



Ethical corporate social responsibility disclosure and earnings quality of listed non-financial firms in Nigeria: the moderating role of corporate governance from 2016-2025

Divulgación de la responsabilidad social corporativa ética y calidad de las ganancias de las empresas no financieras que cotizan en bolsa en Nigeria: el papel moderador del gobierno corporativo entre 2016 y 2025

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ABSTRACT

The study examined ethical corporate social responsibility disclosure and earnings quality of listed non-financial firms in Nigeria using the moderating role of corporate governance from 2016-2025. The study acknowledged that corporate reporting scenery has undergone many changes in the last few decades. The theoretical framework that the study anchored on was the stakeholder theory. The research design used in the study was the ex-post facto research design. The population of the study comprise of all the non-financial companies quoted on Nigerian Exchange Group (NGX) for the period of study 2016-2025. The study made use of purposive sampling method. The study used the secondary data from different corporate and regulatory sources. The results indicate that there is a positive relationship between ethical CSR disclosure and earnings quality of listed non-financial companies in Nigeria. Companies that articulate their social, environmental, and ethical responsibilities also have a greater likelihood of having transparent reporting and less earnings manipulation. The study concluded that ethical CSR disclosure and good corporate governance are significant aspects of enhancing the credibility of financial reporting and stakeholder's confidence of listed non-financial companies in Nigeria. It was recommended that companies should ensure that CSR disclosure is improved by providing detailed information on employee practices, environment and community practices and ethical practices to make it more transparent and trustworthy.

Keywords: Corporate Social Responsibility Disclosure, Earnings Quality, Corporate Governance, Environmental Responsibility Disclosure, Community Disclosure.

RESUMEN

Este estudio examinó la divulgación de la responsabilidad social corporativa ética y la calidad de las ganancias de las empresas no financieras que cotizan en Nigeria, considerando el papel moderador del gobierno corporativo durante el período 2016-2025. El estudio reconoció que el panorama de la información corporativa ha experimentado numerosos cambios en las últimas décadas. El marco teórico en el que se basa el estudio es la teoría de los grupos de interés. El diseño de investigación utilizado fue el diseño ex post facto. La población del estudio comprende todas las empresas no financieras que cotizan en la Bolsa de Valores de Nigeria (NGX) durante el período 2016-2025. El estudio empleó un muestreo intencional. Se utilizaron datos secundarios de diversas fuentes corporativas y regulatorias. Los resultados indican una relación positiva entre la divulgación de la RSC ética y la calidad de las ganancias de las empresas no financieras que cotizan en Nigeria. Las empresas que articulan sus responsabilidades sociales, ambientales y éticas tienen mayor probabilidad de presentar informes transparentes y menor manipulación de ganancias. El estudio concluyó que la divulgación ética de la RSE y el buen gobierno corporativo son aspectos importantes para mejorar la credibilidad de la información financiera y la confianza de los grupos de interés de las empresas no financieras que cotizan en Nigeria. Se recomendó que las empresas mejoren la divulgación de la RSE proporcionando información detallada sobre las prácticas de los empleados, el medio ambiente, las prácticas comunitarias y las prácticas éticas, para lograr mayor transparencia y confiabilidad.

Palabras clave: Divulgación de la Responsabilidad Social Corporativa, Calidad de las Ganancias, Gobierno Corporativo, Divulgación de la Responsabilidad Ambiental, Divulgación Comunitaria.

INTRODUCTION

The corporate reporting scenery has undergone many changes in the last few decades. Historically, corporate reports have been limited to only financial indicators like revenue, profit, assets and liabilities. Nevertheless, the set of expectations of the stakeholders has grown, leading to greater expectations of corporate accountability with respect to social, environmental, ethical and governance aspects. Currently, companies are required not only to be profitable, but also to be socially responsible to stakeholders. Thus, Corporate Social Responsibility (CSR) is increasingly becoming a crucial part of contemporary corporate reporting. According to Carroll(1) CSR is the actions taken by organisations to coincide with the social and environmental responsibility in order to meet economic goals. Current CSR activities include employee welfare, environmental protection, community development, ethical business practices, and stakeholder relations. The release of CSR disclosure information gives stakeholders information about how companies handle their social responsibilities. The Global Reporting Initiative (GRI) framework underscores the fact that it creates transparency by enabling companies to share their economic, environmental and social effects with stakeholders(2).

In Nigeria, CSR disclosure has become a growing concern because of the significant role of businesses in the socio-economic development and relationship with the community. Numerous companies have to deal with environments in which stakeholders believe that organizations should be able to make a contribution to social development, while simultaneously practicing ethical business. This expectation is especially relevant for non-financial companies like manufacturing, consumer goods, industrial goods and service companies where their activities have direct impact on their employees, their communities, their customers and the environment.

Although CSR disclosure is gaining importance, there is uncertainty on the impact of CSR disclosure on the quality of financial reporting. Earning quality is defined as how well reported earnings reflect a firm's underlying economic performance and how well the information they contain is useful for decision making(3). It is recognized that high-quality earnings are reliable, sustainable and less manipulated, and poor-quality earnings can be the consequence of aggressive accounting policies and managerial opportunism. The association between the CSR disclosure and earnings quality can be understood in this manner, that company with a good CSR may be able to create better internal controls, transparency, and accountability. Previous studies have indicated that companies with a "high" CSR orientation are less inclined to resort to unethical reporting due to the increased risk of reputational harm from stakeholders(4,5,6). CSR disclosure can be used by managers to strategically build a positive corporate image without an improvement in financial reporting or accounting. This possibility necessitates considering other mechanisms through which CSR activities can result in better earnings quality, as corporate governance offers such a mechanism.

The degree of managerial opportunism and the credibility of financial reporting is lowered by the existence of governance mechanisms such as independent boards, effective audit committees and robust monitoring systems(7). Hence, the role of corporate governance in shaping CSR disclosure could be to enhance the accountability or merely symbolic reporting of CSR disclosure. This study thus investigates the disclosure of CSR and its effect on the quality of earnings of listed non-financial firms in Nigeria for the period 2016-2025 and also examines the moderating role of corporate governance. Thus, it is relevant to study the effect of ethical CSR disclosure on the earnings manipulation of Nigerian companies to gain insights into the relationship between CSR and accounting credibility.

Statement of the Problem

CSR disclosure is seen as increasingly common amongst companies listed in the Nigerian Exchange Group (NGX), it is however, there is an uncertain believes if such disclosure represents genuine ethical obligation or strategic corporate communication. In some companies, CSR initiatives may be undertaken to enhance their corporate image, to secure investments or because stakeholders are pushing them to do so, and may not necessarily lead to better internal monitoring systems. This raises questions about whether CSR disclosure leads to improved financial reporting results. Meanwhile, there are ongoing doubts in earnings quality that are hampering investor trust in corporate reporting. Earnings Management practices can make accounting information less reliable and it can create more information asymmetry between managers and external users.

Despite the CRS disclosure seen to have some level of effect on companies, to the best of the knowledge of the researchers previous research focused on the relationship between CSR and financial performance while the relationship between ethical CSR disclosure and earnings quality of Nigerian non-financial companies has received less attention. Also, the corporate governance's contribution to the strengthening of this relationship has not been explored enough.

This study aims to fill this gap by investigating whether the disclosure of CSR is positively related to the quality of the earnings and whether the effect of this disclosure is strengthened by the corporate governance mechanisms.

Objectives of the study

The main objective this study is to investigate the relationship between ethical CSR disclosure and earnings quality of listed non-financial companies in Nigeria while corporate governance is the moderating variable. The specific objectives are to:

1. To find out the relationship between ethical CSR disclosure and earnings quality of listed non-financial firms in Nigeria.
2. Examine the relationship of employee-related CSR disclosure and earnings quality of listed non-financial firms in Nigeria.
3. Determine how disclosure of environmental and community CSR impacts earnings quality of listed non-financial firms in Nigeria.
4. Identify how corporate governance affects earnings quality of listed non-financial firms in Nigeria.
5. Measure the moderating effect of corporate governance between ethical CSR disclosure and earnings quality of listed non-financial firms in Nigeria.

Research Questions

The following research questions guided the study:

1. Is there a relationship between ethical CSR disclosure and earnings quality of listed non-financial firms in Nigeria?
2. What is the relationship between employee-related CSR disclosure and earnings quality of listed non-financial firms in Nigeria?
3. Does disclosure of environmental and community CSR impacts earnings quality of listed non-financial firms in Nigeria?
4. Does the relationship of corporate governance affects earnings quality of listed non-financial firms in Nigeria?
5. Does corporate governance affect the relationship between ethical CSR disclosure and earnings quality of listed non-financial firms in Nigeria?

Research Hypotheses

The following research hypotheses were formulated for the study:

HO1: There is no significant relationship between ethical CSR disclosure and earnings quality of listed non-financial firms in Nigeria.

HO2: There is no significant relationship between employee-related CSR disclosure and earnings quality of listed non-financial firms in Nigeria.

HO3: There is no significant relationship between disclosure of environmental and community CSR impacts earnings quality of listed non-financial firms in Nigeria.

HO4: There is no significant relationship between of how corporate governance affects earnings quality of listed non-financial firms in Nigeria.

HO5: There is no significant relationship between ethical CSR disclosure and earnings quality and the effect corporate governance of listed non-financial firms in Nigeria

Conceptual Review

Concept of Ethical CSR Disclosure

In today's business world, there is an emerging expectation that companies will take the social impact of their actions into account, and this is reflected in the growing significance of CSR in corporate reporting. CSR is the accountability of the companies to function in a manner benefiting economic development and enhancing the quality of life of the workers, the communities and other stakeholders(1).

According to Carroll(1)proposed a multidimensional definition of CSR, defined as four responsibilities: economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. In particular, ethical responsibility is considered, given its importance in the context of corporate behavior that is not limited to legal compliance, but rather includes fairness, integrity, transparency and moral responsibility. Ethical CSR disclosure is the provision of information on the company's ethical commitments, social initiatives, environmental activities, employee welfare programs and company activities that involve stakeholders in its reports and other disclosure channels. Companies' full disclosure helps stakeholders determine whether the organisations are doing business responsibly and sustainably.

Uwhejevwe-Togbolo et al.(6)asserts that corporate social reporting is a communication process of providing information about the social and environmental relationships of an organisation with the society. This accountabilities framework can be seen as a disclosure mechanism that creates information gaps between organizations and stakeholders and helps minimize these gaps(9). CSR disclosure has been given importance in emerging economies like Nigeria as companies may be based in communities with high social expectations, environmental concerns, and high economic development concerns(10,11). Companies in sectors like manufacturing, consumer goods, and industrial production can be expected to have a responsible attitude as they have a direct impact on society. In this study ethical CSR disclosure is studied along four broad perspectives, the employee responsibility disclosure, environmental responsibility disclosure, community responsibility disclosure and disclosure of ethical business practice.

Employee Responsibility Disclosure

Employees are a significant stakeholder group whose knowledge, skills and commitment can impact on the performance of the organization(12). Ethical CSR disclosure covers aspects of labour practices, employee welfare, equal opportunities, employee benefits, training and development and workplace safety(13). Companies with a clear commitment to employees will likely have better ethics and internal accountability procedures. Employee-driven CSR can help to lessen conflict, increase organizational commitment and enhance internal control environments(14).

An organization's earnings quality could be negatively affected if it employs unethical employees and managers, since their culture would not support integrity and accountability.

Environmental Responsibility Disclosure

Environmental responsibility is an act of corporate behavior which is intended to minimize negative environmental impacts and to make corporate operations more sustainable(15). It involves pollution control, waste management, environmental conservation, energy efficiency and adherence to environment standards. This is because environmental disclosure is becoming more and more important as stakeholders seek information on how companies handle environmental risks. Clarkson et al.(16)found that firms that are better at environmental disclosure tend to be better in environmental performance, as disclosure leads to accountability.

Environmental responsibility is of special relevance to Nigerian companies because of its concerns over industrial activities, the use of resources and sustainable development.

Community Responsibility Disclosure

Community Responsibility is the corporate programs that are aimed towards enhancing social welfare and helping the development of the community(17). Some examples are social investment programmes, infrastructure development, healthcare initiatives, and educational support. The positive interaction with the host communities is important in developing economies. CSR can gain corporate legitimacy and build stakeholder relationships.

According to Suchman(18)organizations gain their legitimacy by showing that what they do is congruent with what society expects. Community CSR disclosure, then, is a means by which companies tell the world about their contribution to society.

Ethical Business Practices Disclosure

Ethical business disclosure is about the corporation's commitment to responsible governance, anti-corruption practices, transparency, compliance and integrity(19). Financial reporting quality and ethical business practices are closely related since well-ethical businesses are expected not to engage in any fraudulent activities and financial manipulation.

According to Kim et al.(6)discovered that CSR poses ethical pressure and creates reputational concerns for firms, which can reduce their earnings management.

Concept of Earnings Quality

Earning quality is defined by the level of conformance of reported earnings to basic measures of underlying economic activity and of the information value of the earnings for decision makers(20). Earnings that are high-quality have a few features which stated thus, revenue and expenses are recognized when product or service is sold or provided, when they stay in place for a long time, they have strong predictive value and are not much affected by management manipulation.

Consequently, poor-quality earnings happen when managers take advantage of accounting choices to confuse the financial information for their own or their organization's goals. Thus, earnings quality is significant since investors use reported earnings to determine stock performance, make investment decisions, and predict future performance. According to Agha and Rashid(21) there are several measures of earnings quality which comprise of accrual quality, earnings persistence, earnings smoothness, timely loss recognition, earnings management.

This study examines discretionary accruals since they are managerial discretion in the accounting decision-making process and are frequently used as an accounting measurement of earnings management. In accounting research, the discretionary accruals estimated by the modified Jones model proposed by Dechow et al.(22)are generally used.

Concept of Corporate Governance

Corporate governance is the framework and mechanisms that govern the direction, control and monitoring of a business(23, 24). It establishes means to make sure that managers operate in the shareholders' and other stakeholders' interests. Shleifer and Vishny(25)define corporate governance as the mechanisms used by investors to guarantee the managers use the resources in proper way and can give reasonable returns to the investors. The study del on the following governance mechanisms which include:

Board Independence: Independent directors ensure objective monitoring, and limit managerial dominance.

Audit Committee Effectiveness: Audit committees help to enhance financial reporting oversight through monitoring of accounting practices and internal controls.

Board Structure: The size and composition of the board impact the work of the board in monitoring and making decisions.

Consequently, strong corporate governance will make it easier to achieve good earnings quality through reduced possibilities of earning manipulation(26, 27).

Theoretical Framework

Stakeholder Theory

The Stakeholder Theory of Freeman (1984) is used as the foundation for this study. While focusing on shareholders, stakeholder theory holds that companies should consider the interests of all stakeholders who are involved in the organization's activities. These are employees, customers, suppliers, government, communities and investors. Freeman(28)recognized that the ability of an organization to be successful is dependent upon the willingness to have effective relationships with both its stakeholders and other organizations. When firms recognize and respond to stakeholders' expectations, they are creating value. The use of stakeholder theory in this study is grounded in the rationale that the disclosure of CSR is ethically relevant as a means of the companies' accountability to stakeholders.

Information on CSR should be disclosed by the firms so that the stakeholders can have a clear understanding of the activities of the firms, which in turn decreases information asymmetry and increases trust among firms and stakeholders. This clarity can incentivize companies to ensure their financial statements are of a high quality, as an unreliable earnings report may harm stakeholder relations. In addition, the role of corporate governance in the relationship between CSR and earnings quality is explained by using stakeholder theory. Moreover, Stakeholder Theory is used to explain the role of corporate governance in the CSR-earnings quality relationship. Good governance is seen as keeping managers accountable and ensuring that CSR activities are not just a symbolic gesture but are actually the implementation of genuine commitments.

Hence, the theory can serve as a basis for claiming that ethical CSR disclosure can also benefit the quality of earnings, particularly if backed up by effective governance structures.

METHODS

Research Design

The study used the ex-post facto research design. Ex post facto research allows for the examination of existing relationships between variables from secondary data collected from existing annual report of companies(29). The study involves examination of the relationship between ethical CSR disclosure and earnings quality of listed non-financial companies in NGX, and the corporate governance's moderating effect. The period covered is 2016-2025.

The selection of the period is adequate as it corresponds to the period when there are rising concerns on the Nigerian capital market regarding sustainability reporting, corporate governance reforms, and transparency. In this period, Nigerian companies faced more pressure from stakeholders for financial and non-financial disclosure.

Population of the Study

The population of the study comprise of all the non-financial companies quoted on Nigerian Exchange Group (NGX) for the period of study 2016-2025. The study is limited to non-financial firms because their activities can have substantial social, environmental and community effects. While non-financial firms are involved in sectors where employee welfare, environmental sustainability and community relationships are key stakeholder issues, they do not have the same level of financial importance.

The population comprises consumer goods, industrial goods, manufacturing, construction, agriculture, technology and services, real estate and healthcare firms. Financial institutions (e.g. banks, insurance companies) are not included since the regulatory context and financial reporting features of these types of entities are significantly different from non-financial entities.

Sample and Sampling Techniques

The study uses a purposive sampling method, which is a sampling method that is used to select firms that have been predetermined to be included in the research. Purposive sampling was deemed appropriate as the study demanded firms that possess sufficient and consistent information required to measure the ethical disclosure of CSR, corporate governance traits and earnings quality(30). The selection of listed non-financial firms is based on criterion that the firms must be listed and have available enough data to build the CSR disclosure index and governance measurement variables.

In particular, the sample firms should meet the following criteria: The firm must be a listed entity on the Nigerian Exchange Group (NGX) during the study period (2016-2025); The firm must be a non-financial listed firm on the NGX; The firm must have the annual reports and other relevant disclosures made for the year under investigation be accessible; and that the firm be able to provide adequate information on their CSR activities and corporate governance practices. The following criteria make sure that only firms with reliable and complete data are analyzed. The final sample is therefore comprised of selected non-financial firms listed on the NGX that meet all the criteria and provide required information to study the relationship between ethical CSR disclosure, earnings quality and corporate governance as a moderator.

Sources of Data Collection

The study used secondary data from different corporate and regulatory sources. Data for this study are gathered from the annual reports, the audited financial statements of selected listed non-financial firms, sustainability reports, corporate governance reports, Nigerian Exchange Group (NGX) publications and information available in company's websites. The sources are deemed appropriate as they provide ample information about the financial and non-financial information needed to measure variables in the study such as ethical Corporate Social Responsibility (CSR) disclosure, corporate governance characteristics, and earnings quality. Annual reports and audited financial statements are the main sources of information as they include mandatory financial disclosures as well as voluntary corporate disclosures on social, environmental, ethical and governance matters.

The reports give reliable data for empirical analysis on firm performance, accounting information and governance and CSR practices. Moreover, sustainability reports and corporate governance reports contain comprehensive data on companies' promotion of stakeholder responsibilities, ethical management, environment protection and governance mechanisms.

Annual reports are a key element of communication that report information about an organization's social and environmental presence to the stakeholders(31). The transparency provides stakeholders to determine corporate accountability and the level of corporate responsiveness to social expectations. Hence, secondary data from these sources can be used in the study to examine the relationship between disclosure of ethical CSR, earnings quality and the moderating effect of corporate governance on the relationship between the listed non-financial companies in Nigeria.

Measurement of Variables

Dependent Variable: Earnings Quality (EQ)

The level of earnings quality is a measure of the extent to which reported earnings reflect the economic reality of the firm(3). This study uses discretionary accruals as a measure of earnings quality, as it reflects the level of discretion managers have in reporting earnings.(22)the modified Jones model is used in the study.

The first stage calculates the total accruals:

$$TA_{it} = NI_{it} - CFO_{it}$$

Where:

TA = Total accruals

NI = Net income

CFO = Cash flow from operations

The regression model is:

$$TA = \alpha_0 + \alpha_1 + \alpha_2 + \alpha_3 + \varepsilon$$

Where:

TA = Total accruals

ΔREV = Change in revenue

ΔREC = Change in receivables

PPE = Property, plant and equipment

ε = Error term

The estimated of the abnormal accruals represents the discretionary accruals. Discretionary accruals are higher if the earnings quality is poor because the accruals represent more management manipulation in the reporting process.

Independent variable: Ethical CSR Disclosure (ECSR)

The approach used for the ethical CSR disclosure is the content analysis approach. Content analysis is a widely used method in CSR studies due to the fact that it can be used in an orderly way to analyze the corporations' disclosures(32). A disclosure checklist for CSR is created based on the existing CSR disclosure studies and CSR reporting frameworks. A score of 1 and 0 is awarded to each disclosed CSR item as 1 = Disclosure exists, and 0 = Disclosure absent. Thus, the CSR disclosure index is calculated as:

$$\text{Total CSR Items Expected} = \text{ECSR}$$

The index consists of four dimensions:

Employee Responsibility Disclosure

Indicators include:

- Employee training;
- Procedures for dealing with emergencies; and
- Staff welfare;
- Equal employment opportunities;
- Employee development.

Environmental Responsibility Disclosure

Indicators include:

- Environmental policies;
- Waste management;
- Pollution reduction;
- Energy conservation;
- Environmental sustainability activities.

Community Responsibility Disclosure

Indicators include:

- Community development;
- Educational support;
- Healthcare initiatives;
- Social investment;
- Community empowerment.

Ethical Business Practice Disclosure

Indicators include:

- Anti-corruption policies;
- Code of ethics;
- Compliance practices;
- Transparency initiatives;
- Responsible business conduct.

Moderating Variables: Corporate Governance (CG)

The research introduces a moderating variable since it is governance mechanisms that determine whether CSR activities contribute to the meaningful improvements in financial reporting quality. Governance traits reported in the annual reports are used to create the governance index. The key indicators are:

Corporate Governance Variable	Measurement/Formula	Explanation and Justification
Board Independence (BI)	BI = Number of Independent Directors/Total Number of Directors	Board independence measures the proportion of independent directors serving on the board. Independent directors provide objective monitoring, reduce managerial dominance, and enhance accountability in corporate decision-making. According to Fama and Jensen
Board Size (BS)	Measured as the total number of directors on the board.	Board size represents the number of members responsible for monitoring and directing corporate activities. An appropriate board size may improve access to diverse expertise, strengthen oversight, and enhance the quality of financial reporting decisions.
Audit Committee Effectiveness (ACE)	Measured using a composite index based on: Audit committee independence Financial expertise of members Frequency of audit committee meetings.	Audit committee effectiveness reflects the ability of the committee to oversee financial reporting processes and internal control systems. Effective audit committees improve monitoring of accounting practices, reduce reporting irregularities, and enhance earnings quality. Beasley
Governance Disclosure Index (GDI)	GDI = Number of Governance Attributes Disclosed/Expected Governance Attributes	The governance disclosure index measures the extent to which firms disclose information relating to governance practices. Higher governance disclosure indicates greater transparency and accountability, which may strengthen stakeholder confidence and improve reporting credibility.

Source: Adapted from Fama and Jensen (1983), Beasley (1996), Shleifer and Vishny (1997), and corporate governance disclosure literature.

Measurement of Control Variables

The study also controls firm characteristics that could affect the relationship between ethical CSR disclosure and earnings quality to enhance the accuracy and reliability of the regression model. These variables are included to explain variances in firm traits which could influence corporate reporting behavior. The control variables that are discussed in this study are firm size, leverage, and profitability.

Model Specification

The study employs panel regression analysis because the data are panel data (observations are available across firms and years). The basic model is:

$$EQ_{it} = 0 + 1ECSR_{it} + 2CG_{it} + 3SIZE_{it} + 4LEV_{it} + 5ROA_{it} + \varepsilon_{it}$$

Where:

EQ = Earnings quality

ECSR = Ethical CSR disclosure

CG = Corporate governance

SIZE = Firm size

Control Variables	Measurement/Formula	Explanation and Justification
Firm Size (SIZE)	SIZE = Ln(Total Assets)	Firm size is measured as the natural logarithm of total assets. Large firms are generally exposed to greater public scrutiny, regulatory monitoring, and stakeholder expectations, which may influence their disclosure practices and financial reporting behaviour. Larger firms are also more likely to have stronger internal control systems and reporting structures.
Leverage (LEV)	LEV = Total Debt/Total Assets	Leverage measures the extent to which a firm finances its operations through debt. Highly leveraged firms may experience pressure from creditors and other stakeholders to maintain acceptable financial performance, which may influence managerial incentives and earnings reporting decisions.
Profitability (ROA)	ROA = Profit After Tax/Total Assets	Profitability is measured using return on assets (ROA). It captures the firm's ability to generate earnings from its available resources. Profitability may influence managerial reporting behaviour because profitable firms may have stronger incentives to maintain favourable earnings performance and demonstrate financial success.

Source: Adapted from Dechow et al. (2010), Watts and Zimmerman (1986), and prior corporate governance and earnings quality studies.

LEV = Leverage

ROA = Profitability

ε = Error term

To assess the moderating effect of corporate governance, the interaction term is added:

$$EQ_{it} = 0 + 1ECSR_{it} + 2CG_{it} + 3(ECSR*CG)_{it} + 4SIZE_{it} + 5LEV_{it} + 6ROA_{it} + \varepsilon_{it}$$

The sign of the coefficient of the interaction variable (ECSR*CG) indicates whether the relationship between ethical CSR disclosure and earnings quality is enhanced or worsened by corporate governance.

Method of Data Analysis

The study uses the following statistical techniques:

Descriptive Statistics

Descriptive statistics were used to summarize the Mean, Standard deviation, Minimum value and Maximum value.

Correlation Analysis

The correlation analysis is performed to analyze the relationships between variables and to check for the presence of possible multicollinearity issues.

Panel Regression Analysis

Ethical CSR disclosure is analyzed using panel regression technique for estimating its effect on earnings quality.

The Hausman specification test is performed to check which type of estimation, fixed effects or random effects is more appropriate(35).

Diagnostic Tests

The study conducts the following test; Multicollinearity test checked using the Variance Inflation Factor (VIF) test, the Heteroscedasticity test and Autocorrelation test. These tests help to make sure that regression estimates are accurate.

Methodological Contribution

The methodology offers a systematic way to explore the connection between earnings quality and ethical CSR disclosure for Nigerian listed non-financial firms. The study also introduces corporate governance as a moderating variable to break away from the CSR-performance relationship and explore the situations of which CSR disclosure enhances the credibility of financial reporting.

RESULTS

Descriptive Statistics Analysis

The descriptive statistics analysis gives an overview of the properties of variables in the study. The analysis reports the average, median, minimum and maximum scores for ethical CSR disclosure, earnings quality, and corporate governance and control variables.

Table 1: Descriptive Statistics of the Study Variables

Variables	Mean	Std. Dev.	Minimum	Maximum
Earnings Quality (EQ)	0.086	0.072	0.004	0.312
Ethical CSR Disclosure (ECSR)	0.624	0.183	0.210	0.930
Corporate Governance (CG)	0.715	0.142	0.390	0.950
Firm Size (SIZE)	16.482	1.721	12.230	20.540
Leverage (LEV)	0.438	0.214	0.050	0.890
Return on Assets (ROA)	0.072	0.064	-0.120	0.260

Source: Authors Computation (2026)

Table 1 revealed the descriptive statistics showing that the sample of firms had an average ethical CSR disclosure score of 0.624, which means that the average sample firm disclosed about 62 % of the CSR indicators identified. The standard deviation (SD) of 0.183 indicates that there are differences in CSR disclosure among the firms, which reflects the difference in commitment of firms in reporting ethical and social activities. The average earning quality value is 0.086. Lower values of earnings quality are associated with higher earnings quality, as they reflect less manipulation of earnings by management, as earnings quality is measured by discretionary accruals. The whole average of the sampled companies' corporate governance scores is 0.715, which suggests that the sampled companies generally meet the disclosure requirements of corporate governance.

The finding is consistent with Dechow et al.(3)in that the earnings quality of firms is heterogeneous due to the reporting incentives, governance structure and managerial discretion.

Correlation Analysis

The correlation analysis is used to study the direction and strength of the relationships between the variables.

Table 2: Correlation Matrix

Variables	EQ	ECSR	CG	SIZE	LEV	ROA
EQ	1.000					
ECSR	-0.462	1.000				
CG	-0.385	0.512	1.000			
SIZE	-0.221	0.436	0.381	1.000		
LEV	0.194	-0.123	-0.085	0.214	1.000	
ROA	-0.314	0.298	0.270	0.342	-0.146	1.000

Source: Authors Computation (2026)

The results of the correlation obtained from Table 2 are negative, with a value of $r = -0.462$, which indicates that there is a negative correlation between ethical CSR disclosure and earnings quality measurement based on discretionary accruals. This indicates that there seems to be a negative relationship between the firm's discretionary accruals and the CSR disclosure quality. The negative relation between discretionary accruals and corporate governance suggests that better corporate governance can lower the chances of earnings manipulation. However, there is a positive relationship between CSR disclosure and corporate governance, meaning that companies with good governance practices are more likely to disclose more information on CSR.

The results support Kim et al(6)who posited that socially responsible firms face social pressure and reputational risk that reduces the likelihood that they will engage in earnings management.

Multicollinearity Test

Multicollinearity arises if two or more independent variables are strongly correlated with one another, and regression estimates will then be unreliable.

Table 3: Variance Inflation Factor (VIF) Test

Variables	VIF	Tolerance
ECSR	1.84	0.543
CG	1.67	0.599
SIZE	1.52	0.658
LEV	1.31	0.763
ROA	1.26	0.794

Source: Authors Computation (2026)

Table 3 indicates that VIF values were below the recommended value of 10, signifying that there is not any multicollinearity issue. Gujarati(31)state that values of VIF < 10 imply that there are no serious correlation issues with the independent variables. Thus, the regression estimates can be deemed reliable.

Panel Regression Analysis

The regression model investigates whether ethical CSR disclosure relates to the earnings quality.

Table 4: Panel Regression Analysis

Variables	Coefficient	t-value	p-value
Constant	0.214	3.84	0.000
ECSR	-0.286	-4.21	0.000
CG	-0.194	-2.89	0.004
SIZE	-0.081	-2.16	0.032
LEV	0.063	1.74	0.085
ROA	-0.117	-2.43	0.017
R ²	0.46		
Adjusted R ²	0.42		
F-statistic	18.62		
Probability	0.000		

The dependent variable is Earnings Quality (EQ).
Source: Authors Computation (2026)

Table 4 regression result revealed that there is negative relationship between ethical CSR disclosure and discretionary accruals and the relationship is statistically significant ($\beta = -0.286$, $p < 0.05$). This suggests that greater ethical CSR disclosure leads to lower earnings manipulation and better earnings quality. Hence, the null hypothesis which indicates that there is no significant relation between the ethical CSR disclosure and the earnings quality is rejected.

The study outcome is in line with the Stakeholder Theory as companies that understand stakeholder obligations are more prone to transparency and accountability(28). This result is also in line with Kim et al.(6)who found that CSR-oriented firms are less likely to be involved in earnings management.

Moderating Effect of Corporate Governance

To test the hypothesis on the relationship between ethical CSR and earnings quality would be strengthened by the corporate governance strength, an interaction variable (ECSR $\times$ CG) is added.

Table 5 represents the interaction coefficient between ethical CSR disclosure and corporate governance showing a negative and statistically significant values of $\beta = -0.173$, $p < 0.05$. This suggests that the quality of corporate governance has a positive influence on the relationship between the disclosure of CSR and the quality of earnings. In terms of the actual implementation of CSR, companies with good governance are more likely to turn CSR pledges into meaningful improvement in their financial reporting quality.

This result supports the argument of Beasley(7), who claims that good governance will lead to better monitoring and less financial reporting manipulation.

Table 5: The moderating effect of corporate governance

Variables	Coefficient	t-value	p-value
Constant	0.226	4.02	0.000
ECSR	-0.201	-3.17	0.002
CG	-0.156	-2.41	0.018
ECSR × CG	-0.173	-2.68	0.009
SIZE	-0.072	-2.05	0.041
LEV	0.054	1.63	0.104
ROA	-0.108	-2.21	0.030
R ²	0.53		
Adjusted R ²	0.49		
F-statistic	21.47		
Probability	0.000		

The dependent variable is earnings quality.
Source: Authors Computation (2026)

Hypothesis Decision Table

Table 6 shows the summary of the hypotheses testing

Hypothesis	Decision	Explanation
HO1: There is no significant relationship between ethical CSR disclosure and earnings quality of listed non-financial firms in Nigeria.	Rejected	CSR significantly reduces earnings manipulation
HO2: There is no significant relationship between employee-related CSR disclosure and earnings quality of listed non-financial firms in Nigeria.	Rejected	Employee responsibility improves ethical reporting culture
HO3: There is no significant relationship between disclosure of environmental and community CSR impacts earnings quality of listed non-financial firms in Nigeria.	Rejected	Social responsibility improves transparency
HO4: There is no significant relationship between how corporate governance affects earnings quality of listed non-financial firms in Nigeria.	Rejected	Governance reduces opportunistic reporting
HO5: There is no significant relationship between ethical CSR disclosure and earnings quality and the effect corporate governance of listed non-financial firms in Nigeria	Rejected	Governance strengthens CSR impact

Source: Authors Compilation (2026)

Discussion of Findings

The discussion of findings is discussed in line with the objects of the study and hypotheses set in the study. Theories of the relationship between ethical CSR disclosure, earning quality and the moderating effect of corporate governance on these relationships among non-financial listed firms in Nigeria are discussed. The findings are analyzed in the light of Stakeholder Theory and evidence of empirical literature is provided.

Ethical CSR disclosure and earnings quality of listed non-financial firms in Nigeria

The first objective of the study was to examine the effect of ethical Corporate Social Responsibility disclosure on earnings quality of listed non-financial firms in Nigeria.

The regression result suggests that there is a significant negative relationship between discretionary accruals and ethical CSR disclosure, suggesting that firms with higher levels of CSR disclosure exhibit higher earnings quality by managing their earnings less.

The results of this discovery indicate that organizations with a strong communication strategy in terms of their ethical obligations, such as providing for employee welfare, commitment to the environment, community involvement and responsible business practices are more likely to have a transparent financial reporting system. The external monitoring pressure arises from ethical CSR disclosure: stakeholders like investors, regulators, employees and communities can make judgements on corporate misbehavior. This means that managers will be less inclined to resort to shady accounting methods that could harm the reputation of the organization.

The discovery is in support of Stakeholder Theory put forward by Freeman(28) that suggests that companies can sustain themselves in the long term by fulfilling the expectations and interests of various stakeholders. Keeping from this point of view, CSR disclosure is a way in which companies are accountable and trusted by the stakeholders. Firms with an interest in stakeholder relationships are expected to have ethical organizations that may deter financial manipulation.

The outcome agrees with Kim et al.(36), who investigated the association of corporate social responsibility and earnings management, and concluded that socially responsible firms are less likely to manipulate earnings. The authors suggested that CSR imposes ethical barriers and reputation risks which make it less profitable for managers to cook the books.

Correspondingly Dhaliwal et al(37) concluded that voluntary non-financial disclosure enhances the information environment of firms by reducing information asymmetry between the managers and external stakeholders. This indicates that CSR disclosure has a positive effect on transparency which in turn leads to better financial reporting.

The result is also consistent with the view of Dechow et al.(3) who argued that the earnings quality is affected by the corporate governance system, reporting incentives and managerial actions. Organizations that adhere to a higher ethical standard are more likely to generate profits based on their economic activity, not their bean counters. Thus, the study finds that ethical CSR disclosure has positive effect on the earnings quality of listed non-financial companies in Nigeria.

Employee-related CSR disclosure and earnings quality of listed non-financial firms in Nigeria

The second objective investigated whether Employee-Related CSR disclosure affects the quality of the earnings. The results suggest that there is a positive effect among CSR disclosure with the improvement of the earnings quality as measured by the employees' perspective. Employee CSR disclosure comprises data about employee welfare, health and safety measures, training programmes, career development and fair employment practices. Based on the findings, it is clear that companies that are concerned with employees tend to create an ethical work culture that fosters transparency and accountability. Employees are crucial stakeholders who can affect the functioning of the organization including the financial reporting processes. An ethical work environment, based on fairness, integrity and responsibility, can help to limit unethical practices among managers and employees. As a result, companies that are more employee-focused on CSR can be less likely to have weaknesses in their internal controls and lower risk of financial misstatement.

This result agrees with the findings of Carroll(1) who suggested that ethical responsibility is another fundamental element of CSR as companies have responsibilities beyond the economic ones. Organizations with awareness of their obligation to their employees are more likely to develop ethic principles that impact on how the company generally operates. Furthermore, the result is in line with Eccles et al.(38) study on the development of good organisational processes such as corporate governance systems and stakeholder management, because of strong sustainability practices of the firms. According to their research, there is a relationship between responsible corporate practice and long-term corporate performance and accountability.

In this context, employee CSR disclosure is an important factor that may affect the credibility of financial reporting, which can be represented by strengthening the ethical corporate culture and minimizing the possibility of manipulation of earnings.

Disclosure of Environmental and Community CSR impacts Earnings Quality of Listed Non-Financial Firms in Nigeria

The third objective examined the association between both environmental and community CSR disclosure with earnings quality.

The results suggest that environmental and community-oriented disclosures are associated with better earnings quality of publicly listed non-financial companies. Environmental CSR disclosure is an indicator of corporate's contribution to environmental protection, sustainability practices, pollution control and responsible use of resources. Community CSR disclosure is a disclosure that a company partakes in community development, educational, healthcare and community welfare. Thus, a positive relationship implies that firms with greater commitment to environmental and community responsible behaviors will likely have higher accountability systems. In industries with high environmental and social stakes, there is more rigorous scrutiny of companies and transparency in disclosure becomes more important to serve the legitimacy and public confidence. Disclosure of CSR enables companies to establish that their activities are socially acceptable.

According to Freeman(28) companies, environmental and community disclosure results are based on the awareness that companies must maintain positive relationships with stakeholders that are impacted in order to ensure their survival. The finding rejects the results of Clarkson et al.(16) that companies with good environmental actions are more likely to report on the environment. According to their research, disclosure mechanisms are correlated with accountability and responsible corporate conduct. Therefore, disclosure of CSR in relation to the environment and communities enhances the trust by stakeholders in the company and indirectly can help companies achieve better earnings quality by reducing unethical reporting.

Corporate Governance affects Earnings Quality of Listed Non-Financial Firms in Nigeria

The fourth objective looked into the impact of corporate governance on earnings quality. The results suggest that the use of corporate governance has a significant effect on increasing the earnings quality of companies by reducing discretionary accruals. Corporate governance mechanisms like board independence, audit committee effectiveness, and governance transparency improve management decisions monitoring. Good governance helps to minimise the scope for managers to manipulate accounting information to their own ends. This result confirms the agency's theory view of corporate governance that highlights the role of monitoring devices in mitigating agency issues. This study is guided by Stakeholder Theory, but governance mechanisms offer practical mechanisms that will make managers accountable to a range of stakeholders.

The finding is consistent with that of Beasley(7) who concluded that good monitoring by the board decreases the risk of financial statement fraud. The study showed that board independence is one of the critical governance mechanisms that enhance the credibility of financial reporting. Likewise, Dechow et al.(3) suggested that governance features affect earnings quality because if their quality is high, they would provide better monitoring and hence lower incentives for opportunistic reporting. Thus, good corporate governance is a crucial determinant of the reliability of financial reporting in Nigerian listed companies.

Moderating effect of corporate governance between ethical CSR disclosure and earnings quality of listed non-financial firms in Nigeria

The fifth objective investigated the interaction between ethical CSR disclosure, earnings quality and corporate governance. The interaction effect of CSR disclosure and corporate governance was statistically significant, meaning that the effect of CSR disclosure on earnings quality is stronger when combined with the corporate governance. This result suggests that the disclosure of CSR does not necessarily lead to better financial reporting. Effectiveness of CSR practices is reliant upon governance framework that oversees and aids corporate decision-making. In the context of good governance systems, CSR activities are more likely to be real initiatives of accountability, rather than mere symbolic disclosures to enhance the company's image. Good boards and audit committees ensure that CSR commitments are embedded in an organisation's strategies and that ethical reporting practices are in place.

The study confirms Freeman(28) Stakeholder Theory since governance mechanisms improve a firm's capacity to meet stakeholder demands. Governance should make sure that managers balance the interests of various stakeholder groups and keep managers transparent.

It aligns with the findings of Eccles et al.(38) which concluded that sustainable organisations generally have more robust governance processes, and more effective long-term organisational practices. In addition, it reinforces the idea of Shleifer and Vishny(25) that corporate governance mechanisms are needed to ensure that the managers act responsibly and try to protect the interests of the stakeholders. Thus, CSR disclosure is important because it is the most important mechanism that can transform into the quality of earnings.

Summary Discussion

The overall results indicate that there is a positive relationship between ethical CSR disclosure and earnings quality of listed non-financial companies in Nigeria. Companies that articulate their social, environmental, and ethical responsibilities also have a greater likelihood of having transparent reporting and less earnings manipulation. The results continue to support the Stakeholder Theory, in that companies that are stakeholder oriented have more robust accountability mechanisms. Moreover, the role of the moderation of corporate governance suggests that the implementation of CSR practices requires the existence of CSR monitoring systems to maximize the financial reporting benefits that can be obtained from the implementation of CSR practices.

The study thus suggests that corporate governance and ethical disclosure of CSR are complementary tools to enhance the credibility, transparency, and confidence of financial reporting in the Nigerian corporate environment.

CONCLUSION

This research investigated the relationship between ethical CSR disclosure and earnings quality of listed non-financial companies in Nigeria moderated by corporate governance for the sample period of 2016-2025. On the basis of this study, it is concluded that ethical CSR disclosures have positive effect on the quality of earnings through displaying transparency in financial reporting and minimizing earnings manipulation. Companies with open and transparent communication regarding employee well-being, sustainability, social engagement, and ethical business operations are likely to display responsible reporting practices.

The study also finds that the role of corporate governance in enhancing the relationship between CSR disclosure and earnings quality is important. Good governance structures (including board independence and the effectiveness of the audit committee) improve monitoring and help CSR activities to deliver greater accountability and robust financial reporting.

The results of the study indicate that, ethical CSR disclosure and good corporate governance are significant aspects of enhancing the credibility of financial reporting and stakeholder's confidence of listed non-financial companies in Nigeria.

Recommendations

Based on the findings, the study recommends that:

1. Companies should ensure that CSR disclosure is improved by providing detailed information on employee practices, environment and community practices and ethical practices to make it more transparent and trustworthy.
2. Companies are encouraged to enhance employee-oriented CSR initiatives like employee welfare, training and workplace safety management to create an ethical organizational culture and improve reporting practices.
3. Companies need to enhance environmental and community disclosures to build accountability and boost stakeholder relationships.
4. Companies need to strengthen corporate governance processes through increased board independence, improved audit committees and financial governance to minimise earnings manipulation.
5. Regulatory bodies should ensure that there is uniformity in the guidelines of the CSR and governance reporting, to ensure consistency, comparability and reliability of corporate reporting by the listed companies in Nigeria.

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