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Article

Enhancing Stakeholders Confidence in Financial Reporting through Corporate Governance and Accounting Ethical Practices in Nigerian Non-Financial Services Firms

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ABSTRACT

This study investigates the role of corporate governance and accounting ethical practices on enhancing stakeholders' confidence in financial reporting in non-financial services firms listed on the Nigerian Exchange Group. Using a longitudinal panel data approach and expo-fact design, the study analyzes secondary data from 16 purposively selected firms over a 20-year period. The study employs statistical techniques such as descriptive statistics and multiple panel regression of Random effect models alongside with some diagnostic test for data analysis.The study found that established ethical codes significantly enhance stakeholders' trust, while unethical accounting practices have a detrimental effect. Furthermore, shareholder activism positively influences financial reporting transparency. The research concludes that corporate governance and accounting ethical practices enhance stakeholders' confidence in financial reporting of the non-financial services firms. The study outcome boosted transparency may attract international investments and enhance market stability. Findings from the study encourage further exploration of governance and ethical dynamics in other sectors. The research calls for stricter regulations to enforce ethical compliance and promote shareholder engagement.The study contributes to more understanding on how ethical and governance practices shape stakeholder confidence in financial reporting within emerging markets. The research recommends that enforcing ethical codes, enhancing shareholder engagement, and instituting regulatory measures to mitigate unethical practices. These findings hold implications for policymakers, practitioners, and academics seeking to foster transparency and accountability in financial reporting.

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1. Introduction

In the wake of recent financial scandals in both developed and emerging markets, enhancing stakeholder confidence has become critical for sustainable corporate governance and financial transparency. The integrity of financial reporting has emerged as a cornerstone of stakeholder trust, economic stability, and market efficiency. Transparent, reliable, and ethical financial disclosures are fundamental to fostering confidence among investors, regulators, and the public. Corporate governance and accounting ethical practices play an indispensable role in safeguarding the credibility of financial reporting, particularly in the wake of high-profile corporate scandals such as Enron, WorldCom, and Wirecard. These cases have underscored the devastating consequences of governance failures and unethical practices, eroding public trust and threatening market stability.

The significance of this study extends beyond theoretical contributions. It aims to inform strategies for enhancing financial reporting quality, promoting ethical behavior, and fostering sustainable economic growth. Findings from this research are expected to guide policymakers in strengthening regulatory frameworks, assist practitioners in embedding ethical practices, and contribute to the academic discourse on governance and ethics in emerging economies. This study contributes by providing evidence on how ethical codes and shareholder activism can mitigate unethical accounting practices in Nigeria's non-financial sector Through a rigorous quantitative analysis of panel data spanning 20 years, this study not only sheds light on the critical role of corporate governance and ethical practices but also offers actionable insights for improving stakeholder confidence. In doing so, the study addresses a pressing need for empirical evidence in this area, positioning itself as a valuable resource for both academic and practical applications

1.2 Research Problem

While extensive research has been conducted on corporate governance and ethical practices in financial sectors, limited attention has been paid to their application and impact in non-financial firms, particularly in emerging economies like Nigeria. The non-financial services sector, encompassing industries such as food processing, manufacturing, and telecommunications, represents a significant component of Nigeria's economy. However, challenges such as regulatory inefficiencies, weak shareholder activism, and a prevalence of unethical accounting practices hinder its full potential. These issues necessitate a deeper examination of how corporate governance and ethical standards can enhance stakeholders' confidence in financial reporting.

Recent studies have such as Bauer (2015); Enofe, Edemenya and Osunbor (2015); Aigbovo and Abudu (2018); Agwor and Okafor (2018); Bushi (2019); Ogbor Ugherughe and Veronica (2020); Jo, Hsu, Llanos-Popolizio and Vergara-Vega (2021) and Osagioduwa (2022) among others have highlighted the importance of corporate governance and ethics in fostering transparency and accountability. For instance, Griffin (2015) emphasizes the role of ethical codes in mitigating fraudulent financial reporting, while Ogbor et al. (2020) discuss the significance of effective governance structures in maintaining public trust. However, a critical gap exists in the empirical examination of these factors within Nigeria's non-financial firms. Existing literature often generalizes findings from developed economies, overlooking the unique socio-economic and regulatory contexts of emerging markets.

Precisely, the prior studies such as those conducted by Paul (2017); Amponsah, Boateng and Onuoha (2016) Dhiman, Sen and Bhardwaj(2018) Hassan and Mollah (2018); Musa (2019); Mabil (2019); Ghanem and Castelli (2019); Ho, Lee and Wu (2020) and a host of other researchers have not focused sufficiently on non-financial firms in emerging economies like Nigeria. Only few studies provide an integrative analysis linking ethical practices, governance, and stakeholder confidence using empirical data from emerging markets. While studies like Smith (2019) emphasize the importance of ethical practices, they fail to measure quantitative impacts on stakeholder confidence, which this study addresses. Prior studies such as Ogbor et al. (2020) focused predominantly on financial sectors, neglecting the unique challenges of non-financial services firms. International studies (Jo et al., 2021) provide broader insights but lack context-specific evidence from Nigeria. This is conducted to fil the existing gap by covering non-financial services in Nigeria.

Based on the above background and the

identified gaps, this study addresses the research questions that how do established codes of ethics influence stakeholders' confidence in financial reporting in non-financial services firms in Nigeria? What are the effects of unethical accounting practices on stakeholder trust in financial reporting in non-financial services firms in Nigeria? And how does shareholder activism contribute to enhancing financial reporting transparency in non-financial services firms in Nigeria? Furthermore, the study addresses the practical implications of these factors for policymakers, corporate leaders, and academics. This study seeks to bridge these gaps by examining how established ethical codes, shareholder activism, and the mitigation of unethical accounting practices influence stakeholders' confidence in financial reporting. By focusing on non-financial services firms listed on the Nigerian Exchange Group, this research provides a contextualized understanding of the interplay between governance, ethics, and financial transparency.

1.3 Objectives of the Study

This research investigates the roles play by corporate governance and accounting ethical practices on enhancing stakeholders' confidence in financial reporting in non-financial services firms in Nigeria. Specifically, the study:

a. Investigate the role of ethical codes in boosting financial reporting trust in non-financial services firms in Nigeria.
b. Evaluate the negative consequences of unethical accounting practices in non-financial services firms in Nigeria.
c. Examine the significance of shareholder activism as a corporate governance tool for enhancing stakeholders' confidence in financial reporting in non-financial services firms in Nigeria.

2. Literature Review and Hypotheses Development

2.1 *Corporate Governance and Stakeholder Confidence*:

The theoretical underpinning this research include corporate governance theory and Utilitarianism theory, delineating the moral principles and expected behavior guiding human actions. Corporate governance theory explains the system of rules and practices by which companies are directed and controlled in the best interest of stakeholders (Smith, 2019). The theory emphasizes the importance of ethical principles, transparency, and accountability in organizational decision-making processes (Smith, 2019). On the other hand, Utilitarianism theory posits that actions are morally right if they result in the greatest overall benefit or minimize harm (Shukla & Srivastava, 2016).

Enhancing stakeholders' confidence in financial reporting connotes the strengthening the trustworthiness of financial reporting. Corporate governance is the system of rules and practices by which a company is controlled (Musa, 2019). It is a set of principles designed to ensure that organizations are directed in a manner that promotes fairness, transparency, and long-term sustainable growth, fairness, and responsibility in a company's operations (Obomeile & Ajaude, 2020). However, upholding accounting ethics according to the study will ensure the accuracy, reliability, and trustworthiness of financial reporting (Shukla & Srivastava, 2016) and enhances public trust, credibility, and investor protection. The companies that have formalized codes of accounting ethics in place are better equipped to maintain transparency, integrity, and accountability in their financial reporting practices. Recognizing the significance of stakeholders beyond shareholders, many companies are actively engaging with employees, customers, suppliers, and communities to understand their needs and concerns (Yosep, 2016).

2.2 Accounting Ethics and Financial Transparency:

The ethical practice in accounting is paramount for financial transparency, ensuring the precision and dependability of financial reports while fostering trust among stakeholders. It entails the application of moral conduct and values to accounting procedures, including honesty, integrity, objectivity, and confidentiality (Marquardt, Brown & Casper, 2018). It involves the application of moral behavior and values to the practice of accounting. The significance of accounting ethics extends to upholding professional codes of conduct established by entities such as the Institute of Chartered Accountants of Nigeria (ICAN), the American Institute of Certified Public Accountants (AICPA), and the International Federation of Accountants (IFAC). (Jeewon, Jung-Hyun, Yoonjung, Pillai & Se-Hyung, 2018) It includes data protection, compliance with regulatory frameworks, and cyber-security measures (Obomeile & Ajaude, 2020).

Enhanced transparency and disclosure requirements have become central to corporate governance practices, enabling stakeholders to assess a company's performance and risks accurately (Jo et al., 2021). This includes disclosing financial information, governance structures, and sustainability initiatives (Odar, Jerman, Jamnik & Kavcic, 2017). This includes disclosing financial information, governance structures, and sustainability initiatives (Musa, 2019). Boards are expected to identify, assess, and mitigate risks related to various factors, including ESG (Environmental, Social, and Governance) issues. Aligning executive compensation with long-term performance and sustainability goals is gaining prominence ((Jo et al., 2021).

***2.3 Role of Shareholder Activism*:**

The increased shareholder activism can serve as a catalyst for improved governance practices and enhanced public trust in financial reporting. Various researchers emphasize the role of shareholder activism in holding corporate boards accountable and promoting transparency in financial reporting (Viana et al., 2021)., Governance Integrity Theory, proposed by Leo Huberts in 2014, emphasizes ethical governance within organizations (Obomeile & Ajaude, 2020). It highlights transparency, accountability, and responsibility in decision-making. In accounting, this theory ensures that financial reporting and auditing are conducted ethically, with robust internal controls and adherence to standards (Obomeile & Ajaude, 2020). Ethical governance practices build trust among stakeholders and safeguard the integrity of financial markets (Obomeile & Ajaude, 2020).

2.4 Hypotheses Development:

The corporate governance theory introduced by Leo Huberts (2014) posits that established codes of ethics reduce information asymmetry (Smith, 2019). Prior studies (Bauer, 2015; Musa, 2019) show positive correlations between ethical codes and financial trust. The theory further explained that ethical governance practices build trust among stakeholders and safeguard the integrity of financial markets (Obomeile & Ajaude, 2020). Thus, the established codes of ethics serve as guiding principles for accounting professionals to uphold integrity and transparency in financial reporting.

Paul (2017) examined ethics and financial reporting: A study of accounting professionals in the US and discovered the important role of ethical standards in shaping the conduct of accounting professionals and their influence on the accuracy and transparency of financial reporting. The traditional perspective of maximizing shareholders' value often focuses solely on short-term financial gains, potentially neglecting broader societal and environmental impacts (Bushi, (2019)). However, there is a growing realization that sustainable value creation can lead to long-term financial success while also addressing societal needs and ethical considerations (Osagioduwa, 2022). In view of the above contents, the hypothesis one is formulated below:

Hypothesis 1: There is a positive relationship between adherence to established codes of ethics and stakeholder confidence in financial reporting in non-financial services firms in Nigeria.

Looking at Utilitarianism theory coined by the British philosopher John Stuart Mill in 1861, the theory posits that actions are morally right if they result in the greatest overall benefit or minimize harm (Shukla & Srivastava, 2016). Mabil (2019) carried out a study to highlights the positive impact of ethical decision-making processes on public trust and the resulting improvement. The study found that adherence to ethical decision-making processes in accounting firms led to improved public trust, which enhanced the overall quality of financial reporting. Unethical accounting practices pose a significant threat to the integrity of financial reporting and erode public trust.

Research by Griffin (2015) examining how unethical practices rife among accountants detects that unethical accounting practice undermined the moral standards, eroding public trust in financial reports. Such unethical practices erode public trust by distorting the true financial position and performance of the organization, leading stakeholders to question the integrity and transparency of the reported data (Odar et al., 2017). Corporate governance practices encompass a range of mechanisms aimed at ensuring accountability, transparency, and ethical behavior within organizations.

Hypothesis 2: Unethical accounting practices negatively impact stakeholder trust in financial reporting in non-financial services firms in Nigeria.

Trustworthiness in financial reporting according to Governance Integrity Theory is essential for maintaining investor confidence and market stability (Svanberg & Öhman, 2016). Ghanem and Castelli.(2019) conducted an investigation on transparency in financial reporting and its impact on market trust: An empirical analysis and found that increased transparency significantly enhances market trust and organizational value. The significance of accounting ethics and governance integrity in promoting public trust in financial reporting landscape is paramount (Ogbor, Ugherughe & Veronica, 2020). This because accounting ethical lapses and governance failures have led to adverse consequences such as investor distrust, corporate collapse, and reputational damage, as evidenced.

Cases of fraud like Enron and WorldCom scandals, illustrated the consequences of unethical behavior and the importance of robust governance structures (Smith, 2019). The study by Mabil (2019) examines the effects of accounting ethics on the quality of financial reporting in South Sudan, emphasizing on transparency and accurate financial reporting and found the pivotal role of ethics, particularly integrity, in shaping accountants' conduct. Ethical codes outline ethical standards and guidelines for conduct, which can enhance credibility and trustworthiness in the eyes of stakeholders such as investors, regulators, and the general public (Yosep, 2016). By adhering to these ethical standards, companies aim to mitigate the risk of financial misconduct, fraud, and unethical behavior, thereby fostering greater confidence and trust in their financial reporting.. Thus the hypothesis one below guides the above explanations The instances of accounting unethical behaviors, such as fraudulent financial reporting, manipulation of financial statements, or misleading disclosures, undermine the credibility and reliability of financial information provided by companies (Shukla & Srivastava, 2016).
Hypothesis 3: Shareholder activism is positively associated with increased financial reporting transparency in non-financial services firms in Nigeria.

3. Methods

This research utilizes expo-fact design and longitudinal quantitative approach to investigate the impact of corporate governance and accounting ethical practices on enhancing stakeholders' confidence in financial reporting of among the listed non-financial services on the listed on the Nigerian Exchange Group plc over a period of twenty (20) years from 2024 to 2023. The study purposively covers sixteen (16) non-financial services firms in Nigeria to obtain industry-based secondary data through government statistics and the annual reports of the firms that have relevant data to perform the quantitative analysis. The selection was based on those that have been listed on or before 2014 but not have delisted as of 31th December, 2023 and only those have relevant data were finally considered. Secondary data were purposively collected from sixteen prominent non-financial services firms in Nigeria spanning a twenty-year period from 2004 to 2023. The selected firms are playing significant roles in their industries, necessitating their selection.

The statistical techniques used in this study for data analysis including descriptive statistics, multiple panel regression models comprising fixed effect model, random effect model and pooled least square method. Various tests including milticollinearity test, panel unit root test, models selection and other post data tests among other were carried out for robustness, reliability and stability of the data as employed by previous researchers such as Shukla and Srivastava (2016), Ghanem and Castelli (2019), Smith (2019), and Viana et al. (2021), were employed for data estimation. Additionally, pre and post-data tests were conducted to enhance the robustness of the results.

3.1: Model Specification

This study's two models stated in regression forms are these below:

$$ESCFR_{it} = \beta_0 + \beta_1 ECE_{it} + \beta_2 UAP_{it} + \beta_3 SA_{it} + e_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 1.2)$$

Where :

ESCFR = Enhancing Stakeholders Confidence in Financial Reporting
ECE = Established Codes of Ethics
UAP = Unethical Accounting Practices
SA = Shareholder Activism
e_{it} = Stochastic error terms
t = Time period
i = Cross section unit
β_0 = Constant intercept
β_1-β_3 = Coefficient of variables

4. Results

This section comprises the study's data analysis and the results of the analysis

Table 2 presents a comprehensive analysis of key metrics related to restoring stakeholders' confidence in financial reporting within the non-financial services firms in Nigeria. The mean value for enhancing stakeholders' confidence in financial reporting.

Table 1: Variable Measurement

Variables	Description	Source	Literature Evidence
Independent Variables			
Established Codes of Ethics (ECE)	Binary number I if a company documented its codes of ethics and 0 if not	Companies' annual reports and indices published by regulatory bodies	Svanberg and Öhman (2016)
Unethical Accounting Practices (UAP)	Binary number 1 for presence of accounting fraud cases and 0 for its absence.	Companies' annual reports and indices published by regulatory bodies	Smith (2019)
Shareholder Activism (SA)	Log of number of shareholder proxy votes.	Companies' annual reports and indices published by regulatory bodies	Ogbor et al. (2020)
Dependent Variables			
Enhancing Stakeholders confidence in Financial Reporting (ESCFR)	Log of number of times the financial statements are reinstated due to accounting irregularities.	Companies' annual reports and indices published by regulatory bodies	Osagioduwa (2022)

Source: Data compilation, 2024

Table 1 discloses the variables employed in this study.

Variable	ESCFR	ECE	UAP	AS
Mean	0.085000	0.794000	0.110000	0.055000
Median	0.070000	0.935000	0.040000	0.015000
Maximum	0.170000	0.970000	0.470000	0.210000
Minimum	0.030000	0.360000	0.030000	0.010000
Std. Dev.	0.057320	0.228408	0.136220	0.067479
Skewness	0.209045	-1.112998	1.840226	1.345321
Kurtosis	1.271514	2.554110	5.084733	3.326376
Jarque-Bera	21.08309	34.35918	119.2789	48.97386
Probability	0.000026	0.000000	0.000000	0.000000
Sum	13.60000	127.0400	17.60000	8.800000
Sum Sq. Dev.	0.522400	8.295040	2.950400	0.724000

Table 2: Descriptive Analysis:

Source: Data Analysis, 2024

reporting (ESCFR) is recorded at 0.085, suggesting that, on average, stakeholders' confidence in financial reporting across these industries is approximately 9%. Moreover, the mean value for established codes of ethics (ECE) is reported as 0.794, indicating that the establishment of codes of ethics could potentially boost public trust in financial reporting by a significant margin of 79.4%. Furthermore, the analysis reveals that the average percentage of unethical accounting practices (UAP) within these industries is 0.110, suggesting that unethical accounting practices occur at an average lower rate of 11%. Additionally, the mean value for shareholder activism (SA) is calculated to be 0.055, indicating a relatively low level of shareholder activism at 5% within the non-financial services firms in Nigeria. This lower level of shareholder activism may impact the efficacy of efforts to restore stakeholders' trust in financial reporting.

Table 3: Panel Unit Root Test:

Variable	t-statistics	Probability
ESCFR	93.7050	0.0000
ECE	111.621	0.0000
UAP	68.8787	0.0002
SA	116.967	0.0000

Source: Data Analysis, 2024

This study in Table 3 utilizes the ADF-Fisher method to conduct panel unit root testing. The variable of enhancing stakeholders' confidence in financial reporting (ESCFR) discloses a t-statistic value of 93.7050, with a probability of 0.0000, suggesting stationary behavior at the level without a unit root. The variable of established codes of ethics (ECE) exhibits a t-statistic value of 111.621, with a probability of 0.00, indicating a lack of unit root at the level. Moreover, the variable of unethical accounting practices (UAP) register a statistic value of 68.8787, with a probability of 0.0002, confirming its stationary behavior at the level without a unit root. The variable of shareholder activism (SA) portrays a t-statistic value of 116.967, with a probability value of 0.0000, indicating stationarity at the level and the absence of a unit root.

Table 4: Model Selection and Other Tests

Tests	Statistics	Prob.	Decision	Selected Model
F-rest	6.5	1.000	Accept H_0	POLS
Breusch-Pagan	8.9	0.003	Reject H_0	RE
Cross-sectional dep.	34.641	6.099	Accept H_0	NP

Source: Data Analysis, 2024

Table 4 showcases the outcomes of rigorous model selection and various diagnostic tests. The F-restricted test, aimed at discerning between the pooled least squares (PLS) method and the fixed effect (FE) model, yielded a statistic of F(15, 141) = 6.5, with a p-value of 1.000, leading to the acceptance of the null hypothesis that FE is not a suitable model, thus lending support to the PLS method. Additionally, the Breusch-Pagan test, comparing the PLS and random effect (RE) model, returned a statistic of Chi-sq. (1) = 8.9, with a p-value of 0.002869, prompting the rejection of the null hypothesis that the RE effect is unsuitable. Consequently, the RE model emerged as the most appropriate among the three. The CD test for cross-sectional dependence yielded a statistic of 34.641, with a probability of 0.609957, indicating an absence of fundamental errors in the utilized data analysis model.

Table 6 reveals that the coefficient of determination (R2) for enhancing stakeholders' confidence in financial reporting (ESCFR) stands at 0.768464. This value indicates that approximately 77% of the variance in ESCFR can be explained by the establishing codes of ethics (ECE), unethical accounting practices (UAP), and shareholder activism (SA). The remaining 23% of the variability in ESCFR is ascribed to the error term. Considering other variables included in the error term, the adjusted R2 value is 0.764012, implying that ECE, UAP, and SA collectively still account for 76% of the variation in restoring stakeholders' confidence in financial reporting within the non-financial services firms in Nigeria.

Table 5 Regression Analysis: Random Effect Model

SERIES: ESCFR, ECE, UAP, SA

Method: Random Effect Model Include 16 Cross-sectional Units Time Series Length: 20 **Dependent Variable:** ESCFR				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	4.201590	0.227310	18.48393	0.0000
ECE	4.315939	0.227953	18.93347	0.0000
UAP	-1.346635	0.083674	-16.09374	0.0000
AS	12.93828	0.680035	19.02589	0.0000
R-squared Adjusted R-squared Durbin-Watson stat		0.768464 0.764012 2.759068		

Source: Data Analysis, 2024

Moreover, the coefficient of the established codes of ethics (ECE) is noteworthy, with a positive value of 4.315939 and statistical significance (P=0.0000 < 0.05), rejecting the null hypothesis that the established ethical codes have no impact on enhancing stakeholders' confidence in financial reporting of non-financial services firms in Nigeria. This suggests that a one-unit increase in established codes of ethics correlates with a 30% rise in stakeholders' confidence in financial reporting within business industries in Nigeria.

Conversely, the beta value of unethical accounting practices (UAP) stands at -1.346635, also significant (P=0.000 < 0.05), indicating a negative relationship and declining the hull hypothesis that there is no negative impact of unethical accounting practice on enhancing stakeholders' confidence in financial reporting of non-financial services firms in Nigeria. A one-unit decrease in unethical accounting practices leads to a 1.4% increase in the stakeholders' trust in financial reporting. Additionally, the coefficient for shareholder activism (SA) is positive at 12.93828, significant (P=0.0000 < 0.05). This result declines the hypothesis that shareholder activism goes no impact on enhancing stakeholders' confidence in financial reporting of non-financial services firms in Nigeria, suggesting that a one-unit increase in shareholder activism results in a 12.9% boost in stakeholders' confidence. Furthermore, the Durbin-Watson statistic of 2.759068 exceeds 2, indicating no serial correlation.

Table 3: Multicollinearity Test:

Variable	Tolerance	VIP
ECE	502.466	1.000
UAP	24.0800	0.947
SA	390.300	0.997

Note: Minimum possible value = 1.0, Values (VIP) > 10.0 may indicate a collinearity problem

Source: Data Analysis, 2024

Table 3 presents the results of the Variance Inflation Factor (VIF) analysis, a method employed to detect multicollinearity within a dataset. According to Ogbo et al. (2020), a VIF exceeding 10 suggests the presence of multicollinearity. Upon examination of the test results, it is evident that multicollinearity is not a concern among the variables under scrutiny, as each variable's VIF falls below the threshold of 10.

4.1 Discussion

The study investigates improving stakeholders' confidence in financial reporting through corporate governance and accounting ethical practices, focusing on the non-financial services firms in Nigeria. The models selection tests results suggested the Random Effect as the most appropriate model for data analysis. The R2 value of indicated a substantial impact of the study's explanatory variables on enhancing stakeholders' trust in financial reporting. The adjusted R2 value highlighted the robustness of the model in explaining variation in the dependent variables.

Notably, the coefficient associated with the established codes of ethics stands positive and statistically significance to reject the hypothesis that the established ethical codes have no impact on enhancing stakeholders' confidence in financial reporting of non-financial services firms in Nigeria, suggesting that a one-unit increase in the established codes of ethics for accountants will cause a rise in the stakeholders' confidence in financial reporting within non-financial services firms in Nigeria. On descriptive analysis result disclosed high proportion rates of the established codes of ethics and shareholders' activism, but low proportion of unethical accounting practices, indicating high established code of ethics and shareholders' activism, but lower prevalent of unethical accounting practices within these firms. These results support findings by Odar et al. (2017) and Musa (2019) who emphasize the role of ethical codes in reducing information asymmetry. The positive impact of ethical codes aligns with corporate governance theory, confirming that robust governance structures are crucial for stakeholder trust

Conversely, the beta value of unethical accounting practices is negatively significant, indicating a negative relationship, rejecting the hypothesis that there is no negative impact of unethical accounting practice on enhancing stakeholders' confidence in financial reporting of non-financial services firms in Nigeria. That is, a one-unit decrease in unethical accounting practices will increase the stakeholders' confidence in financial reporting. Griffin (2015) and Shukla & Srivastava (2016) also found that unethical practices severely compromise financial transparency and trust. Utilitarianism theory supports that actions are morally right if they result in the greatest overall benefit or minimize harm (Shukla & Srivastava, 2016). Accordingly, individuals are encouraged to choose actions that maximize happiness for the majority, as opposed to those that produce adverse consequences.

Additionally, the coefficient for shareholder activism is positive and significant, thus the hull hypothesis that shareholder activism goes no impact on enhancing stakeholders' confidence in financial reporting of non-financial services firms in Nigeria is rejected, suggesting that a one-unit increase in shareholder activism will boost the stakeholders' confidence. Shareholder engagement strengthens governance mechanisms, as suggested by overnance integrity theory.. Viana et al. (2021) report similar findings on shareholder activism driving improved financial transparency in emerging markets. Increased shareholder activism could attract more investments, given its role in ensuring accountability.

These results corroborate Mabil, A. N. (2019), who identified shareholder activism as a critical factor in financial reporting quality. Despite low levels of shareholder activism in Nigeria, the findings suggest its significant potential. These findings are also consistent with the research results of Agwor and Okafor (2018); Ho et al. (2020); Bushi (2019); Ogbor Ugherughe and Veronica (2020); Jo et al. (2021); Osagioduwa (2022) where there-in was discovered the importance of accounting ethics and corporate governance on trustworthiness of financial reports of business organizations in the researchers; domains. Furthermore, the Durbin-Watson statistic of 2.759068 exceeds 2, indicating no serial correlation.

The positive coefficient for ethical codes aligns with corporate governance theory, which advocates for transparency and accountability as drivers of stakeholder confidence. The theory of corporate governance focuses on adherence to ethical principles, transparency, accountability, and responsibility in decision-making processes within organizations and emphasizes the effectiveness of systems and processes to ensure ethical conduct and accountability (Smith, 2019). Also, the ethics of character (Utilitarianism theory), for instance, prioritize the moral worth of actions based on the character of the individual rather than adherence to rigid laws, while. The reviewed theories support the study's results by emphasizing on the need for the practices of ethical conduct and accountability within organizations. Promoting transparency, fairness and responsibility in non-financial services firms will enhance their performances. In the Nigerian non-financial sector, where regulatory compliance is often weak, these results underline the importance of institutionalizing ethical codes to build trust.

Generally, the Durbin-Watson statistic suggests the absence of serial correlation, enhancing the reliability of the regression results. This suggests that the residuals are not correlated with each other, affirming the reliability of the regression analysis results. The cross-sectional dependence (CD test) results indicate that the model used for data analysis is robust and free from fundamental errors. Additionally, the absence of fundamental errors in the model further strengthens the credibility of the research findings. More so, the findings indicate that none of the variables exhibit VIF values greater than 10, suggesting the absence of multicollinearity issues. This implies that the relationships between the variables are distinct and not excessively influenced by correlations among predictors. Another key finding on the stationarity of variables such as Chief Executive Officer-to-worker pay ratio, restoring stakeholders' confidence in financial reporting, established codes of ethics, instances of unethical accounting practices, and shareholder activism indicate the absence of unit roots

The findings suggest several implications for stakeholders, policymakers, and corporate governance practitioners. Firstly, the stationary nature of key variables implies stability in the factors influencing trust in financial reporting, indicating a potential foundation for sustainable governance practices. Additionally, the descriptive analysis provides insights into the current state of trustworthiness and ethical practices within the non-financial services firms in Nigeria, highlighting areas for improvement and intervention. Addressing these factors can contribute significantly to restoring stakeholders' trust in financial disclosures, ultimately fostering transparency and accountability in corporate governance practices.

This study's results showcase some economic, academic and policy implications. Firstly, the study outcome boosted transparency may attract international investments and enhance market stability. Findings from the study encourage further exploration of governance and ethical dynamics in other sectors. The research calls for stricter regulations to enforce ethical compliance and promote shareholder engagement. The study offers data for cross-sectoral studies in emerging markets. The findings from the study advocate for need for stricter enforcement of ethical codes and active shareholder engagement.

5. Conclusion:

The study found a positive impact of ethical codes and shareholder activism on enhancing financial reporting and discovered a positive impact of accounting ethics on transparent reporting in listed non-financial services firms in Nigeria and the detrimental effects of unethical practices. Based on the findings, the study concludes that the establishment of codes of ethics, strong shareholder activism and the reduction of unethical accounting practices are crucial for enhancing stakeholder confidence in financial reporting of non-financial services firms in Nigeria. Therefore, corporate governance and accounting ethical practices enhance stakeholders' confidence in financial reporting of business entities. In summary, the findings underscore the importance of implementing code of practices for accountants, increasing in shareholders' activism and guiding against unethical accounting practices in our industries Addressing these factors can contribute significantly to the enhancement of stakeholders' confidence in financial disclosures, ultimately fostering transparency and accountability in corporate governance practices.

Overall, the study contributes to the understanding of the factors enhancing stakeholders' confidence in financial reporting and upholds the importance of corporate governance and ethical practices in maintaining the trust among non-financial services firms in Nigeria study thus enriches corporate governance and ethical practice frameworks by offering evidence from an emerging market; provides robust, longitudinal data linking governance mechanisms to stakeholder trust in Nigerian firms; offers actionable insights for policymakers and corporate stakeholders and provides robust evidence for policymakers and practitioners seeking to enhance transparency and accountability in financial reporting.

5.1 Recommendations

Based on the findings, the study recommends that non-finnacial services firms' managers should mandate ethical training programs for their accountants and auditors. They should implement whistle-blowing policies to detect and deter unethical practices. The policymakers should enforce stricter penalties for non-compliance with governance standards. They should incentivize shareholder activism through policy frameworks. The academics: should conduct interdisciplinary research on corporate governance and ethics, integrating insights from sociology and psychology. However, the study focus on non-financial services firms may limit generalizability across sectors. However, future research should investigate the role of digital governance tools or conduct comparative studies across African countries.

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