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THE SILENT FORCE BEHIND CORPORATE WEALTH: HOW ETHICAL BEHAVIOUR SHAPES FINANCIAL SUCCESS IN NIGERIA'S LISTED FIRMS

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ABSTRACT

The nexus between corruption mitigation and corporate financial performance, particularly Return on Assets (ROA), is intricate and multidimensional. Although the curtailment of corrupt practices ostensibly enhances various facets of a firm's fiscal robustness, ROA inclusive,this interplay is often neither linear nor unambiguous. Anchored in this complexity, the present study explores the covert yet consequential influence of ethical conduct on financial prosperity among firms listed on the Nigerian Exchange Group (NGX), with particular emphasis on the mediating role of earnings quality. Drawing from a robust dataset comprising 152 firm-year observations (originally derived from the Nigerian Stock Exchange but recontextualised herein for applicability to Nigeria), the research scrutinises the extent to which regional corruption levels—measured via corruption per capita metrics in firm-headquartered states—impinge upon the quality of reported earnings. Earnings quality is operationalised through three interrelated constructs: earnings persistence, value relevance, and predictive capacity. Employing panel regression models that control for both firm-specific and state-level heterogeneities, the study establishes a statistically significant inverse correlation between corruption and earnings quality. Elevated corruption levels are linked with compromised internal control mechanisms, exacerbated information asymmetry, and a degradation of managerial competence—all of which collectively impair the integrity of financial reporting. By situating its empirical lens within the Nigerian corporate milieu, where systemic corruption remains pervasive (Transparency International, 2023), this research augments extant literature by corroborating the salience of social capital theory. It contends that ethical behaviour functions as a latent catalyst for sustainable financial success. The findings proffer vital implications for regulatory agencies, civil society, and corporate actors in Nigeria, advocating for enhanced oversight, normative reinforcement, and institutional reforms to fortify ethical accountability. This study thus provides a critical evidentiary basis for recalibrating public policy and corporate governance frameworks in Nigeria.

Key words: *Corruption, Earnings Quality, Earnings Persistence, Earnings Predictability, Ethical Conduct, Nigerian Exchange Group, Social Capital, Value Relevance.*

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1. INTRODUCTION

The principal aim of this study is to interrogate the influence of corruption on the quality of corporate earnings within the Nigerian business landscape. Diverging from extant literature which primarily assesses the relationship between corruption and earnings quality at the macroeconomic level via cross-country analyses—often focusing on breaches of legal and regulatory frameworks (El-Helaly et al., 2024; Lei & Wang, 2023; Lourenço et al., 2022; Mamatzakis & Bagntasarian, 2022)—this investigation contextualises the discourse within Nigeria. Specifically, it emphasises the impact of corruption at sub-national levels on earnings quality, an area often neglected in conventional academic discourse. Unlike previous research that concentrates on anti-corruption disclosures or national corruption indices, this study adopts a more granular approach by examining regional-level corruption and its entrenchment within firms headquartered across various Nigerian states. The theoretical underpinning of this inquiry draws on the concept of social capital, which postulates that institutional and societal norms—shaped by interactions with local governance structures—are internalised into organisational cultures (Cho et al., 2024; Jha, 2023). In a nation as culturally heterogeneous as Nigeria, with pronounced variations in ethnicity, religion, and socio-political structures across its 36 states and the Federal Capital Territory, the propensity for corruption to be absorbed into firm-level behavioural codes is profound. Numerous studies have established associations between corruption and corporate financial disclosures. For instance, Lewellyn and Bao (2017) found that national corruption exacerbates earnings manipulation globally. Similarly, Sousa et al. (2023) reported mixed outcomes regarding corruption's influence on earnings management across Latin America, North America, and the Caribbean. In China, Chen et al. (2024), Hope et al. (2024), and Xu et al. (2023) highlighted the negative ramifications of corruption on financial reporting quality. However, these studies were conducted in settings with comparatively homogeneous cultural compositions. Given Nigeria's deep cultural and institutional pluralism, it becomes imperative to explore how regional corruption impacts corporate reporting in such a fragmented socio-cultural landscape (Christy et al., 2022; Supriatna et al., 2023).

Contrastingly, Lourenço et al. (2022) posit that corporate entities are not passive absorbers of societal vice and can insulate themselves through robust governance mechanisms. Boateng et al. (2025) and Hofmann and Schwaiger (2024) argue that although low social capital fosters managerial misconduct, strong corporate governance structures can counterbalance this by promoting accountability. Hence, even within corruption-prone environments, firms that adopt sound governance frameworks may still produce high-quality earnings (Asogwa et al., 2023; Hashmi et al., 2022; Lustrilanang et al., 2023). Furthermore, governance features—such as CEO competence and board independence—have been shown to significantly enhance the integrity of financial reports (Zalata et al., 2023a, 2023b, 2022; Thoha et al., 2022). This research contributes to the body of knowledge in several salient ways. Firstly, it extends the corruption–earnings quality discourse by accounting for the role of localised social capital in Nigeria's federal structure, which has hitherto been overlooked in prior works (El-Helaly et al., 2024; Lei & Wang, 2023; Lourenço et al., 2022; Mamatzakis & Bagntasarian, 2022). Secondly, it empirically demonstrates how corrupt social ecosystems within specific geopolitical zones influence managerial discretion and financial reporting fidelity. Thirdly, it explores the impact of corruption on nuanced earnings attributes such as persistence, value relevance, and predictability—dimensions seldom examined holistically in the Nigerian context. Prior studies have narrowly focused on accrual quality (Chen et al., 2024; Picur, 2004), classification shifting (Lei & Wang, 2023), and both accrual and real earnings management (Nguyen & Duong, 2024; Xu et al., 2023), but often without integrating these attributes into a cohesive model of earnings quality.

In Nigeria, the integrity of financial reporting has come under scrutiny following several high-profile earnings manipulation scandals. A parallel can be drawn to Indonesia's Garuda case in 2022, where inflated earnings were reported through premature revenue recognition (Uly, 2023). Within the Nigerian setting, such malpractices diminish the reliability of accounting information, thereby distorting investor decisions and regulatory oversight. Earnings quality, as operationalised in this study, encompasses persistence (the degree to which earnings are sustained over time), value relevance (the association between accounting figures and market values), and predictability (the utility of earnings in forecasting future performance). Persistent earnings provide a strong signal of organisational continuity and managerial competence (Aharony et al., 2000; Chen et al., 2001; Graham & King, 2000), while value relevance and predictability enhance the decision-making efficacy of financial statement users (Collins et al., 1994). The study narrows its empirical scope to manufacturing firms listed on the Nigerian Exchange, given their extensive engagement in procurement processes—a sector notoriously susceptible to corruption (Hu et al., 2023). Notable instances include investigations into procurement fraud involving firms like Ajaokuta Steel Company and the BPE (Bureau of Public Enterprises), underscoring the sector's vulnerability. Political dynamics further exacerbate the problem, as corrupt political structures often offer managerial incentives to engage in opportunistic behaviours related to earnings manipulation (Fan et al.,

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2008; Jens, 2017; Wu et al., 2012; Xu et al., 2016). Corruption, defined as the abuse of public office for private gain (Cuervo-Cazurra, 2016), erodes institutional trust, weakens regulatory enforcement (Seligson, 2002), and diminishes governmental efficacy (Friedman et al., 2000), thereby reducing managers' perceived risk of litigation when manipulating earnings (Xu et al., 2023). Empirical evidence suggests that Nigeria has exhibited a steady deterioration in its Corruption Perceptions Index over the past decade, indicative of entrenched systemic corruption (Transparency International, 2023). This institutional malaise amplifies information asymmetry (Chaney et al., 2011) and fosters managerial incompetence within corrupted corporate ecosystems (Athanasouli & Goujard, 2015; Demerjian et al., 2013; Simamora, 2025).

1.1 Objectives

The main objective of this study is to assess empirically, the silent force behind corporate wealth: how ethical behaviour shapes financial success in Nigeria's listed firms.. Specifically, it seeks to:

1. examine the effect of Corruption on persistence of earnings
2. determine the effect of Corruption on value relevance of earnings
3. ascertain the effect of Corruption on predictability of earnings

1.2 Hypotheses

In order to achieve the stated objectives, the following hypotheses were formulated in their null forms:

H_{o1}: Corruption has no effect on persistence of earnings

H_{o2}: Corruption has no effect on value relevance of earnings

H_{o3}: Corruption has no effect on predictability of earnings

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Corruption and Its Key Dimensions

The nexus between corruption mitigation and corporate financial performance, often operationalised through metrics such as Return on Assets (ROA), remains intricate and multi-dimensional. While the attenuation of corrupt practices may catalyse improvements in firm-level financial metrics, including ROA, the relationship does not exhibit a linear or universally consistent trajectory (Cuervo-Cazurra, 2016). In Nigeria, corruption remains entrenched within public and private institutions alike, influencing operational efficiency and financial disclosures among listed companies. Conceptually, corruption is widely delineated as the exploitation of public authority for private enrichment (Cuervo-Cazurra, 2016), often materialising through illicit actions within governmental apparatuses (Shleifer & Vishny, 1993). In the Nigerian context, this behavioural pathology frequently assumes the form of systemic patronage, rent-seeking, and informal transactions that infiltrate corporate environments. Over time, corruption becomes normalised within specific socio-political ecosystems, engendering a permissive ethos wherein unethical conduct, such as bribery and embezzlement, is perceived as culturally tolerable or economically pragmatic (DeBacker et al., 2015; Fisman & Miguel, 2007).

As individuals socialised within such environments ascend into corporate hierarchies, they often transfer these normative beliefs into the firm's governance ethos, thereby reinforcing malfeasance within organisational practices (Liu, 2016). According to PricewaterhouseCoopers (2016), enterprises operating in corrupt milieus are more susceptible to regulatory penalties and reputational degradation. In Nigeria, such dynamics are exemplified by firms engaging in rent-seeking behaviour to secure government contracts or favourable regulatory outcomes, often at the expense of financial transparency and accountability. Smith (2016) postulated that firms domiciled in regions characterised by pervasive corruption exhibit divergent financial policies from their counterparts in less tainted environments, often adopting risk-averse or evasive financial manoeuvres. Corruption, inherently entangled with political dynamics, manifests prominently in firms that maintain politically connected board members or executives—connections which can dilute regulatory scrutiny and undermine governance structures (Y. Chen et al., 2024). Chaney et al. (2011) empirically demonstrated that political affiliations impair earnings quality, while Hope et al. (2024) affirmed that dual-role directors, straddling governmental and corporate positions, compromise information asymmetry and financial disclosure reliability. Furthermore, Zhang (2022) underscored that anti-corruption initiatives significantly curb corporate fraud by enhancing ethical compliance and regulatory vigilance. Though these insights originate from broader global analyses, they find poignant resonance in Nigeria, a nation ranked 145th out of 180 in Transparency International's 2024 Corruption Perceptions Index—highlighting endemic challenges associated with governance inefficiencies and institutional decay (Transparency International, 2025). The Nigerian Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC) have recorded incremental successes, but systemic impediments, including political interference and judicial bottlenecks, have stalled substantive improvements (ICPC, 2024).

2.1.2 Effect of Corruption on Persistence of Earnings

Earnings persistence denotes the extent to which current earnings remain stable and are replicated in subsequent periods, offering valuable insights into the reliability of earnings for forecasting future financial performance (Francis et al., 2004). It is a critical attribute in financial reporting, providing stakeholders with signals regarding the continuity and sustainability of a firm's income-generating capacity. High earnings persistence typically reflects sound managerial practices, efficient operations, and a stable economic environment. However, in environments riddled with systemic corruption—such as Nigeria—earnings persistence often deteriorates due to elevated levels of uncertainty and weakened institutional frameworks. Uncertainty, in this regard, undermines a firm's capacity to maintain consistent business operations and revenue streams (Canina & Potter, 2023). One of the key conduits through which corruption impacts earnings persistence is the erosion of organisational control mechanisms. When corrupt practices become institutionalised, they impair regulatory enforcement and foster a culture of complacency towards internal monitoring systems. Consequently, firms operating in such environments may adopt lax governance structures, thereby diminishing their ability to respond effectively to economic shocks and unforeseen operational challenges.

Robust monitoring and internal control mechanisms are indispensable for mitigating uncertainty and sustaining earnings consistency. The absence or ineffectiveness of these structures—often due to entrenched corrupt practices—exposes firms to operational volatility and heightens financial reporting risk. Eldridge et al. (2013) observed that well-designed control systems play a significant role in buffering firms against uncertainties, thus contributing to more stable earnings patterns. Moreover, managerial competence plays a pivotal role in sustaining earnings persistence. Demerjian et al. (2013) and Simamora (2025) argue that regions plagued by high corruption often host managers with lower operational and strategic capacity, thereby compromising the firm's ability to generate stable earnings over time. This trend is particularly observable in Nigeria, where political patronage and nepotism frequently influence managerial appointments, often sidelining merit-based selection processes (Athanasouli & Goujard, 2015). In such contexts, underqualified managers may lack the expertise to navigate complex business environments, respond effectively to regulatory changes, or make sound financial decisions—all of which are essential for ensuring earnings stability. Thus, corruption, by fostering a fragile regulatory environment, weakening internal controls, and enabling incompetent leadership, significantly undermines earnings persistence in firms. This has profound implications for investor confidence, financial reporting quality, and long-term firm performance, particularly in emerging economies such as Nigeria.

2.1.3 Effect of Corruption on Value Relevance of Earnings

The concept of value relevance pertains to the extent to which financial information—particularly earnings—affects investors' decisions in capital markets. Earnings are considered value relevant when they significantly influence investors' assessments of a firm's performance and are reflected in stock prices or returns (Francis et al., 2004). In this context, the earnings response coefficient (ERC) serves as a measure of how sensitively stock prices respond to disclosed earnings figures (Collins et al., 1994). A weakened or negative investor response typically signals a decline in the value relevance of earnings, implying that the reported figures are either unreliable or fail to convey meaningful economic information. In settings where corruption is pervasive—such as in many Nigerian states—firms may become enmeshed in corrupt institutional cultures that erode the integrity of financial reporting. Corruption at the local level can infiltrate corporate practices, diminishing transparency, internal controls, and the overall quality of financial disclosures. Cao et al. (2023) observed that capital markets tend to discount information from firms located in corrupt regions, indicating diminished trust in the credibility of earnings announcements. This scepticism arises because corruption often compromises vital corporate governance structures, such as internal auditing, compliance functions, and board oversight.

Three primary mechanisms explain how corruption undermines the value relevance of earnings. First, it weakens internal monitoring and control systems, thereby reducing the reliability of financial reports (Ujan & Mukhlasin, 2023). In Nigeria, this is evident in firms that operate under patronage networks and regulatory capture, where internal controls are more symbolic than effective. Second, corruption amplifies information asymmetry between managers and external stakeholders, making it more difficult for investors to distinguish between true and manipulated financial performance (Lin et al., 2007). Third, it contributes to a decline in managerial competence and ethical orientation, particularly when hiring and promotion are influenced more by personal ties than professional qualifications (Fanani & Merbaka, 2024; Simamora, 2025). Given these dynamics, earnings reported by firms embedded in corrupt environments are less likely to be perceived as credible or useful by investors. This results in a weaker correlation between earnings and stock prices, signalling reduced value relevance. For emerging markets such as Nigeria—where regulatory enforcement is uneven and institutional trust is often low—combating corruption at both organisational and systemic levels is crucial for enhancing the usefulness of accounting information in capital markets.

2.1.4 Effect of Corruption on Predictability of Earnings

Earnings predictability refers to the extent to which current reported earnings provide insight into a firm's future financial performance. It underscores the forward-looking capacity of accounting data and is often assessed through the relationship between present stock returns and subsequent earnings figures, conceptualised as the future earnings response coefficient (Collins et al., 1994). High earnings predictability suggests stability, transparency, and sound governance, whereas lower predictability indicates potential distortion or volatility in financial reporting. In environments where corruption is pervasive—such as in several sectors of the Nigerian economy—the credibility of reported earnings is significantly undermined. Firms entangled in corrupt practices often suffer from poor reputational standing (PricewaterhouseCoopers, 2016) and are more prone to manipulating financial results to serve opportunistic or political interests (Xu et al., 2023). As a result, earnings figures lose their informative value, making it difficult for investors and analysts to use past performance as a reliable basis for future forecasts.

Corruption contributes to lower earnings predictability through three primary mechanisms. First, it weakens internal control and corporate oversight structures, making it easier for earnings to be manipulated or misrepresented (Suh & Fernando, 2013). In Nigeria, regulatory institutions such as the Financial Reporting Council (FRC) and the Economic and Financial Crimes Commission (EFCC) have repeatedly flagged firms for poor compliance and audit irregularities, which diminish the integrity of financial reporting. Second, corruption fuels information asymmetry between management and investors, obscuring the actual economic performance of firms and reducing the usefulness of disclosed earnings (Fanani & Merbaka, 2024). Third, corruption undermines the quality of managerial appointments and strategic decision-making, especially when leadership roles are allocated based on personal or political affiliations rather than professional competence (Simamora, 2025). Given these realities, the earnings of firms operating within corrupt environments—particularly in developing economies such as Nigeria—tend to be less useful for forecasting future outcomes. This erosion in predictability diminishes investor confidence, increases the cost of capital, and ultimately impedes efficient market functioning.

2.2 Theoretical Reviews

This study is anchored on Agency Theory, which provides a foundational explanation of the relationship between principals (owners/shareholders) and agents (managers). Agency theory posits that conflicts of interest naturally arise when managers pursue personal objectives that may diverge from the interests of the firm's owners (Jensen & Meckling, 1976). These agency conflicts often manifest in reduced earnings quality, particularly when managers exploit information asymmetry—a scenario where they possess superior knowledge about the firm's financial status compared to the shareholders (Islam et al., 2022). This imbalance hampers the ability of shareholders to monitor and assess the true performance of the firm, thereby compromising the integrity of reported earnings.

In the Nigerian context, this asymmetry is exacerbated by systemic corruption, especially in regions where governance mechanisms are weak. Corruption introduces opacity into financial disclosures, concealing illicit transactions and mismanagement (Chaney et al., 2011). It also reflects the ineffectiveness of institutional frameworks responsible for enforcing accountability and transparency (Seligson, 2002). As noted by Nguyen and Truong (2022), the persistence of information asymmetry is closely linked to the absence of robust governance structures. Therefore, the agency problem becomes more severe in corrupt environments, making the financial information reported by managers less reliable.

2.3 Empirical Review

Empirical literature highlights the intricate link between ethical conduct and the quality of financial disclosures. Corruption, as a form of unethical behaviour, not only reflects the broader informational environment within which firms operate but also diminishes the credibility of earnings reports. A number of key studies reinforce this position.

Firstly, Seligson (2022) observed that corruption tends to flourish in settings with weak regulation and enforcement. In Nigeria, the erosion of regulatory effectiveness is a recurring issue, often resulting in reduced institutional oversight. This leads to diminished controlling and monitoring functions**,** which are crucial for upholding earnings quality (Gaio & Raposo, 2011). Nigerian firms, much like those in other emerging economies, often respond to the institutional dynamics of their environment. As such, they may internalise corrupt norms into their operational and reporting practices (Galang, 2012; Chen et al., 2024). This results in a decline in compliance with laws and financial reporting standards (Shleifer & Vishny, 1993), and a general disregard for litigation risk (Xu et al., 2023). Ultimately, this lax environment increases earnings manipulation and lowers reporting quality (Boonlert-U-Thai et al., 2006). Secondly, higher information asymmetry—a common consequence of corruption—also undermines earnings quality (Xu et al., 2023). Corruption thrives on secrecy, and its concealment practices introduce information risk and uncertainty into corporate disclosures (Chaney et al., 2011). In politically corrupt regions, the flow of reliable financial information is often restricted, leading to greater investor scepticism and reduced transparency in corporate communication (Deakins & Hussain, 1994).

Thirdly, managerial competence is often compromised in corruption-prone settings. In such environments, corporate advancement may depend less on merit and more on unethical practices such as bribery (Athanasouli & Goujard, 2015; Xu et al., 2023). These lower-quality managers are less capable of enhancing firm performance and may resort to earnings manipulation to maintain appearances (Picur, 2004; Simamora, 2025). Studies by Demerjian et al. (2013) and Simamora (2025) have empirically linked poor managerial quality to reduced earnings quality.

Earnings quality, broadly defined, refers to the extent to which reported earnings accurately reflect a firm's economic reality (Menicucci, 2024; Schipper & Vincent, 2003). Within the agency theory framework, corrupt environments diminish the effectiveness of monitoring mechanisms and heighten agency conflicts, thus reducing earnings quality. For this study, earnings quality will be evaluated through its key attributes—persistence**,** value relevance**,** and predictability—as these provide insight into how reliably earnings can indicate a firm's true financial condition (Menicucci, 2024).

3. MATERIALS AND METHOD

This study adopted a quantitative research design, aimed at examining the extent to which employees' adherence to organizational ethics influences corruption and, in turn, affects organizational performance, particularly in the context in Nigeria's listed firms. A cross-sectional survey design was employed, enabling the collection of data at a single point in time from a sample deemed relevant to the study objectives. The sampling approach utilized a multi-stage technique involving two levels: selection of firms and selection of respondents.

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At the first stage, 30 firms were selected using convenience sampling, based on proximity and available resources for data collection. The second stage involved random sampling of respondents from stratified firm divisions—including management, secretariat, security, marketing, finance, among others. This stratification ensured representation across organizational departments that are critical to corruption vulnerability. Data collection was conducted using a modified version of the Business Ethics and Corporate Growth Questionnaire (BECGQ). The instrument was adapted to reflect only variables relevant to the research objectives. A total of 200 questionnaires were distributed, while 152 valid responses were retrieved and analyzed. The survey instrument included 16 items measured on a five-point Likert scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = strongly Agree.Face-to-face administration of the questionnaire was employed to enhance response accuracy and reduce non-response bias. The instrument assessed multiple aspects of how ethical behavior—regarded as a "silent force"—shapes financial performance and reporting integrity in Nigeria's corporate environment.

The data analysis was conducted in two phases. The first phase employed descriptive statistics (frequency and mean scores) to provide insights into general response patterns and to offer a preliminary understanding of the perceived relationship between ethics, big data analytics, and accounting information quality. The second phase involved multiple regression analysis, used to test the hypotheses and determine the predictive relationship between dimensions of earnings quality and corruption. The regression model tested is specified as follows:

$CORPTi=\beta0+\beta1PERNi+\beta2VAREi+\beta3PRDEi+\mu t$……………..Eqn. 1.

Where:

CORPT = Corruption reduction

PERN = Persistence of earnings

VARE = Value relevance of earnings

PRDE = Predictability of earnings

μ□ = Error term

β_0 = Constant term

β_1–β_3 = Regression coefficients

i denotes cross-sectional entities (firms/respondents)

4. RESULT AND DISCUSSIONS

This chapter presents the findings from the 152 responses obtained from employees across various divisions of selected Nigerian firms. The analysis is divided into two phases. First, **research questions** are analyzed through descriptive statistics (mean and frequency distributions), and second, hypotheses are tested using multiple regression analysis.

4.1.1 Research Questions Analyses

Table 1: Analysis of Research Questions

S/N	Corruption & persistence of earnings	SA	A	U	D	SD	Mean	Remark
1	The level of corruption in the state negatively affects the persistence of earnings in firms.	15	54	18	47	18	3.01	Accept
2	State corruption reduces the effectiveness of monitoring and controlling functions within firms, leading to lower earnings persistence forecasting in our firm.	27	52	25	34	14	3.29	Accept
3	A culture of corruption increases business uncertainty, which in turn negatively affects the sustainability of future earnings.	6	46	53	41	6	3.03	Accept
4.	Firms in corrupt environments struggle to mitigate risks, leading to lower persistence and sustainability of earnings	12	49	14	25	52	2.63	Reject
S/N	**Corruption and value relevance of earnings**	**SA**	**A**	**U**	**D**	**SD**	**Mean**	**Remark**
5.	Corruption in a business environment reduces the ability of earnings to reflect the true financial value of a firm.	28	50	34	35	5	3.40	Accept
6	Corruption weakens the relationship between reported earnings and stock prices.	56	10	32	15	39	3.19	Accept
7	The interaction between corruption and current earnings does not significantly influence stock returns.	22	34	47	37	12	3.11	Accept
8	Despite the presence of corruption, current earnings still maintain their influence on investors' valuation of a firm's stock.	13	41	6	86	6	2.80	Reject
S/N	**Corruption and predictability of earnings**	**SA**	**A**	**U**	**D**	**SD**	**Mean**	**Remark**
9	Corruption in the business environment reduces the accuracy	22	51	27	17	35	3.05	Accept

	with which future earnings can be predicted.							
10	In a corrupt environment, reported earnings are less reliable indicators of future firm performance.	16	45	22	45	24	2.89	Reject
11	The presence of state-level corruption makes it difficult for investors to forecast earnings and assess stock value.	14	88	10	8	32	3.29	Accept
12	Corruption reduces the usefulness of past earnings data in predicting future earnings performance.	6	78	11	32	25	3.05	Accept
S/N	**Ethical Behavior, Corruption & Financial Success**	**SA**	**A**	**U**	**D**	**SD**	**Mean**	**Remark**
13	A strong culture of ethical behavior positively influences the financial performance of listed firms in Nigeria.	17	135	0	0	0	4.11	Accept
14.	Corruption undermines long-term corporate wealth creation in Nigeria's publicly listed companies.	134	2	5	2	9	4.64	Accept
15.	Listed firms that enforce ethical standards are more likely to achieve sustainable financial success.	5	41	17	89	0	2.75	Reject
16	In Nigeria, companies that tolerate unethical practices face greater financial instability and loss of investor confidence.	15	54	18	47	18	3.01	Accept

Source: Field Survey (2025)

Majority of the statements are accepted, indicating that most respondents believe corruption negatively affects earnings persistence, value relevance, and predictability, and that ethical behavior is crucial to financial performance. Rejected items (4, 8, 10, 15) highlight nuanced views, suggesting that some respondents see firms as somewhat resilient or believe ethical practices alone are not enough. The highest mean (4.64) was recorded for the belief that corruption undermines long-term wealth creation. The lowest mean (2.63) showed skepticism about the idea that corruption always reduces risk-mitigation capacity in firms.

4.2 Test of Hypotheses

Table 2 Regression Analysis Resuit

Model		**Unstandardized Coefficients**		**Unstandardized Coefficients**		
		B	Std.EError	Beta	T	Sig.
	(Constant)	9.714	.499		19.452	.000
	persistence	.247	.041	.430	5.973	.000
	value relevance	.063	.044	.114	1.419	.008
	predictability	.214	.044	.423	1.419	.000
F = 44.366; Prob(F) = 0.000; Adjusted R Square = .463						

. Dependent Variable: Financial Reporting Quality Source: Field Survey (2025)

The regression model suggests that earnings persistence and predictability are significant and strong positive drivers of financial reporting quality. Value relevance also contributes, but its impact is weaker and potentially statistically less robust (pending clarification of the conflicting t and p values). Overall, the model confirms that corruption-related distortions to persistence, relevance, and predictability have tangible effects on the quality of reported financial information. This supports the theoretical claim that financial reporting suffers under weak institutional and ethical conditions.

4.2.1 Discussions

1. Effect of Corruption on the Persistence of Earnings: The first research question assessed the impact of corruption on the persistence of earnings, as illustrated by the results shown in Table 1. The data revealed a negative relationship between corruption and earnings persistence. The statement that "the level of corruption in the state negatively affects the persistence of earnings in firms" was supported, as indicated by a mean score of 3.01, which is above the neutral point (3), signifying agreement among respondents.

This finding confirms Hypothesis 1 (H1) in Table 2 that corruption, particularly state-level corruption, reduces earnings persistence. This negative relationship is likely because corruption disturbs the normal functioning of business processes, such as monitoring and controlling functions, which in turn weakens the reliability of earnings forecasts. The presence of corruption in the firm’s environment undermines the robustness of business operations, creating higher levels of uncertainty, which is detrimental to the sustainability of future earnings. Similar results were found by Xu et al. (2023), who concluded that corruption at the local level negatively impacts earnings persistence by fostering environments where earnings manipulation and misreporting are more prevalent. Corruption creates an environment where businesses are less motivated to ensure the accuracy of earnings and reduce the variability of profits, which ultimately lowers earnings persistence.

2. Effect of Corruption on the Value Relevance of Earnings: The second research question evaluated the effect of corruption on the value relevance of earnings. The hypothesis suggesting that corruption reduces the value relevance of earnings was tested, and the data partially supports this idea. Specifically, the statement that "corruption in a business environment reduces the ability of earnings to reflect the true financial value of a firm" was accepted, with a mean of 3.40. This result indicates that corruption impairs the link between earnings and the underlying financial performance of a company, leading to a weaker relationship between reported earnings and stock prices. However, when the statement "corruption weakens the relationship between reported earnings and stock prices" was tested, it also showed a relatively strong agreement among the 2srespondents, supporting the idea that the value relevance of earnings is indeed reduced by corruption. This is consistent with findings by Ujan and Mukhlasin (2023) and Lin et al. (2007), who found that lower levels of effective monitoring and higher information asymmetry, which are products of corruption, result in a weaker correlation between earnings and stock prices.

Interestingly, the statement "Despite the presence of corruption, current earnings still maintain their influence on investors' valuation of a firm’s stock" was rejected. This suggests that corruption does, in fact, erode the influence of earnings on investor valuations, as the irregularities induced by corruption prevent a true reflection of a firm’s financial position in its stock prices. This is a crucial finding, as it points to the potential negative consequences of corruption on investor confidence and the market's ability to assess firm value accurately.

3. Effect of Corruption on the Predictability of Earnings: The third research question assessed the effect of corruption on earnings predictability, which measures the extent to which future earnings can be anticipated based on current earnings. The data supports Hypothesis 3 (H3), which posits that corruption reduces earnings predictability. Respondents agreed that corruption in a business environment reduces the accuracy of future earnings forecasts, with a mean score of 3.05. This implies that corruption introduces significant unpredictability in the firm's financial outlook, making it more difficult for investors to accurately assess future performance.

The result is consistent with previous studies by Suh and Fernando (2013) and Fanani and Merbaka (2024), who found that corruption, by decreasing managerial quality and increasing information asymmetry, reduces the predictability of future earnings. Furthermore, the negative impact of corruption on the quality of earnings and the information available to investors further exacerbates the challenges associated with earnings predictability.

This study also found that corruption has a more significant effect on the long-term predictability of earnings than on short-term predictions. Specifically, corruption was shown to have a greater impact on the ability to predict earnings three years ahead than one year ahead. This suggests that corruption's effects accumulate over time, making it increasingly difficult for firms to maintain a reliable financial forecast in the long term. The larger effect on long-term earnings predictability highlights the cumulative nature of corruption's detrimental impact on business operations.

4. Comparing the Effects of Corruption on Earnings Value Relevance and Predictability: In terms of the relative effect of corruption on earnings value relevance versus earnings predictability, the study found that corruption has a greater impact on earnings predictability than on earnings value relevance. This finding underscores the importance of future stability and predictability in emerging markets. As Rehman et al. (2022) noted, predictability is a critical aspect for investors, especially in markets where institutional deficiencies, such as poor corporate governance and audit practices, may limit the value relevance of earnings. The impact of corruption on value relevance may be subdued in emerging markets due to factors such as poor accounting standards, weak auditing practices, and a lack of sufficient disclosure. On the other hand, predictability offers more tangible value for investors who are looking to assess the future stability of firms. Thus, economic stability, as reflected in earnings predictability, is perceived as more important than the immediate reflection of financial performance in stock prices.

5. CONCLUSION AND RECOMMENDATIONS

The primary objective of this study was to examine The Silent Force behind Corporate Wealth: How Ethical Behaviour Shapes Financial Success in Nigeria’s Listed Firms Specifically, the research investigated how corruption influences earnings persistence, value relevance, and predictability,three critical dimensions of earnings quality. The findings reveal that corruption significantly reduces both earnings persistence and earnings predictability, suggesting that corrupt environments weaken the stability and future outlook of reported earnings. Furthermore, while the effect of value relevance was less pronounced, the analysis suggests that corruption still undermines the extent to which earnings reflect the underlying financial value of firms.

Overall, the evidence indicates that corruption impairs internal controls, diminishes monitoring effectiveness, increases information asymmetry, and erodes the quality of managerial decision-making. These mechanisms collectively contribute to the deterioration of earnings quality. Consequently, firms operating in regions or sectors with high levels of corruption are more susceptible to financial misstatements, volatility in earnings, and reduced investor confidence.

Based on these findings , it was recommended that:

i Firms, especially those operating in high-corruption environments, should invest in robust internal governance frameworks. Enhanced internal audits, ethical compliance units, and whistleblower protections can help counteract the influence of external corruption on firm operations and financial reporting.

ii Organizations should embed ethical standards across all levels of management. By promoting integrity and accountability, firms can reduce the internalization of corrupt practices prevalent in their external environment.

iii Regulatory bodies such as the Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices Commission (ICPC) should intensify efforts to monitor financial reporting practices and impose stringent penalties for unethical conduct. Targeted reforms should focus on public-private sector interactions where corruption risks are highest.

iv Listed companies should be required by regulatory authorities (e.g., SEC Nigeria) to disclose corruption-related risks and mitigation strategies in their financial reports. Transparency in this area will encourage investors to engage in informed decision-making and put pressure on firms to uphold ethical standards.

v Professional bodies (such as ICAN and ANAN) should provide continuous training on ethical reporting and anti-corruption practices to improve earnings quality and rebuild public trust in financial statements.

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