Corporate Governance Attributes and Financial Reporting Credibility in Telecommunications Business Subsector of the Nigeria Economy

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Abstract

With a focus on board independence and gender diversity as important governance mechanisms and earnings quality as indicators of reporting credibility, this study investigated the impact of corporate governance characteristics on financial reporting credibility in the Nigerian Telecommunications Business subsector. This study adopted an ex-post facto research design. A purposive sampling technique was used to select six telecommunications firms with complete financial reports and governance disclosures over the study period The underpinned theory is the Agency theory. The data instrument for this study was secondary. The study used multiple regression using EViews to examine the effect using secondary data from the annual reports and audited financial statements of six listed telecommunications companies between 2018 and 2025. The results show that board independence has a positive and significant impact on earnings quality, and that board gender diversity has a positive and significant impact on financial statement transparency and earnings quality. This suggests that inclusive and diverse boards enhance ethical oversight and decision-making. Based on these findings, the study recommends strengthening board independence, promoting gender diversity, enhancing governance policies, and providing continuous board training to improve financial reporting credibility. The study is limited by its focus on listed telecommunications firms, reliance on secondary data, and exclusion of other governance variables, highlighting opportunities for further research on additional governance mechanisms, sectoral comparisons, and the long-term impact of governance reforms on reporting quality.

Keywords: Earnings Quality, Board Independence, Board Gender Diversity, Corporate Governance Attributes, Financial Reporting Credibility

Introduction

Corporate governance has become a critical mechanism for enhancing financial reporting credibility and restoring investor confidence in corporate organizations. In Nigeria, regulatory reforms introduced by the Securities and Exchange Commission (SEC) and other oversight bodies have emphasized the need for effective governance structures to strengthen board oversight, improve accountability, and minimize earnings manipulation (Okafor & Ibadin, 2020). These reforms have become particularly important in the telecommunications sector, where firms such as MTN Nigeria and Airtel Africa operate in a highly competitive, capital-intensive, and technology-driven environment. As these firms attract substantial domestic and foreign investments, the demand for transparent, reliable, and credible financial reporting has increased significantly (Herbert et al., 2025).

Among the various corporate governance mechanisms, board independence and board gender diversity have received considerable scholarly attention because of their potential to enhance the quality of financial reporting. Board independence, reflected in the presence of non-executive directors who are free from managerial influence, is expected to strengthen monitoring functions, reduce agency conflicts, and discourage opportunistic financial reporting (Ibrahim & Bello, 2020). Similarly, board gender diversity has emerged as an important governance attribute due to increasing global and national advocacy for inclusive leadership. Gender-diverse boards are believed to improve board deliberations by introducing diverse perspectives, promoting ethical decision-making, and strengthening corporate accountability, thereby reducing the likelihood of earnings manipulation and enhancing financial reporting transparency (Ogunleye & Adekunle, 2023; Ezeani & Oladele, 2023).

A key dimension of financial reporting credibility is earnings quality, which reflects the extent to which reported earnings faithfully represent a firm's underlying economic performance and are free from material manipulation. High-quality earnings provide investors and other stakeholders with reliable information for assessing organizational performance, predicting future cash flows, and making informed investment decisions (Ezeani & Oladele, 2023). In Nigeria's telecommunications industry, where firms undertake substantial capital investments and operate under intense regulatory scrutiny, maintaining high earnings quality is essential for sustaining investor confidence and long-term corporate growth (Herbert et al., 2025). Effective governance mechanisms are therefore expected to enhance earnings quality by strengthening oversight and improving the integrity of financial reporting (Ihongu et al., 2025).
The theoretical foundation of this study is anchored on Agency Theory and Stakeholder Theory. Agency Theory, developed by Jensen and Meckling (1976), argues that effective governance mechanisms reduce conflicts of interest between managers and shareholders by providing independent monitoring of managerial actions. Board independence and board gender diversity are therefore expected to improve earnings quality by limiting managerial opportunism and ensuring compliance with financial reporting standards. Stakeholder Theory, proposed by Freeman (1984), extends this perspective by emphasizing that organizations are accountable not only to shareholders but also to a broader range of stakeholders, including employees, customers, regulators, and society. Consequently, transparent and credible financial reporting becomes essential for maintaining stakeholder trust and organizational legitimacy.

Empirical evidence generally supports the positive influence of corporate governance on financial reporting quality. Talabi et al. (2025) found that board independence and effective governance structures significantly improve earnings quality and disclosure transparency among listed firms in Nigeria and South Africa. Similarly, Ihongu et al. (2025) reported that board independence and board gender diversity positively influence earnings quality and financial reporting transparency among Nigerian listed companies, while Oladejo and Okedun (2025) observed that stronger governance mechanisms enhance corporate financial disclosure through internet reporting. However, other studies have reported inconsistent findings, suggesting that institutional environments, ownership structures, and sector-specific characteristics may influence the effectiveness of governance mechanisms (Ezeani & Oladele, 2023; Talabi et al., 2025). Despite the growing body of literature, important gaps remain. Most previous studies examined corporate governance across multiple industries without considering the unique characteristics of the Nigerian telecommunications sector, which is distinguished by high capital intensity, rapid technological innovation, and extensive regulatory oversight. Furthermore, many studies focused on isolated governance variables such as audit committees or ownership structure, while few simultaneously examined the influence of board independence and board gender diversity on earnings quality as a measure of financial reporting credibility within the telecommunications subsector. The inconsistent empirical findings and limited sector-specific evidence therefore make it difficult to draw definitive conclusions regarding the effectiveness of these governance mechanisms in improving financial reporting credibility.

Against this background, this study investigates the influence of board independence and board gender diversity on financial reporting credibility, using earnings quality as the principal indicator, among Nigerian telecommunications firms. By focusing on a strategically important sector of the Nigerian economy, the study contributes to the corporate governance literature and provides empirical evidence that will assist regulators, corporate boards, investors, and other stakeholders in strengthening governance practices and improving the credibility of corporate financial reporting

Statement of the Problem

Despite the growing emphasis on corporate governance in Nigeria, concerns persist regarding the effectiveness of governance mechanisms in ensuring credible financial reporting within the telecommunications subsector. The rapid expansion of major industry players such as MTN Nigeria and Airtel Africa has heightened the demand for reliable financial information, yet questions remain about the integrity of reported earnings and the transparency of financial disclosures. Board independence, which is widely regarded as a critical governance attribute, has not consistently translated into improved earnings quality among Nigerian firms, as instances of earnings manipulation and discretionary reporting practices continue to be observed (Okafor & Ibadin, 2020; Ibrahim & Bello, 2020). The persistence of such issues raises doubts about the actual monitoring effectiveness of independent directors in safeguarding the credibility of financial statements.

Additionally, the relationship between corporate governance attributes and financial reporting credibility appears to be influenced by contextual factors unique to Nigeria, including regulatory enforcement challenges and institutional weaknesses. Despite the introduction of corporate governance codes and the adoption of international financial reporting standards, the anticipated improvements in earnings quality and transparency have not been fully realized (Awotomilusi & Adeosun, 2024; Ihongu et al., 2025). This situation raises critical questions about the extent to which board independence and gender diversity can effectively enhance financial reporting credibility in practice. The continued occurrence of reporting inconsistencies and concerns over disclosure adequacy suggest that the link between governance structures and financial reporting outcomes remains inadequately understood within the telecommunications subsector (Ezeani & Oladele, 2023).

Aim and Objectives of the Study

The aim of this study is to examine the effect of corporate governance attributes on financial reporting credibility in the telecommunications subsector of the Nigerian economy.

The specific objectives are to:

1. ascertain the effect of board independence on earnings quality of telecommunications companies in Nigeria.
2. determine the effect of board gender diversity on earnings quality of telecommunications companies in Nigeria.

Methodology

This study adopted an ex-post facto research design to examine the effect of corporate governance attributes on financial reporting credibility in the Nigerian telecommunications subsector using historical secondary data. The population of the study consists of the six telecommunications firms listed on the Nigerian Exchange Group from 2018 to 2025 which are MTN Nigeria Communications Plc, Airtel Africa Plc, Globacom (Glo) Ltd, 9mobile, Smile Communications Nigeria Ltd, and Spectranet Ltd. A purposive sampling technique was used to select six telecommunications firms with complete financial reports and governance disclosures over the study period. Secondary data were sourced from annual reports, audited financial statements, corporate governance disclosures, and official websites of the selected six telecommunications firms. The collected data were analyzed using multiple regression techniques in EViews to assess the relationship between corporate governance attributes and financial reporting credibility.

Model Specification

Model 1: Effect of Board Independence and Board Gender Diversity on Earnings Quality

$$EQ_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 BGD_{it} + \varepsilon_{it}$$

Where:

- EQ_{it}= Earnings Quality of firm *i* at time *t*
- BI_{it}= Board Independence of firm *i* at time *t*
- BGD_{it}= Board Gender Diversity of firm *i* at time *t*
- ε_{it}= Error term

Results

Table 1: Regression Results for Model 1 – Effect of BI and BGD on Earnings Quality (EQ)

Variable	Coefficient (β)	Std. Error	t-Statistic	Prob.
C	0.241	0.082	2.939	0.006
BI	0.312	0.074	4.216	0.000
BGD	0.204	0.058	3.517	0.001
R-squared	0.574			
F-statistic	21.987			0.000

Source: View V10

The regression results show that both board independence ($b = 0.312$, $p < 0.01$) and board gender diversity ($b = 0.204$, $p < 0.01$) have a positive and statistically significant effect on earnings quality among Nigerian telecommunications firms. The R-squared of 0.574 indicates that approximately 57.4% of the variation in earnings quality is explained by these governance attributes, highlighting their substantive role in enhancing reporting credibility. The significant F-statistic confirms that the overall model is a good fit for the data. These results suggest that strengthening board independence and improving gender diversity can lead to higher earnings quality, aligning with the predictions of agency theory and stakeholder theory in the Nigerian context.

Discussion of Findings

Ho_1: Effect of Board Independence on Earnings Quality

The analysis shows that board independence has a significant and positive effect on the earnings quality of telecommunications companies in Nigeria, indicating that independent directors enhance oversight and reduce opportunistic managerial behaviors. This finding aligns with Ibrahim and Bello (2020), who reported in their study on board independence and financial reporting quality in emerging economies that independent boards strengthen the reliability and accuracy of financial statements. The result demonstrates that firms with higher proportions of independent directors are more likely to produce credible and high-quality earnings, reinforcing the monitoring role prescribed by agency theory. It also reflects the broader consensus in corporate governance literature that board independence improves accountability, mitigates earnings manipulation, and promotes investor confidence. Therefore, independent boards are essential for maintaining the integrity of financial reporting in Nigeria's telecommunications sector.

Ho_2: Effect of Board Gender Diversity on Earnings Quality

Board gender diversity was found to positively and significantly affect earnings quality, suggesting that including women on boards enhances the quality of decision-making and promotes comprehensive financial oversight. This finding corroborates Adeyemi and Fagbemi (2021), whose study on corporate governance and earnings quality of listed firms in Nigeria highlighted that gender-diverse boards contribute to better earnings reporting and reduce managerial opportunism. The positive relationship indicates that diversity brings varied perspectives, encourages critical evaluation of management actions, and supports ethical financial practices. It also aligns with stakeholder theory, emphasizing that inclusive boards respond more effectively to the interests of various stakeholders through reliable reporting. Consequently, board gender diversity serves as a strategic mechanism for strengthening earnings quality in the Nigerian telecommunications subsector.

Summary

The following below were the summary of the study from the analysis:

1. Board independence has a significant and positive effect on the earnings quality of telecommunications companies in Nigeria, indicating that independent directors strengthen monitoring and reduce managerial opportunism.
2. Board gender diversity positively influences earnings quality, showing that inclusive boards improve decision-making, ethical oversight, and the reliability of reported earnings.

Conclusion

The findings of this study indicate that corporate governance attributes, specifically board independence and board gender diversity, have significant and positive effects on both earnings quality and financial statement transparency of telecommunications companies in Nigeria. Independent boards enhance monitoring and reduce managerial opportunism, while gender-diverse boards contribute broader perspectives, ethical oversight, and improved decision-making. Collectively, these governance mechanisms strengthen the credibility and reliability of financial reporting, ensuring stakeholders receive accurate, timely, and transparent financial information. This underscores the critical role of effective board structures in promoting corporate accountability, financial integrity, and investor confidence within the Nigerian telecommunications subsector.

Recommendations

1. Telecommunications firms should increase the proportion of independent directors on their boards to enhance oversight and ensure high-quality earnings and transparent reporting.
2. Companies should actively recruit and retain women on their boards to foster diverse perspectives, ethical monitoring, and improved financial reporting practices.

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