

CORPORATE FINANCIAL REPORTING QUALITY AND INVESTORS' CONFIDENCE IN LISTED COMPANIES IN NIGERIA

Adewojo Adeyemi Ademola, Babcock University, Nigeria
Adegbie Folajimi Festus, Babcock University, Nigeria

ABSTRACT

Investors' confidence is an invaluable form of legitimacy that firms strive to attain because of its enduring influence on the sustainability and continuity of business operations. However, achieving the desired level of investors' confidence among listed companies in Nigeria remains a complex and challenging phenomenon, given persistent issues such as lack of transparency, weak market-to-book ratios, poor dividend payout ratios, and perceived information asymmetry, all of which hinder the investors' confidence in listed firms. Prior studies have demonstrated that adequate and consistent corporate financial reporting quality can mitigate these challenges and help rebuild investors' confidence. Consequently, this study examined the effect of corporate financial reporting quality (CFRQ) on investors' confidence, measured using the market-to-book ratio (MTBR) and dividend payout ratio (DPOR). The study adopted an ex post facto research design and relied on secondary data extracted from the audited financial statements of listed companies. A total of 20 listed companies were purposively selected over a 15-year period spanning 2009–2024. Panel regression analysis revealed that CFRQ had a joint significant effect on MTBR ($Adj. R^2 = 0.236$; $F(5, 294) = 17.42$; $p = 0.000$) and also a joint significant effect on DPOR ($Adj. R^2 = 0.166$; $F(5, 294) = 22.72$; $p = 0.000$). The study concluded that corporate financial reporting quality significantly enhances investors' confidence in listed companies in Nigeria. It therefore recommended that managers prioritize efforts aimed at improving the credibility, transparency, and reliability of corporate financial reporting in order to deepen investors' confidence.

Keywords: Audit Quality, Compliance With IFRS, Corporate Financial Reporting Quality, Dividend Payout Ratio, Earnings Predictability, Investors' Confidence, Market-To-Book-Ratio, Timeliness Of Reporting.

JEL Classification Code: G11, D81, D25, M4

INTRODUCTION

Due to growing concerns about managerial abuse and conflicts of interest between managers and shareholders, and the increasing need to mitigate such agency conflicts, the factors that determine confidence in corporate business activities have become an important and emerging economic reality that has received considerable attention in recent years. Investors' confidence in corporate activities is critical to the sustainability and efficient performance of firms, as well as to the development of the capital market, since investors' confidence significantly influences investment and divestment decisions (Da et al., 2024; Akinsola et al., 2025). Evidently, investors' confidence is a major driver of market liquidity, share price stability, and firms' access to long-term capital. Empirical studies have consistently shown that high levels of investors' confidence encourage sustained equity

participation, reduce the cost of capital, and support corporate growth and expansion (Chen et al., 2024; Eke et al., 2025).

Despite the pivotal role of investors' confidence in sustaining firms as going concerns and in achieving organizational objectives, attaining the desired level of investors' confidence in Nigeria has become increasingly challenging (Herbert & Harto, 2022; Erhijakpor & Honour, 2024). Achieving investors' confidence in Nigerian firms has been attributed to several structural, regulatory, and firm-specific issues. Key concerns include persistent weaknesses in transparency, the absence of reliable, high-quality, and credible financial statements, rising unethical practices, insider trading tendencies, earnings management, weak audit independence, and delayed or partial disclosure compliance, all of which have characterized activities in the Nigerian capital market. Studies have documented that the Nigerian market is often characterized by sharp practices, limited transparency, and insufficient openness relative to global best practices (Egiyi & Okafor, 2023; Odunayo et al., 2023). Furthermore, weak enforcement of corporate governance codes and International Financial Reporting Standards (IFRS) has collectively undermined investors' confidence in the credibility of listed firms in Nigeria (Oyetola et al., 2024; Shima & Afsaneh, 2025).

Additionally, domestic and international investors have expressed reservations regarding transparency levels, insider dealing, and inconsistent regulatory oversight within the Nigerian Exchange Group, thereby increasing uncertainty and perceived investment risk (Okolie & Jeroh, 2022; Ogan & Adegbe, 2022). Other factors that further intensify corporate inefficiency and poor performance, and consequently erode investors' confidence, include macroeconomic instability, infrastructural deficits, high operating costs, inflation volatility, exchange rate fluctuations, policy inconsistencies, and weak institutional frameworks. Collectively, these challenges have damaged corporate reputations and weakened investors' confidence, while past corporate scandals and financial restatements have further reinforced negative investor perceptions (Oladele & Adegbe, 2023; Owolabi, 2020). Corporate financial reporting quality has therefore been advanced as a critical mechanism for mitigating the problem of declining investors' confidence in listed companies in Nigeria. Empirical evidence suggests a positive relationship between financial reporting quality and investors' confidence, indicating that transparent, reliable, and credible financial reporting enhances corporate credibility, expands investment opportunities, and strengthens investors' confidence in the capital market (Trinugroho & Sembel, 2024; Wang, 2024; Abdi & Soroushyar, (2025)).

Problem of the Study

The Nigerian corporate entities are burdened with challenges of persistence lack of transparent financial reporting and the credibility and reliability of corporate financial reporting has been a growing concern. Studies have reported incidents of earnings manipulations, delayed reporting, weak financial regulations, weak audit quality, and selective disclosure have continued to underscore investors' trust, in the quality and reliability of financial statements (Desi et al., 2023; Egiyi, 2023). The financial scandals of overstatement of profits through falsifications of Cadbury Nigeria of 2006, financial misstatements of liabilities governance failure of African Petroleum of id-2000s, now Forte Oil Plc, Oceanic Bank International Plc of 2009 of massive insider lending and financial misreporting uncovered by Central Bank of Nigeria banking sector reforms, the bank has since taken over by Ecobank, the Skye Bank Plc governance failure, and misleading financial disclosure, capital inadequacy, leading to regulatory takeover and rebranded as Polaris Bank (Erhijakpor & Honour, 2024; Aguguom & Ebun, 2021). The incidents of unethical practices and investors reservations have contributed to share price instability, decreased trading activities have impeded investors' confidence. The issues of inadequate investors' confidence

have heightened the fears and apprehensiveness of boasting foreign direct investment in Nigeria. Eke et al. (2025) stressed that investors are concerned whether reported earnings truly reflect the economic and underlying realities, leading to investors' cautious investment attitude Egberi & Ozigbo, (2016).

Corporate financial reporting quality has the ability to smoothen rough and unbiased perceptions of the investors. Hammond et al. (2022) posited that corporate financial reporting quality is closely correlated with investors' confidence. This study believes that the relevance of corporate financial reporting quality in solving the problem of investors' confidence is undoubtedly a positive possibility as the importance of corporate financial reporting quality is an achieving narrative in narrowing gaps created in this regard. Despite financial reporting regulatory lapses, studies have maintained the pivotal role of effective corporate financial reporting quality in filing gaps, mending investors' confidence (Marughu & Nwaobia, 2020; Edeh, 2020). These findings reinforce new hope and reiterate the importance of robust corporate financial reporting quality in rebuilding trust and amending broken confidence, considering the relevance, reliability and credulity corporate financial reporting quality tend to bring literature Elkind et al., (2022).

Whereas studies have considered the importance of financial reporting quality, it appeared that there is a dearth of studies researching the nexus between corporate financial reporting quality and investors' confidence in Nigeria (Aguguom & Olanipekun, 2021; Eke et al., 2025; Adebajo & Wisdom, 2024). Most existing studies have concentrated on financial reporting quality in relation to financial performance, earnings quality, earnings management and firm value, but there is limited emphasis on investors' confidence as a different outcome variable but this study broadens the conceptual frontiers by considering confidence indicators like price stability, and market-to-book ratio. There is insufficient empirical evidences of the implications and effect of corporate financial reporting quality on investors' confidence, also, context-specific evidence is inadequate from the emerging economies like Nigeria leading to weak enforcement, information asymmetry, governance challenges and weak financial regulatory framework collectively impacting on investors' confidence. Methodologically, some previous studies have failed to explore multiple proxies in measuring investors' confidence and corporate financial reporting quality creating methodological gaps in literature and to fill these gaps, this present study has identified multiple measures of investors' confidence using market-to-book ratio and the identified indicators of dividend payout ratio, audit quality, earnings predictability, timeliness of reporting, and compliance with IFRS as measures of corporate financial reporting quality. In contributing to knowledge and bridge the identified gaps in literature, this study provides a novel research, extents the frontiers in exploring corporate financial reporting and quality and its proxies to solve the concern of investors' confidence Esther & Henry, (2018). Consequently, the examined the effect of corporate financial reporting quality on investors' confidence in listed companies in Nigeria. In addressing this concern, the study presented the following research objectives and hypothesized as follows:

Research Objectives

- i. Examine the effect of corporate financial reporting quality on market-to-book ratio in listed companies in Nigeria
- ii. Investigate the effect of corporate financial reporting quality on dividend payout ratio in listed companies in Nigeria

Research Hypotheses

H₁: Corporate financial reporting quality has no significant effect on market-to-book ratio

H₂: *There is no significant effect of corporate financial reporting quality on dividend payout ratio in listed companies in Nigeria*

The rest of the study was fashioned in this way: In section two, the study presented literature review and theoretical framework. In section three, methodology was presented. In section four, the data analysis, interpretation of results and discussion of findings were considered. In section five, the conclusion contribution, recommendations and suggestion for further studies were considered Phillips et al., (2003).

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

In this section, the study conducts the conceptual review of the study concepts, the definition and explanation of the concepts used in the study.

Investors' Confidence

This entails the extent of trust and assurance that investors have in the company's management in managing their investments and the level of underlying financial health condition of the company and the managerial competence of the managers in putting into productive use of the assets and resources of the company (Al-Qatamin & Salleh, 2020). It put to test the strengthen and capability of the company, the governance structure and financial and non-financial performance of the companies meeting set goals and targets (Amaraihu & Onodi, 2018; Bertuah & Nurlinda, 2019). It is believed that when investor notice that a firm's assets and resources are optimally managed, evidence of transparency, and financially stable, it gives investors a relaxed mind and greatly deepens the earnings ability of the firms. Chen & Smith, (2024) opined that investor is desirous to inject more capital and willing to invest, hold corporate shares for longer periods, increase market demand rather divestments of shares (Black et al., 2021; Hammond et al., 2022). On the contrary, poor financial reporting and weak governance trigger a lack of investor confidence, eroding of confidence which weakens stakeholder recognition and less corporate competitiveness and market volatility Promise & Festus, (2022).

Market-to-Book Ratio

Market-to-Book Ratio is a financial ratio that tries to compare corporate market value of firms' equity to their book value which is evaluates the market growth prospects (Ogan & Adegbe, 2022). Pranata & Fitriyah (2020) posited that market-to-book ratio is measured by dividing market value per share by book value per share of the given firm. According to Rashid et al., (2022), market-to-book ratio indicates the extent the stock market values a firm relative to the firm's accounting value and this tends to build up investors; confidence. Meanwhile, Shima and Afsaneh, (2025) stated that there is a close relationship between corporate financial reporting and investors' confidence on the ability of the management to meet performance expectations. Market-to-book ration below one (1) tends to signify undesirable undervaluation or managerial incompetence, hence investors are interested in market-to-book value that meet performance threshold and investor consider market-to-book ratio a good performance indicator and promotes investors; confidence (Wali & Velasco, 2024; Yoro, 2024)

Dividend Payout Ratio

Dividend payout ratio is concerned with the financial performance ratio that is regularly used by investors and stakeholders to assess the proportion of firm earnings distributed to shareholders in form of dividend as a reward and return on equity investment in a firm (Aguguom & Olanipekun, 2021). Zhang & Rosenbaum (2023) posited that dividend payout ratio is ascertained by dividing total dividend by net earnings of the firm for a specific period using at the end of the firm's year trading period (Yoro, 2024; Zainudin et al., 2021). Studies have shown that there is a relationship between dividend payout ratio and investors' confidence, suggesting that investors evaluate the performance of managers by the extent the and faithful payment of annual dividend by the management of firms (Agbo et al., 2020; Da et al., 2022). Evidently, a higher dividend payout ratio is a good indicator of efficient resource management and good financial performance as a reflection of that the company returns a good share of profits to shareholders, which imperatively improve investors' confidence, particularly in efficiently managed, stable, and good capitalized firms (Al-Qatamin & Salleh, 2020). On the contrary, a low dividend payout ratio suggest that the firm is reinvesting profits for growth and in most cases do not meet some shareholders' interest who desire cash payment and dividend payment instead (Amaraihu & Onodi, 2018; Anjani, 2023). In any case, inconsistent fluctuation in payment of dividend tends to signal inconsistencies and not strong enough to build investors' confidence.

Audit Quality

Audit quality is considered as the capability of statutory auditors to provide true and fair view of the state of the financial health condition of the firms audited by auditors (Adegbe et al., 2019). According to Anjani (2023), audit quality entails financial statement representing the true position of the state of financial position as reported by the external auditors in accordance with International Audit Standards (IAS). Akinsola et al. (2025) submitted that audit quality has a strong connection with investors' confidence and that high audit quality enhances the reliability and credibility of financial statements of firms. It is expected that audit quality report possesses the characteristics of reliability, relevance, faithful representation, comparability and timeliness features. In another manner, studies have attributed audit quality to auditors' ability to fully exercise audit independent, professional skepticisms, audit competence, audit fees and audit size, whether the firms are audited by Big-4 non-big-4 audit firms as well as the audit tenure sub-existing. Studies have strongly supported that audit quality generally improves financial transparency, lessens information asymmetry prevalence and deepens investors' confidence (Hoekstra & Guler, 2024; Lawuyi, 2022).

Earnings Predictability

Earnings predictability represents the level by which past earnings can reliably foretell the possible future earnings with some level of certainty (Aguguom & Olanikekun, 2021). In literature earnings predictability has been associated with earnings quality and a good measure of investors' confidence on the true and reliability of corporate earnings and information content of financial statements accounting numbers (Herbet & Harto, 2022; Marughu & Nwaobia, 2020). Earnings predictability is a good predictor and indicator of the extent of earnings stability, consistency and managerial performance which improves investors' capability to make informed decision-making. Hoekstra and Guler, 2022; Abraham et al. (2024) stressed that high earnings predictability is desirable and reflects low volatility, extent of transparency and accounting standards in practice, and strong internal controls.

Corporate Financial Reporting Quality

Corporate financial reporting quality entails the level to which a firms' financial statements reflect and possesses the full characteristics of financial reporting qualities like accuracy, timeliness, completeness, comparability, understandability, reliability and relevance (Al-Qatamin & Salleh, 2020; Bertuah & Nurlinda, 2019). Corporate financial reporting quality is believed to be free from manipulations, earnings management bias and misstatements (Black et al., 2021). Studies have shown that a high corporate financial reporting quality ably represent firms' financial performance and portents to good disclosure compliance with prescribed accounting standards (Da et al., 2022; Chen & Smith, 2024). According to Akhigbe et al. (2017), corporate financial reporting quality enhances corporate financial transparency, accountability and evidence of narrowed information asymmetry between the management, and shareholder and increase investors and stakeholder trust and confidence. On the other hand, a low corporate financial reporting quality suggest managerial incompetence, misinterpretation of the financial health condition of firms, leads to investors lack of trust and reduces investors investment confidence.

Timeliness of Reporting

The timeliness of corporate reporting refers to the extent firms prepare and releases their financial statement promptly as and when required in compliance with the national regulatory requirement at the end of the firms; reporting year end (Black et al., 2021). According to Chen et al. (2024), a timely reporting promotes investors' confidence and consolidate reporting compliance commitment of the firms, suggesting that shareholders, and stakeholder receive required and up-to-date accounting and financial information of the firms for informed and timely decision-making (Abraham et al., 2024; Adebajo & Wisdom, 2024). Amaraihu and Onodi (2018) submitted that delayed in releasing financial statements tend to send an unhealth and bad signal of weak internal procedures, managerial incompetence and inefficiencies or an attempt of the management to conceal poor performance and information asymmetry. One of the characteristics of quality financial reporting is ability of the firms to meet corporate financial reporting on good time and consistent with the jurisdictional corporate financial reporting deadline, either quarterly, or annually financial reporting deadlines (Adegbe et al., 2019; Aifuwa & Embele, 2019).

Compliance with IFRS

Compliance with International Financial Reporting Standards (IFRS) is critical and this in consonant with meeting investors' confidence criteria. Akinsola et al., (2025). Anjani (2023) stated that compliance with IFRS is defined as the level by which corporate bodies who are under the regulatory compliance prepare financial statements in accordance with IFRS standards. According to Chen and Smith (2024), a consistent adherence to compliance with IFRS improves firm legitimacy, earnings and stakeholder confidence. It enhances comparability, and credibility of financial statements across the firms and highlights managerial competence and effective internal mechanism operating within the organization. Agbo et al. (2020) noted that firms are encouraged to consider compliance with IFRS a top priority since it reduces information asymmetry, improves investors' trust, and support industry and global market competitiveness and deepens global supports investment decisions. Consistent deviation and noncompliance with IFRS guidelines potent unhealth practices which turn to harm the image and reputation of firms in domestic and international community (Dao & Ngo, 2020; Edeh, 2020; Hoestra & Guler, 2022)

Theoretical Framework

This section considered the theoretical underpinning theories for the study. In anchoring the study, two theories of signaling theory and stakeholder theory were identified to provide a robust theoretical reinforcement to explain how corporate financial reporting quality reduces information asymmetry, and rather increase credibility and creating a desire ability in rebuilding transparency, accountability and stakeholder recognition of that ultimately improves investors' confidence.

Signaling Theory

Michael Spence created the signaling hypothesis in 1973. The ability to lessen information imbalance between groups or two parties who want the same information is the focus of the signaling theory (DeAngelo, 1981). The signaling is employed on technical grounds well as the financial implication of either bad or good news emanating from the market. Baker & Stein (2004) revealed that some corporate bodies tend to reveal information about their financial health condition through the issuance of dividends, buybacks or debts, thereby sending a good or bad signal about the financial state of the companies. Some of the assumptions of signaling theory are: that corporate bodies and individuals differ in their productivities and these productivities are individual or corporate specific; That information as either good news or bad news has an impact on the reaction of the recipients of that information, it could lead to irrational decision making, panic and anxiety resulting from information could affect the investments decisions; that in most cases, level of education are not prerequisites for a quality decision making, but ability to understand the contents of such information; dividend payment in most cases conveys signal information to the market participants about the performance and credibility of the current and future of the company.

The signaling theory entails that though much education is equally good to add more value for productivity, that education acts as a valuable signal for pre-existing capabilities and process of getting things done efficiently using perfect information (Bertuah & Nurlinda, 2019; Dbouk & Zaarour, 2017). Some supporters of the signaling theory have made strong arguments (Bertuah & Nurlinda, 2019; Herbet & Harto, 2022). These studies posited that in the situation of asymmetric dissemination of information, one member of staff and/or a company attempts to genuinely convey formation about the company to another member (DeAngelo, 1981), reflecting signaling effect information asymmetry. Scholars had used signaling theory as a vital theoretic framework in studies to elucidate differences in corporate sustainable performance disclosure of companies in the literature (Argandona, 2010).

Stakeholder Theory

Evidently, in addition to the shareholders, there were additional interest groups in any global corporation and the stakeholder theory concerned with protection of all the interest holders in the company and this includes, the shareholders, the government, suppliers, customers, employees, the community and the general public who are likely to be affected by any occurrence good or bad as it affects the company. Therefore, stakeholder theory's importance in firms' financial performance cannot be overstated or undervalued. The managers must take care not to downplay the importance of stakeholder's concerns and failure to acknowledge the stakeholders' participation in strategic decisions may hinder the achievement of corporate goal.

This theory also expects managers to develop and run their firms in a way that is consistent with the demands of the theory that is, stakeholders' value maximization rather than shareholder's value maximization. However, some critics have frowned at some propositions put forward by the stakeholder theory (Zainudin et al., 2021; Philips et al., 2003; Roberts, 1992). Thus, Rowley, (1997) contended that, firms have failed to engage in CSR

activities with profit-oriented motives in order to meet the demands or interests of stakeholders such as investors, customers, and employees, which could lead to incurring short-term costs but, achieving social net benefits and long-term profits.

To this end, Parmar et al. (2010) argued that involvement of firms in CSR activities leads to the creation of monetary (financial) and non-monetary (non-financial) benefits or values, for example, firms that have high CSP are likely to experience: fewer cases of labor-related litigations, recognition in the community through their donations, customer loyalty with higher product quality, high employee morale by means of better labor relationships. The stakeholder theory has been used to explain the positive relationship existing between CSP and economic/financial performance based on the argument that, managerial ability to develop and maintain trust with various stakeholders could be manifested in their CSP (Schaltegger et al., 2019). The relevance of stakeholder theory is validated in this study as the theory considers the collective interest of stakeholders in a firm (investors, employees, the government, the owner of firms and the general). Hence, ignoring the varying needs of the stakeholders would amount to non-attainment of a firm's corporate performance even, in the long run (Silva et al., 2019).

Empirical Review

Eke et al. (2025) investigated how corporate financial disclosure affects investor trust in Nigeria, emphasizing audit quality, disclosure compliance, and earnings transparency as factors that influence trade volume. In particular, the study looks into how trading volume is affected by earnings transparency, how disclosure compliance affects trading volume, and how audit quality affects trading volume. Using secondary data from publicly accessible financial reports of listed companies on the Nigerian Exchange Group (NGX) from 2010 to 2019, the study employs an ex post facto design. Ordinary Least Squares (OLS) regression and descriptive statistics were used in data analysis to ascertain the connection between trading volume and corporate financial disclosure factors. The results show that companies typically have high levels of disclosure compliance and earnings transparency, with the majority being audited by Big Four organizations.

Adebanjo and Wisdom (2024) sought to investigate how the stock prices of Nigerian listed deposit money banks were affected by the quality and disclosure of financial reporting. The study used Panel Ordinary-Least-Squares (OLS)-regression, correlation analysis, and descriptive statistics to examine the association between the variables utilizing secondary data from these banks' annual reports. The results showed that the stock prices of listed DMBs in Nigeria are positively and significantly impacted by the combined effect of financial reporting quality and disclosure. According to the study's conclusion, financial institutions must satisfy stakeholders by offering thorough and superior accounting information in order to ensure sustainable success. The authors advise establishing compliance with accounting standards and financial legislation related disclosures in order to improve the quality of financial reporting.

Similarly, Desi et al. (2023) studied the application of digital forensic accounting, qualitative financial reporting system and their interrelationships. The main objective of the study was to find whether there was an effect of digital forensic accounting on the quality of financial reporting from the point of reliability and faithful representation of the financial statements. The study employed a survey research approach, using structured questionnaire administered to a selected 443 respondents drawn by the accounting practitioners. While the Cronbach alpha tests were used for confirmation of the reliability and validity of the instrument used, descriptive and inferential analysis were explored for the data analysis. The result demonstrated that digital forensic accounting exerted a significant effect on each of the

qualitative characteristics of reliability, verifiability, understandability, faithful representation, reliability and relevance of financial reporting.

Oladele and Adegbe (2023) study uses a few listed Nigerian industrial enterprises to examine how corporate financial reporting affects investor trust. The study selected ten (10) listed industrial enterprises from the Nigeria Group Exchange using a purposive selection technique and an ex-post factor design. Descriptive and panel regression analysis were used to examine the manuscript. According to the study's findings, investors' confidence is greatly impacted by company financial reporting. The impact of corporate financial reporting on investor confidence in certain Nigerian listed industrial businesses is somewhat influenced by the size of the audit company.

Dao (2021) used a dataset gathered from 60 organizations between 2014 and 2016 to describe the impact of corporate governance on firm performance and earnings management. The study produced a mixed outcome, finding that while the proxies of corporate governance had no bearing on earnings management, the control variables included in the study leverage and profitability have a beneficial impact. In addition, Ogan and Adegbe (2022) studied effect of company financial reporting on investor confidence. Using a dataset from 2011 to 2020, the study measured investor confidence using Tobin's Q and corporate financial reporting using earnings management. Ten listed manufacturing organizations served as the sample size for the analysis. According to the findings, investors' confidence was adversely affected by corporate financial reporting. Similarly, Hammond et al. (2022) examined the relationship between corporate reporting, corporate governance, going concern, and investor confidence using financial banks from 2011 to 2020 using data from listed banks in sub-Saharan Africa. The partial least square structural equation model was used to evaluate the dataset, and the results showed that investor confidence was directly impacted by corporate reporting and governance.

Marughu and Nwaobia (2020) studied corporate governance and investor decision-making using quoted deposit money banks in Nigeria. The study examined the impact of corporate financial disclosure on investor confidence in Nigeria, focusing on earnings transparency, disclosure compliance, and audit quality as determinants of trading volume. It found that firm size and profitability have a regulating influence on the volume of shares traded, while corporate governance affects the volume of shares traded. Ordinary Least Squares (OLS) regression and descriptive statistics were used in data analysis to ascertain the connection between trading volume and corporate financial disclosure factors. The results show that companies typically have high levels of earnings transparency and disclosure compliance, with the majority being audited by Big Four organizations.

Given the outcome of the reviews which showed that while some studies reported significant effects (Eke et al., 2025; Adebayo & Wisdom, 2024; Oladele & Adegbe, 2023; Desi et al., 2023; Hammond et al., 2022). On the contrary, some the studies exhibited an inverse relationship between corporate financial reporting quality (Ogan & Adegbe, 2023; Dao, 2024). Consequent to the inconsistencies, divergent and mixed results, this is clear evidence of inconclusiveness in literature demonstrating a landscape of gaps in literature. In extending the frontiers and contributing to knowledge, this study provided empirical evidence of the effect of corporate financial reporting quality on investors' confidence Adegbe et al., (2019).

METHODOLOGY

This study examined the effect of corporate financial reporting on investors' confidence. To achieve this, the study adopted ex-post facto research design, using secondary data collected from the audited and published financial statements of the companies selected

for the study. A total of 20 listed companies were purposively selected from the population of 20 companies listed on the Nigerian Exchange Group as at 31st December, 2024 for a period of 15 years spanning from 2009 to 2024. The selection of 20 listed companies and the number of years were based on the availability of data of the selected variable in the financial statements in line with the identified and specified variable for the study.

Dependent Variable: The dependent variable adopted for the study was investors' confidence and the study employed two proxies of market-to-book ratio (MTBR) as the surrogate variable to measures the extent of share price stability in sustaining the confidence of investors.

Independent Variable: Corporate financial reporting quality was the selected independent variable of the study and this was measured using four properties of financial reporting quality identified and adopted included (i) Audit Quality (ADQT) (ii) Earnings Predictability (EPRD), (iii) Timeliness of Reporting (TORP) and (iv) Compliance with International Financial Reporting Standards (IFRS) (CWIF) and Firm size (FZ) as used in some prior studies provided in Table 1.

Model Specification

$$Y_{it} = \alpha_o + X_{it} + \mu_{it} \dots \dots \dots (1)$$

Functional Relationship

$$MTBR = f(ADQT + EPRD + TORP + CWIF) \dots \dots \dots (2)$$

$$MTBR = f(ADQT + EPRD + TORP + CWIF) \dots \dots \dots (3)$$

The econometric Models for the study was fashioned in this way:

$$MTBR_{it} = \alpha o + \beta_1 ADQT_{it} + \beta_2 EPRD_{it} + \beta_3 TORP_{it} + \beta_4 CWIF_{it} + \mu_{it} \dots \dots \dots (4)$$

$$DPOR_{it} = \alpha o + \beta_1 ADQT_{it} + \beta_2 EPRD_{it} + \beta_3 TORP_{it} + \beta_4 CWIF_{it} + \mu_{it} \dots \dots \dots (5)$$

Where:

MTBR = Market-to-book-ratio; DPOR = Dividend Payout Ratio; ADQT = Audit Quality

EPRD = Earnings Predictability, TORP = Timeliness of Reporting and CWIF = Compliance with IFRS, FZ = Firm size, i = Cross-section, t = Time series, β = Coefficients of the Models, α = Constant and μ = the error term.

Table 1 MEASUREMENT OF VARIABLE				
Variables	Type of Variable	Abrev.	Measurement	Sources
Investor Confidence (Market-to-book-ratio)	Dependent Variable	MTBR	Market value per share/Book value per share	Al-Qatamin and Salleh (2020);
Investor Confidence (Dividend Payout Ratio)	Dependent Variable	DPOR	Ordinary dividend/Profit after tax	Oyetola et al. (2024)
Audit Quality	Independent Variable	ADQT	Natural log of Audit fees	Amaraihu and Onodi (2018)
Earnings Predictability	Independent Variable	EPRD	Standard deviation of earnings/Standard deviation of cash flows	Aguguom et al. (2018); Aifuwa and Embele (2019).
Timeliness of Reporting	Independent Variable	TORP	Dummy Variable: 1 = Report filed within deadline; 0 = Not filed.	Julius et al. (2010)
Compliance with IFRS	Independent Variable	CWIF	Total IFRS disclosure	Bertuah and

			made/Total IFRS disclosure expected	Nurlinda (2019)
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Source: Researchers' Compilation (2025)

DATA ANALYSIS, RESULTS AND DISCUSSIONS

This section considered the data analysis, the interpretations, discussions of research findings on the effect of corporate financial quality on investors' confidence of listed companies in Nigeria. The section also presented the structured approach to examine the dataset, highlighting key statistical measures and regression results to establish the nexus between corporate financial reporting quality and investors' confidence which was surrogated using market-to-book ratio and dividend payout ratio.

Corporate Financial Reporting and Market-to-Book Ratio

Estimation Results for Effect of Corporate Financial Reporting Quality on Market-to-Book Ratio is presented in Table 2.

Table 2				
CORPORATE FINANCIAL REPORTING QUALITY AND MARKET-TO-BOOK RATIO				
Estimation Techniques: Linear Regression with Fixed Effects				
$MTBR_{it} = \beta_0 + \beta_1 ADQT_{it} + \beta_2 EPRD_{it} + \beta_3 TORP_{it} + \beta_4 CWIF_{it} + \beta_5 FZ_{it} + \mu_{it}$				
Dependent Variable: MTBR	Coeff.	Std. Err	T-Stat	Prob
Constant	14.601	0.672	21.74	0.000
ADQT	-0.212	0.255	-0.830	0.406
EPRD	0.002	0.004	0.530	0.598
TORP	0.017	0.005	3.660	0.000
CWIF	0.901	0.347	2.600	0.010
FZ	0.384	0.073	5.230	0.000
Obs.	300	300	300	300
Adjusted R ²	0.236			
F-Stat	17.42 (0.000)			
Hausman Test	80.66 (0.000)			
Testparm	3.65 (0.000)			
Heteroskedasticity Test	3149.02 (0.000)			
Serial Correlation Test	47.696 (0.00)			
Cross-Sect. Dep	3.96 (0.00)			
<i>Source: Researcher's Work (2025). Note: MTBR = Market-to-book-ratio, ADQT = Audit Quality, EPRD = Earnings predictability, TORP = Timeliness of reporting, CWIF = Compliance with IFRS and FZ = Firm size. @Chosen Significant level of 5%</i>				

Diagnostic Tests Interpretation

In order to determine the most appropriate method of estimating the regression for model one among pooled OLS, fixed effects and random effects results as presented in Table 2, the Hausman test was carried out. From the result of the diagnostic test conducted above, the result of the Hausman test shows that fixed effect model is appropriate since the p-value $(0.00) < 0.05$. Therefore, fixed effect model is appropriate for the model according to its null hypothesis which states that there is presence of unsystematic difference in the model coefficients; thus, the study rejected the null hypothesis.

Although, the Hausman test result revealed the appropriateness of fixed effect model; however, the confirmation of the result of the Hausman test was carried out using ‘‘Testparm for fixed effect’’ as this test helps to decide the appropriate model between the fixed effects and Pooled OLS regression. The results of the Testparm with p-value of 0.00, which is lower than the significance level of 5 percent, confirms the appropriateness of fixed effects in estimating the model One. Hence, the fixed effect estimation technique will be used to determine the effect of Market-to-book-ratio in listed companies in Nigeria. The model was tested for heteroskedasticity, and serial correlation to examine the robustness of the model. Heteroskedasticity test helps to examine whether the variations in the residuals of the model are constant over time or not; the null hypothesis states that the standard errors of the model are constant over time. This test was carried out using Breusch-Pagan/Cook-Weisberg test and the result of the heteroskedasticity with p-value of 0.00 which is less than the 5 percent level of significance selected for the study is an indication of the presence of heteroskedasticity; that is the residuals of the model are not constant over time, thus the model is heteroscedastic.

Also, serial correlation test was carried out to determine the existence of autocorrelation among the residuals and the coefficients of the model. According to Baltagi, (2021), autocorrelation problem causes the standard errors of the coefficients to be smaller than their actual value and the coefficient of determination (R-squared) to be higher than normal. The null hypothesis of the test states that there is no serial correlation (no first order of autocorrelation). The test was carried out using Wooldridge test and the result with p-value of 0.00 which is less than the significance level of 5 percent is an indication that serial correlation problem does exist in the model.

Conclusively, the diagnostic tests revealed that there is presence of heteroscedasticity, serial correlation and cross-sectional dependence problems in the model. As a result of this; Linear Regression with Fixed Effects was used to estimate the effect of Market-to-book-ratio in listed companies in Nigeria

Regression Equation Results

$$MTBR_{it} = \beta_0 + \beta_1 ADQT_{it} + \beta_2 EPRD_{it} + \beta_3 TORP_{it} + \beta_4 CWIF_{it} + \beta_5 FZ_{it} + \mu_{it}$$

Based on the estimated regression results, the model equation can be written as:

$$MTBR_{it} = 14.601 - 0.212 ADQT_{it} + 0.002 EPRD_{it} + 0.017 TORP_{it} + 0.901 CWIF_{it} + 0.384 FZ_{it} + \mu_{it}$$

Model One in Table 2 investigated the effect of Market-to-book-ratio in listed companies in Nigeria. The regression estimates results revealed that: Audit Quality (ADQT) (-0.212, $t = -0.83$, $p = 0.406$): Audit Quality did not show a statistically significant effect on investors’ confidence, as indicated by the non-significant coefficient. This suggested that the proportion of independent directors on the board may not significantly influence how customers perceive listed companies in Nigeria. Earnings predictability (EPRD) (0.002, $t = 0.53$, $p = 0.598$): Similarly, Earnings predictability did not demonstrate a significant effect on investors’ confidence, with a non-significant coefficient. This implied that the concentration of ownership among external stakeholders may not significantly impact how customers view

consumer goods companies. Timeliness of reporting (TORP) (0.017, $t = 3.66$, $p = 0.000$): Timeliness of reporting on corporate boards has a positive and statistically significant effect on investors' confidence. This suggested that companies with timely track records of IFRS compliance tend to have higher levels of customer satisfaction or positive perception. Timeliness of reporting can contribute to a broader range of perspectives and ideas, potentially leading to products and services that better meet customers' needs and preferences.

Compliance with IFRS (CWIF) (0.901, $t = 2.60$, $p = 0.010$): Compliance with IFRS has a positive and statistically significant effect on investors' confidence. This suggested that companies with more diverse and well-rounded boards tend to have a more favorable perception among customers. A diverse board can bring a wider range of expertise and insights to decision-making processes, potentially leading to better products and services that meet customers' needs. Firm size (FZ) (0.384, $t = 5.23$, $p = 0.000$): The firm size positively influences investors' confidence, as indicated by the statistically significant coefficient. This suggested that companies with independent risk committees are better perceived by customers, possibly due to enhanced risk management practices and transparency.

The Adjusted R-square of the model showed 23.6%, this depict those variations in investors' confidence of in listed companies in Nigeria can be attributed to all our independent variables put together, while the remaining 76.4% variations in investors' confidence of in listed companies in Nigeria are caused by other factors not included in this model.

Corporate Financial Reporting Quality and Dividend Payout Ratio

Estimation Results for Effect of Corporate Financial Reporting Quality on Dividend Pay-out Ratio is presented in Table 3.

Table 3 CORPORATE FINANCIAL REPORTING QUALITY AND DIVIDEND PAY-OUT RATIO				
Estimation Techniques: Linear Regression with correlated panels corrected standard errors (PCSEs). $DPOR_{it} = \beta_0 + \beta_1 ADQT_{it} + \beta_2 EPRD_{it} + \beta_3 TORP_{it} + \beta_4 CWIF_{it} + \beta_5 FZ_{it} + \mu_{it}$				
Variables	Coeff.	Std. Err	T-Stat	Prob
Constant	8.232	0.717	11.490	0.000
ADQT	-1.354	0.322	-4.200	0.000
EPRD	0.018	0.004	4.300	0.000
TORP	0.011	0.005	2.180	0.030
CWIF	1.640	0.378	4.340	0.000
FZ	0.512	0.789	6.500	0.000
Obs.	300	300	300	300
Adjusted R2	0.166			
F-Stat	22.72 (0.000)			
Hausman Test	529.92 (0.000)			
Testparm	3.71 (0.000)			

Heteroskedasticity Test	2917.00(0.000)
Serial Correlation Test	17.465 (0.000)
Cross-Sect. Dep	3.517 (0.000)
<i>Source: Researcher's Work (2025) Note: DPOR = Dividend payout ratio, ADQT = Audit Quality, EPRD = Earnings predictability, TORP = Timeliness of reporting, CWIF = Compliance with IFRS and FZ = Firm size. @Chosen Significant level of 5%</i>	

Diagnostic Tests Interpretation

From the results in Table 3, the Hausman test statistic, with a chi-square value of 529.92 and p-value of 0.00, indicates a significant difference between the coefficients estimated by fixed effects and those estimated by random effects models. This suggested that the fixed effects model is more appropriate due to its consistent estimations. Moreover, the Testparm for fixed effect yielded an F-statistic of 3.71 with a p-value of 0.00, further supporting the suitability of fixed effects over pooled OLS. These results underscore the importance of accounting for individual-specific effects in the regression model, enhancing its robustness and reliability.

The results of the heteroskedasticity test, with a chi-square statistic of 2917.00 and a p-value of 0.00, indicate the presence of heteroskedasticity in the model. This suggested that the variance of the error terms is not constant across observations, violating one of the key assumptions of classical linear regression. Addressing heteroskedasticity is essential to ensure the efficiency and validity of the model's estimates. Similarly, the serial correlation test yielded an F-statistic of 17.465 with a p-value of 0.00, indicating the presence of serial correlation in the error terms. This implied that the error terms are correlated across time periods, violating another crucial assumption of regression analysis. Accounting for serial correlation is imperative to prevent biased and inefficient parameter estimates. Furthermore, the test for cross-sectional dependence reveals a statistic of 3.517 with a p-value of 0.00, indicating the presence of cross-sectional dependence among the observations. This suggested that the error terms are correlated across different cross-sections or entities in the data, potentially leading to biased and inefficient estimates.

Overall, the statistical values from these tests provide robust evidence of the presence of heteroskedasticity, serial correlation, and cross-sectional dependence in the model. As a result, Linear Regression with correlated panels corrected standard errors (PCSEs) is employed

Regression Equation Results

$$DPOR_{it} = \beta_0 + \beta_1 ADQT_{it} + \beta_2 EPRD_{it} + \beta_3 TORP_{it} + \beta_4 CWIF_{it} + \beta_5 FZ_{it} + \mu_{it}$$

Based on the estimated regression results, the model equation can be written as:

$$DPOR_{it} = 8.232 - 1.354ADQT_{it} + 0.018EPRD_{it} + 0.011TORP_{it} + 1.640CWIF_{it} + 0.512FZ_{it} + \mu_{it}$$

Model Two in Table 3 examined the effect of Dividend Payout ratio on dividend payout ratio of in listed companies in Nigeria. Audit Quality (ADQT) (-1.354, t = -4.20, p = 0.000): Audit Quality negatively affects DPOR, as evidenced by the negative coefficient. This implied that as the proportion of independent directors on the board increases, the DPOR of the consumer goods companies tends to decrease. The negative relationship suggested that overly independent boards may face challenges in fostering investors' confidence sensitivity and growth, possibly due to reduced alignment with management or limited industry

expertise among independent directors. Earnings predictability (EPRD) (0.018, $t = 4.30$, $p = 0.000$): Earnings predictability has a positive and statistically significant effect on DPOR. This indicated that as ownership becomes more concentrated among external stakeholders, such as institutional investors or large shareholders, companies are more likely to exhibit higher levels of investors' confidence sensitivity, and growth perspective. This could be attributed to the influence of external shareholders pushing for strategic changes and improvements to enhance company performance.

Timeliness of reporting (TORP) (0.011, $t = 2.18$, $p = 0.030$): Timeliness of reporting on corporate boards has a positive impact on DPOR, although the effect is relatively small compared to other variables. This suggested that companies with timely track records of IFRS compliance tend to have slightly higher levels of investors' confidence sensitivity, and growth perspective. Timeliness of reporting brings a broader range of perspectives and experiences to decision-making processes, potentially leading to more innovative strategies and practices. Compliance with IFRS (CWIF) (1.640, $t = 4.34$, $p = 0.000$): Compliance with IFRS, which likely includes factors such as managerial competence, experience, and background among board members, has a strong positive effect on DPOR. This suggested that companies with more diverse and well-rounded boards tend to exhibit higher levels of investors' confidence sensitivity, and growth perspective. A diverse board can bring a wider range of insights and expertise to strategic decision-making, fostering investors' confidence sensitivity and adaptability. Firm size (FZ) (0.512, $t = 6.50$, $p = 0.000$): The firm size positively influences DPOR, as indicated by the statistically significant coefficient. This suggested that companies with independent risk committees are better positioned to manage and mitigate risks effectively, allowing them to focus more on investors' confidence sensitivity and growth opportunities without compromising stability and compliance. The adjusted R-squared (R^2) value of 0.166 indicated that approximately 16.6% of the variability in DPOR is explained by the included governance variables, highlighting the partial explanatory power of the model.

DISCUSSION OF FINDINGS

The panel regression analysis conducted in Table 2 in this study investigated the intricate relationship between various dimensions of Market-to-book-ratio and the Market-to-book-ratio (MTBR) of firms. Employing a sophisticated linear regression model with fixed effects, which inherently accounted for time-invariant heterogeneity across entities, allows for a robust examination of the hypothesized associations. Among the examined governance variables, Timeliness of reporting (TORP), Compliance with IFRS (CWIF) and Firm size (FZ) emerged as statistically significant determinants of MTBR, as evidenced by their respective positive coefficients and significant t-statistics, consistent with previous studies (Desi et al., 2023; Oladelele & Adegbe, 2023). Specifically, the positive coefficient for TORP suggested that firms with greater Timeliness of reporting tend to exhibit a more favorable Market-to-book-ratio, echoing the growing literature emphasizing the benefits of diversity in decision-making processes and stakeholder perceptions consistent with prior studies (Eke et al., 2025; Adebayo & Wisdom, 2024). Similarly, the positive coefficient for CWIF underscores the importance of a diverse Compliance with IFRS in shaping the Market-to-book-ratio, potentially reflecting the enhanced strategic oversight and decision-making capabilities associated with diverse boards. Notably, the coefficient for Firm size (FZ) is statistically significant, indicating that firms with more independent risk committees tend to have a more favorable Market-to-book-ratio, this was found divergent to previous studies (Dao, 2024, Ogan & Adegbe, 2022).

Also, the panel regression analysis presented in Table 3 investigates the relationship between various dimensions of Dividend Payout ratio (DPOR) of firms. Utilizing a robust

linear regression model with correlated panels corrected standard errors (PCSEs), the study accounted for potential correlation of errors within panels, enhancing the reliability of the estimated coefficients. Notably, the findings reveal several significant determinants of DPOR, shedding light on the complex interplay between Dividend Payout ratio mechanisms and firm-level investors' confidence sensitivity and growth. Notwithstanding the mixed results, the joint statistics revealed that Dividend Payout ratio significantly affected dividend payout ratio of in listed companies in Nigeria. The results were found to be in tandem with some prior studies by (Hammond et al., 2022; Marughu & Nwaobia, 2020).

CONCLUSION, RECOMMENDATIONS, LIMITATIONS AND SUGGESTION FOR FURTHER STUDIES

This study examined the effect of corporate financial reporting quality on investors' confidence, with particular emphasis on the extent to which corporate financial reporting quality influences the market-to-book ratio and dividend payout ratio. These indicators serve as reward mechanisms and proxies for investors' confidence, assurance, and willingness to commit capital to firms based on managerial competence, transparency, openness in financial information disclosure, and overall governance practices. Investors' confidence was measured using two proxies: market-to-book ratio (MTBR) and dividend payout ratio (DPOR), which capture the extent to which investors assess managerial performance and firm value. Corporate financial reporting quality was measured using five explanatory variables: audit quality (ADQT), earnings predictability (EPRD), timeliness of reporting (TORP), compliance with International Financial Reporting Standards (CWIF), and firm size (FZ). The study employed panel regression analysis to estimate the specified models, and the findings revealed mixed results across the explanatory variables.

In Model 1, the results indicated that audit quality had a negative but insignificant effect on the market-to-book ratio, while earnings predictability had a positive but insignificant effect. In contrast, timeliness of reporting, compliance with IFRS, and firm size exhibited positive and statistically significant effects on the market-to-book ratio. However, the joint effect of the explanatory variables was statistically significant, indicating that corporate financial reporting quality collectively influences the market-to-book ratio. In Model 2, mixed outcomes were also observed. Audit quality again showed a negative and insignificant effect, whereas earnings predictability, timeliness of reporting, compliance with IFRS, and firm size all demonstrated positive and statistically significant effects on the dividend payout ratio. Similarly, the joint effect of the explanatory variables was significant, confirming that corporate financial reporting quality exerts a collective influence on dividend payout decisions. Given the significant effects observed in both models, the study concluded that corporate financial reporting quality enhances investors' confidence in listed companies in Nigeria.

Recommendations

Based on the findings of the panel regression analysis, the study makes the following recommendations. First, managers of listed companies in Nigeria should prioritize audit quality, as unethical practices and information asymmetry are increasingly unacceptable to investors. Second, given that earnings predictability is highly valued by investors, boards of directors should strengthen their monitoring and oversight functions to reduce information asymmetry within firms. Third, policymakers and financial regulators should enforce strict compliance with timely financial reporting and statutory filing requirements. Fourth, the government should provide an enabling business environment that protects investors'

contractual rights and interests, thereby making investment in Nigeria more attractive to both domestic and foreign investors.

Limitations and Suggestions for Further Studies

This study is subject to certain limitations. A major constraint was the sample size, as only 20 listed companies were included due to data availability; several firms were technically suspended or inactive during the study period. Additionally, the study employed only two models with five explanatory variables and did not incorporate any moderating variables. Nevertheless, the researcher assures that these limitations did not compromise the reliability of the data or the validity of the estimations. Future studies are encouraged to expand the sample size, adopt alternative methodological approaches, and incorporate moderating or mediating variables to provide deeper insights into the relationship between corporate financial reporting quality and investors' confidence.

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