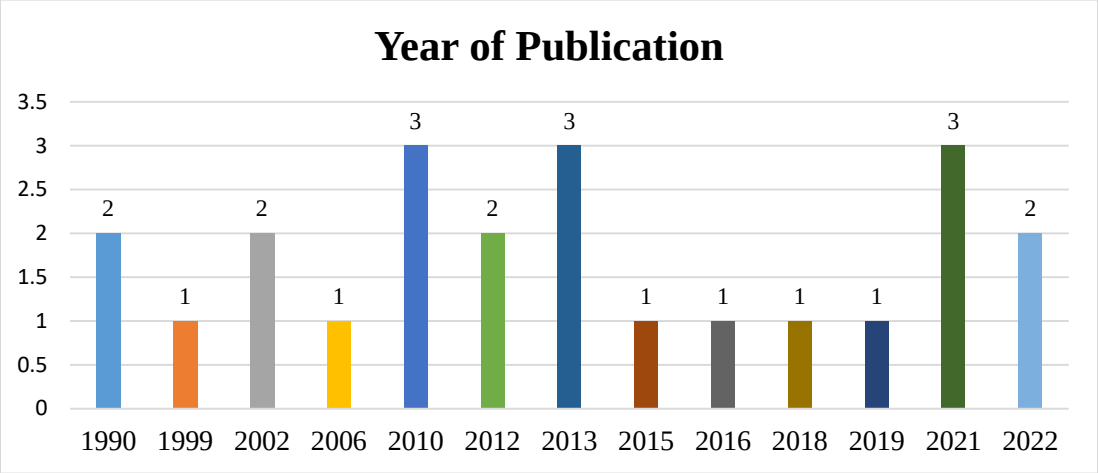

Figure 2: Total Publications by Year
Source: Survey Data (2023)

The findings revealed that majority of the articles under analysis were most cited between the year 2010 and 2013 as well as between 2020 and 2021. The trend also indicate that more studies have been conducted in the recent decade, thus, validating the currency of the outcome.

4.1.2 Inferences from the Outcomes of the Relationships

This section presents the inferences from the 23 studies measured and to show how the relationships between earnings management, rumours, stock analysts and share price.

Table 3: Inferences produced from the Outcomes of the Relationships

Objective	Outcomes	Frequency	Percentage (%)
Earnings management and share price	Positive relationship	6	75.00%
	Negative relationship	0	0.00%
	No relationship	2	25.00%
Total		**8**	**100.00%**
Rumours and share price	Positive relationship	8	100.00%
	Negative relationship	0	0.00%
	No relationship	0	0.00%
Total		**8**	**100.00%**
Stock analysts and share price	Positive relationship	7	100.00%
	Negative relationship	0	0.00%
	No relationship	0	0.00%
Total		**7**	**100.00%**

Source: Survey Data (2023)

Table 3 specifies that regarding earnings management and the share price, 75.0% of the studies have indicated positive relationships between earnings management and the share price. On the other hand 25.00% of previous studies did not indicate any relationship between earnings management and the share price. Additionally, the outcomes indicated that all the studies surveyed (100% of them) showed that rumors have a positive effect on share price. Likewise, 100.00% of the analysed studies showed that stock analysts have a positive effect on share price. It can then be inferred that earnings management, stock market analysts and rumours influences the share price communicated to the stakeholders.

4.3 Operationalization of the Key Words/Study Themes

The study also presents the various keywords that have been used to operationalize the respective variables.

Table 4: Measurement of the variables

Rumors on share price	Stock analysts on the share price	Earnings management on the share price
Merger rumor	Earnings expectations	Market assigns
Rumor, hearsay	Earnings forecasts	Accrual anomaly
Social media rumors	Securities Analysts	Earnings and books value
Heard on the Street	Rating changes	Property plan
Irregular Information	Analysts ratings	Discretionary accruals
Speculative news	Product critic	Discretionary accruals
Takeover rumors	Analysts' recommendations	Accrual anomaly
Financial rumor	Event study	

Source: Survey Data (2023)

Table 4 indicates the various keywords which have been successfully used to measure the study variables.

4.4 Frequency of use of the Key Words

This section outlines the respective keywords and the frequently used keywords given the respective variables.

4.4.1 The effect of rumors on share price

Here the researcher re-read the eight (8) publications included in the study (refer to table 2) under the sub-variable effects of rumours on share price so as to arrive at focal subjects of which the themes identified reproduced the concepts in the articles utilized in this present study. An in-document search was done to establish the number of times the key words singled out were utilized in each document screened. The number of occurrences were tallied/coded as evidenced in table 5.

Table 5: Coding-effect of rumors on share price

Author	Key words	Frequency
(Keneth, 2015)	Merger Rumour	55
	Speculative news	1
(Kalim & Mohd, 2021)	Rumors	19
	Hear say	1
(Zhang, Chen, Rong, Wang, & Tan, 2022)	Social Media Rumors	56
	Unconfirmed Information	1
	Irregular information	1
(John & Richard, 1990)	Takeover rumors	48
	Heard on the street	31

	News	30
(Hsin-I, Gloria, & Xiangkang, 2010).	Financial rumor	6
(Fábio, 2013	Rumors	27
	Rumor Theory	1
(Yakov, Haim, & Robert, 1990)	Irregular information	4
(Clarkson, Daniel, & Irene, 2006)	Rumors	10
TOTAL		**291**

A cross case-synthesis was conducted as recommended by (Yin, 2013) to determine similar subjects among the publications examined. The results were presented in table 6.

Table 6: Cross-case synthesis of use of the Keywords under rumors

Operationalization	Frequency	Percentage (%)
Heard on the Street	1	12.5%
Rumors	3	37.5%
Irregular Information	2	25.0%
Financial Rumor	1	12.5%
Takeover/merger rumor	1	12.5%
Total	**8**	**100.0%**

Source: Survey Data (2023)

Data in table 6 is utilized in ranking or simply basing conclusion on frequently used terms across the examined documents. The results of this meta-synthesis point out that rumor contribute to about 37.5% of the outcomes of share price while irregular information follow by a percentage of 25%. Heard on the street, financial rumor and takeover/merger rumor was cited by 12.5% respectively in the assessed studies. Consequently, it can be concluded that various studies can always measure rumour as a variable by use of the stated words in table 6 above, which is, heard on the street, rumours, irregular information, financial rumour, merger rumor and take over rumour. The latter results evidence that the outcomes of qualitative meta-synthesis are the themes and the key words from the screened documents as acclaimed by (Philip & Noah, 2017).

4.4.2 The effect of stock analysts on share price

Table 7: Coding-effect of stock analyst on share price

Author	Key words	Frequency
(Ron & Maureen, 2002	Earnings expectations	15
	Earnings forecasts	4
(Martin & David, 2010)	Rating changes	3
	Analysts ratings	9
(Ezra, 1999)	Security analyst	4
	Product critic	5
(Kee & Hoje, 2010)	Security analyst	35
	Security monitoring	4
(Shreya, 2022)	Analysts' recommendation	12
	Market efficiency	12
	Event study	10
(Attaullah & Muhammad, 2012)	Analysts' recommendation	33

	Information leakage	9
(Oskar, Andri, & Jens, 2021)	Analysts' recommendation	10
	Price discovery	6
	Event study	14
(Casper & Filip, 2021)	Event study	13
	Analysts' recommendation	22
	Trade volumes	12
TOTAL		**232**

As per table 7 an in-document search was done to establish the number of times the key words singled out were utilized in each of the 8 documents screened. The number of occurrences were tallied as evidenced above to arrive at the appropriate ranking or consideration of frequently used theme across the documents examined as reported finally in table 8.

Table 8: Cross-case synthesis of use of Keywords under stock analysts

Operationalization	Frequency	Percentage (%)
Earning expectations	1	12.5%
Analyst ratings	1	12.5%
Security analyst	2	25.0%
Analysts' recommendations	4	50.0%
Total	**8**	**100.0%**

Source: Survey Data (2023)

The effect of stock analysts on share price was also sought and the results indicated that analysts' recommendations plays a key role in influencing share price (50%). The reason for having stock analysts is therefore conducting event study of the stock market to be in a speculative position and also to offer recommendations to investors for investment decision making. In view of the foregoing, the narrative for stock analysts would center on study topics such as analysts company earnings expectations, role of analysts ratings in the stock market, effect of security analysts on a company share price and the influence of analyst's' recommendations on company share price in the stock market.

4.4.3 The effect of earnings management on share price

Table 9: Coding-effect of earnings management on share price

Author	Key words	Frequency
(Kasznik & McNichols, 2002)	Earnings expectations	37
	Analyst forecast	33
(Clinch, Fuller, Govendir, & Wells, 2012)	Accrual anomaly	35
(Himma, 2013)	Financial performance	74
	Book value	85
	Value relevance	13
(Ahmed, Omush, Walid, & Rasha, 2019)	Book value	22
	Stock returns	60
(Jolene, 2016)	Book value	134
	Stock returns	151
	Discretionary accrual	9

(Denis, 2018)	Financial performance	90
	Earnings management	141
(Himma, 2013)	Earnings management	74
	Book value	85
	Value relevance	13

The number of occurrences of the key words identified in the documents screened as per table 9 was tallied which paved way for ranking of the used theme across the documents examined.

Table 10: Cross-case synthesis of use of the Keywords under earnings management

Operationalization	Frequency	Percentage (%)
Financial performance/book value	5	71.4%
Earnings expectations	1	14.3%
Accrual anomaly	1	14.3%
Grand Total	**7**	**100.0%**

Source: Survey Data (2023)

With regard to earnings management and share price, 71.4% of the studies noted that earnings management is best measured in terms of book value/financial performance. While the remaining 28.6% of the studies noted that earnings management is best measured in terms of earnings expectations and accrual anomaly. Centered on the abovementioned, the description for earnings management would concentrate on research titles such as effect of accrual anomaly on company financial performance, influence of earnings expectations on company book value and influence of book value on share price.

5.0 Discussions, Conclusion and Recommendation

5.1 Discussions

5.1.1 What is the effect of rumors on the share price?

The findings reveal that rumours in the stock market plays a role on the share price. It has been evidenced by previous empirical studies (Keneth, 2015; Kalim & Mohammed 2021; Zhang, Chen, Rong, Wang, & Tan, 2022; Fabio, 2013) that even though share price ought to portray a true reflection of the company financial strength, this may not be the case for all companies. Investors have times without number utilized rumour in making investment decisions. That is, the rumour is trusted to be real breaking news instead of the actual fundamental analysis. Thus, perception of the share pricing is entirely based on the perception embedded in the mind of the investor based on the rumour which otherwise could simply be misleading. Meta-synthesis results also established that various studies can continuously measure rumour with sub-variables as heard on the street, irregular information, financial rumour, merger rumor and take over rumour.

Practical implication basing on the Enron Corporation's case portrays that Enron's share price was not anything better to reflect the true financial strength of Enron Corporation. It is evidenced in the history of the company that employees simply practiced misinformation with the view of communicating misleading share prices so as to enable the company officers to dispose of their shares. From the viewpoint of information asymmetry theory, the managers with their opportunistic behaviour simply traded on rumours to their benefit even though they knew what ailed Enron. It is recorded that in 1987, the company reported USD 149Million. Though only 87Million was publicly communicated. As a result, it can be concluded that share price does not reflect true company value.

5.1.2 What is the effect of stock analysts on the share price?

Empirical evidence (Oskar, Andri, & Jens, 2021; Casper & Filip, 2021; Shreya, 2022; Kee & Hoje, 2010; Martin & David, 2010) affirms that there is a positive relationship between stock market analysts and share price. This implies that companies may not necessarily communicate true share price based on the bottom line. But may submit to the market falsified share price with the objective of meeting stock analysts expectations. This has been affirmed in the previous studies whereby investors really believe in analysts thus their submissions in the stock market must not be ignored. Moreover, the analysis showed that narrative for stock

analysts would center on study topics such as analysts company earnings expectations, role of analysts ratings in the stock market, effect of security analysts on a company share price and the influence of analyst's' recommendations on company share price in the stock market.

It is confirmed at Enron that the top management was majorly driven by the analysts in what they communicated as the company earnings which in return reflected in Enron Corporation's share price. Maintaining a strong and generally growing company stock price was the strategy of Enron Corporation which consistently received the support of stock analysts. In return not to fail the analyst expectations, Enron Corporation engaged in several unethical accounting practices so as to communicate better earnings to meet analysts' expectations. In view of the foregoing, share price does not reflect true financial strength of the company's financial performance.

5.1.3 What is the effect of earnings management on the share price?

Earnings management also known as creative accounting is a real inherent disease that ails most organizations, though not known to the public. Previous research (Himma, 2013; Himma, 2013; Clinch, Fuller, Govendir & Wells, 2012; Kasznik & McNichols, 2002) confirms that companies engage in creative accounting with the view of increasing the reported earnings/revenue. Once the revenue skyrockets, the share price will rise thus enticing most investors to keep trading with the company. Even though the true position of the company may be losses. The meta-synthesis revealed that the description for earnings management would concentrate on research titles such as effect of accrual anomaly on company financial performance, influence of earnings expectations on company book value and influence of book value on share price.

This is also confirmed practically at Enron Corporation. In 1993, Andrew Fastow who was the Chief financial officer (CFO) creates several special purpose entities which allowed Enron to transfer part of its liabilities off the books. Thus one of the earnings management techniques in practice here was the application of professional judgment in the interpretation of principle based accounting standards. Use of special purpose entities was purely the idea of the CFO. Further Enron Corporation adopted market to market accounting practices which allowed reporting of income and value of assets at their replacement costs thus ignoring depreciation expense and inflating the earnings which translate to the high share price. Additionally, the CFO formed off balance sheet partnerships in 1991 which were then utilized as an avenue to conceal money losing ventures by Enron and on the other hand, ventures which realized profits were accelerated. Enron Corporation blatantly showed profits on its books with an aim of increasing share price even though this was really misleading. In 1999, Enron Assets inflated-Enron Compromises to repay Merrill Lynch's investment with interest in order to show a profit on its books.

5.2 Conclusion

This research work conclude that share price does not reflect true financial strength of the company's financial performance. Findings both empirically and on the practical case of Enron Corporation reveals that rumours in the stock market plays a role on the share price which then deters the share price from reflecting true company financial strength. Besides, this study conclude that companies may not necessarily communicate true share price based on the bottom line. But may submit to the market falsified share price with the objective of meeting stock analysts expectations. Even though there were mixed empirical results on effect of earnings management to a greater extent on share price, the practical situation of Enron Corporation confirms that earnings management affects share price. Moreover, the study concludes that rumours can be measured in terms of heard on the street, irregular information, financial rumour, merger rumor and take over rumour. While stock analysts' effects may be measured with reference to company earnings expectations, and role of analysts' ratings. Finally earnings management can be measured in regard to the economic declarations portraying company book value.

5.3 Study Recommendation

This study was generally a qualitative systematic review. The study recommends primary quantitative study on the same topic since the findings here were purely based on empirical analysis utilizing meta-synthesis which may otherwise portray different results if a primary quantitative study would be adopted. Besides, Earnings management has majorly been researched in the private sector and it still remain a grey area in the public sector which advises the need for more studies in the public sector on earnings management.

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