



Digitalization and Financial Reporting Quality of Quoted Manufacturing Companies in Nigeria

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Abstract: This study examines the effect of digitalization on the financial reporting quality of 38 quoted manufacturing companies listed on the Nigerian Exchange Group between 2019 and 2024. Using 228 firm-year observations, results show that higher digital adoption significantly reduces reporting lag by an average of 18 days, decreases restatements by 0.12 per year, and increases IFRS compliance scores by 6.21 points and transparency scores by 1.34 units. Regression analysis confirms that digital tools such as ERP, AI, blockchain, and cloud-based platforms enhance timeliness, reliability, and disclosure completeness at a 5% significance level. Primary qualitative evidence indicates that automated internal controls, real-time error detection, and structured governance notes further strengthen reporting quality. Challenges including infrastructural limitations, cybersecurity concerns, and uneven adoption moderately affect outcomes. Overall, digitalization is a critical driver of accurate, timely, and transparent financial reporting, contributing to investor confidence and corporate accountability in emerging economies. The findings underscore the strategic role of digital technology in improving corporate governance and operational efficiency in Nigerian manufacturing firms. The study recommends that firms should accelerate adoption of digital tools such as ERP, AI, and cloud reporting to improve timeliness and accuracy of financial reports.

Keywords: Compliance, Digitalization, Financial Reporting, Manufacturing, Transparency.

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Introduction

The 21st century has ushered in unprecedented transformations in business operations, with digitalization emerging as a defining feature of organizational competitiveness. Digitalization refers to the integration of digital technologies into the daily functioning of firms, reshaping processes ranging from production to information management. Within financial reporting, it encompasses the adoption of tools such as enterprise resource planning (ERP) systems, block chain, big data analytics, artificial intelligence (AI), and cloud computing to ensure that financial information is processed, stored, and disseminated with greater speed and reliability (Okafor & Eze, 2020; Chukwu & Oladipo, 2022).

Financial reporting is a vital mechanism for conveying the economic realities of firms to external stakeholders, and the credibility of such reports underpins investor confidence, regulatory oversight, and corporate governance. High-quality reporting is expected to be timely, transparent, reliable, and devoid of misrepresentation (Agboola, 2021; World Bank, 2022). However, in developing economies like Nigeria, concerns such as

weak governance frameworks, inadequate regulatory enforcement, and reliance on outdated manual accounting systems have often limited the reliability of corporate disclosures (Udeh & Onuorah, 2019). Against this backdrop, the adoption of digital technologies is increasingly seen as a strategic solution for enhancing the quality of financial reporting by reducing human errors, strengthening internal controls, and enabling real-time reporting (Adekoya et al., 2023).

The manufacturing sector is pivotal to Nigeria's economic diversification agenda. Quoted manufacturing companies, those listed on the Nigerian Exchange Group (NGX)—play a central role in industrial growth, employment creation, and value addition. Yet, despite their importance, these firms have faced challenges such as inefficiency, poor disclosure practices, and limited compliance with global financial reporting standards (NBS, 2023; Emenike & Nwanneka, 2024). By adopting digital tools, these companies can align with international best practices, improve the timeliness and accuracy of financial statements, and minimize practices such as earnings manipulation (Osazebaru & Oyibo, 2020).

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Prior studies confirm that digitalization enhances financial transparency by automating complex tasks, facilitating auditors' work, and curbing accounting irregularities (Kraus et al., 2021; Adegbe et al., 2022). The introduction of block chain, for example, makes it increasingly difficult to falsify accounting records, thereby improving stakeholders' trust in corporate disclosures (Kizito & Amadi, 2025). Nonetheless, while research on banking and service industries is growing, empirical investigations focusing on listed manufacturing companies remain relatively limited. This study therefore addresses that gap by examining how digitalization influences the financial reporting quality of quoted manufacturing companies in Nigeria.

Statement of the Problem

The credibility of financial statements in Nigeria has often been called into question. Despite the adoption of International Financial Reporting Standards (IFRS) more than a decade ago, several corporate scandals and instances of creative accounting have persisted (Ibrahim & Sanni, 2020). Information asymmetry continues to characterize the financial landscape, with managers possessing information advantages that external investors cannot easily verify (Eze & Okonkwo, 2021).

Digitalization presents a promising opportunity to overcome these shortcomings. However, Nigeria's unique context introduces a number of obstacles. The uneven distribution of digital infrastructure means that while some listed firms have deployed sophisticated ERP platforms, others continue to depend on manual bookkeeping. This inconsistency leads to disparities in the timeliness, comparability, and reliability of corporate disclosures (Umeji & Akinwale, 2020). Moreover, challenges such as cyber security threats, lack of adequately trained personnel, and high implementation costs remain critical barriers (Owolabi & Dada, 2019; Chukwuma & Adebayo, 2023).

For quoted manufacturing firms in particular, unreliable financial reporting damages investor confidence and limits access to both local and international capital markets. Furthermore, it undermines regulators' ability to enforce compliance and hampers managers' internal decision-making (Adeyemi, 2022; Okonkwo et al., 2024). Existing empirical studies have largely centered on the banking sector, leaving significant gaps in understanding the extent to which digitalization has improved financial reporting within the manufacturing industry.

Therefore, the fundamental problem this study seeks to address is whether digitalization has tangibly enhanced the credibility, timeliness, and transparency of financial reporting in Nigerian quoted manufacturing companies. Without such evidence, stakeholders will remain uncertain about the true benefits of digital transformation in enhancing corporate accountability.

Objectives of the Study

The main objective of this study is to evaluate the effect of digitalization on the financial reporting quality of quoted manufacturing companies in Nigeria. The specific objectives are to:

- i. Examine the extent to which digital technologies have been adopted by listed manufacturing companies in Nigeria.
- ii. Determine the influence of digitalization on the timeliness of financial reporting in quoted manufacturing firms.

- iii. Assess how digitalization affects the reliability and accuracy of corporate financial disclosures.
- iv. Investigate whether digitalization reduces incidences of earnings management and creative accounting practices.
- v. Identify the key challenges and barriers confronting the implementation of digital financial reporting systems among Nigerian manufacturing companies.

Research Questions

- i. To what extent have quoted manufacturing companies in Nigeria adopted digital technologies in their financial reporting processes?
- ii. What effect does digitalization have on the timeliness of financial reporting in listed manufacturing firms?
- iii. How does digitalization influence the accuracy and reliability of financial information disclosed by manufacturing companies?
- iv. Does the adoption of digital tools reduce earnings management and creative accounting practices among Nigerian manufacturing firms?
- v. What challenges hinder the effective implementation of digitalized financial reporting systems in quoted manufacturing companies?

Research Hypotheses

Ho1: The adoption of digital technologies has no significant effect on financial reporting processes in quoted manufacturing companies in Nigeria.

Ho2: Digitalization has no significant effect on the timeliness of financial reporting in quoted manufacturing firms.

Ho3: Digitalization has no significant effect on the reliability and accuracy of financial disclosures.

Ho4: The adoption of digital tools does not significantly reduce earnings management and creative accounting among manufacturing companies.

Ho5: Challenges in the Nigerian business environment do not significantly hinder the implementation of digitalized financial reporting systems.

Scope and Limitation of the Study

This study is confined to quoted manufacturing companies listed on the Nigerian Exchange Group (NGX). The focus is on how digitalization influences the quality of financial reporting, with emphasis on timeliness, transparency, accuracy, and credibility of disclosures. Other sectors such as banking, telecommunications, and unlisted firms are deliberately excluded in order to maintain analytical precision.

Nonetheless, the research faces certain limitations. First, the reliance on publicly available reports and survey data introduces the possibility of self-reporting bias, as firms may overstate their level of digital adoption. Second, the rapid pace of technological innovation implies that findings may quickly lose relevance unless continuously updated. Third, limited access to proprietary financial data, coupled with management reluctance to disclose sensitive digitalization strategies, restricted the depth of analysis.

Additionally, financial constraints and time limitations narrowed the scope of firms examined. These limitations suggest caution in generalizing the results to all Nigerian manufacturing entities. However, they also highlight important directions for future research, particularly comparative studies across sectors and economies.

Literature Review

Digitalization and Corporate Transformation

Digitalization refers to the systematic integration of digital technologies into business processes with the goal of improving efficiency, accuracy, and competitiveness. In accounting, it includes tools such as enterprise resource planning systems, artificial intelligence, blockchain, and cloud platforms (Okafor & Eze, 2020). These tools facilitate automation of data entry, reduce reliance on manual processes, and enable real-time reporting. Studies show that organizations that adopt digital technologies are better positioned to provide transparent and verifiable information to stakeholders (Kraus et al., 2021; Adekoya et al., 2023). In Nigeria, while banks and large multinationals have made considerable progress, manufacturing firms are still navigating challenges such as cost constraints and skill shortages (Owolabi & Dada, 2019).

Financial Reporting Quality

Financial reporting quality refers to the extent to which financial statements faithfully represent a company's economic position and performance. High-quality reports are expected to be relevant, reliable, timely, and comparable (Agboola, 2021). According to Ibrahim and Sanni (2020), financial reporting quality serves as a foundation for effective corporate governance, as it reduces information asymmetry between managers and investors. In Nigeria, however, scholars have documented recurring issues of earnings manipulation and weak compliance with disclosure standards, which erode investor confidence (Eze & Okonkwo, 2021; Adeyemi, 2022). The introduction of digital reporting systems offers opportunities to address these shortcomings by ensuring accuracy and consistency.

Digitalization and Timeliness of Reporting

Timeliness is a critical dimension of financial reporting quality because delays in reporting diminish the usefulness of information to stakeholders. Digitalization enhances timeliness by enabling automated data processing, reducing the lag between transaction recording and report preparation (Chukwu & Oladipo, 2022). For example, firms using ERP systems can consolidate financial data across different units almost instantly, allowing for quicker publication of audited reports (Okonkwo et al., 2024). Yet, many Nigerian firms still face bottlenecks in publishing their annual reports due to infrastructural challenges and the cost of integrating digital systems (Umeji & Akinwale, 2020).

Digitalization and Reliability of Financial Information

Reliability implies that financial information is free from material errors and faithfully represents the firm's financial reality. Digital tools such as blockchain and AI enhance reliability by reducing opportunities for falsification, ensuring data integrity, and supporting auditors with advanced analytics (Kizito & Amadi, 2025). Adegbe et al. (2022) observed that digital platforms

provide audit trails that improve accountability, making it easier to detect irregularities. However, Nigerian scholars caution that poor cybersecurity measures and inadequate regulatory oversight may undermine the reliability benefits of digitalization (Chukwuma & Adebayo, 2023).

Digitalization and Earnings Management

Earnings management has long been a concern in Nigerian corporate reporting. Managers sometimes manipulate figures to meet performance targets or influence investor perceptions (Osazevaru & Oyibo, 2020). Digitalization has the potential to curtail such practices by limiting manual adjustments and creating transparent audit trails (Adegbe et al., 2022). Global evidence suggests that blockchain-based accounting systems significantly reduce discretionary accruals and other earnings management practices (Kraus et al., 2021). Yet, Nigerian manufacturing firms remain susceptible to creative accounting due to uneven adoption of these technologies and weak enforcement of digital compliance standards (Emenike & Nwanneka, 2024).

Challenges of Digitalization in the Nigerian Context

While digitalization offers clear benefits, Nigerian manufacturing firms encounter several challenges such as high costs of implementation that deter smaller firms from adopting advanced technologies, limited internet penetration and unreliable power supply exacerbate infrastructural difficulties (Owolabi & Dada, 2019). Additionally, there is a shortage of skilled personnel capable of managing complex digital systems (Chukwuma & Adebayo, 2023). Cybersecurity threats further complicate the digital transition, as breaches can compromise sensitive financial data. These challenges explain why the adoption of digital reporting practices remains uneven across Nigerian industries, with manufacturing lagging behind sectors such as banking and oil and gas.

Theoretical Review

Agency Theory

Agency theory provides one of the most relevant lenses for examining the link between digitalization and financial reporting quality. It posits that managers (agents) may act in their own interest rather than in the interest of shareholders (principals), thus creating information asymmetry (Jensen & Meckling, 1976). In the context of quoted manufacturing companies, the growing adoption of digital technologies such as Enterprise Resource Planning (ERP), blockchain, and artificial intelligence is expected to reduce agency problems by improving transparency and the timeliness of financial reporting (Owolabi & Dada, 2020). Scholars have argued that digitalization makes it increasingly difficult for managers to manipulate reports since automated systems enhance audit trails and ensure real-time monitoring of financial transactions (Yakubu & Ajayi, 2021). Recent findings also suggest that digital accounting platforms help mitigate earnings management and fraudulent reporting practices, thereby protecting investors (Okoye et al., 2022). By reducing human discretion in reporting, digitalization strengthens accountability, minimizes moral hazard, and enhances the credibility of financial information (Ibrahim & Musa, 2023). This indicates that the integration of digital tools directly aligns with the agency theory principle of aligning managers' actions with shareholders' interests.

Stakeholder Theory

While agency theory focuses on shareholders, stakeholder theory broadens the perspective by emphasizing the obligations of firms to a wider set of stakeholders including employees, creditors, customers, regulators, and the general public (Freeman, 1984). For manufacturing companies in Nigeria, digitalization plays a crucial role in meeting these diverse stakeholder expectations. For instance, real-time disclosure systems facilitated by digital platforms allow regulators to enforce compliance more efficiently, while investors gain access to timely and reliable information (Akinyemi & Ojo, 2019). Recent literature indicates that digitalized financial reporting enhances corporate social responsibility disclosures and sustainability reporting, which are areas of growing importance to non-investor stakeholders (Nwankwo & Eze, 2021). Moreover, cloud-based reporting technologies have made it possible for firms to deliver tailored financial information to different stakeholder groups, reducing the risk of selective disclosure (Ogunleye & Omodero, 2022). In this way, stakeholder theory supports the view that digitalization improves inclusivity and transparency in financial reporting, helping organizations fulfill their social and ethical responsibilities (Adegbe & Adeniran, 2024).

Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM) has been widely applied in accounting and financial reporting studies to explain how users accept and use new technologies (Davis, 1989). TAM argues that perceived usefulness and perceived ease of use determine the adoption of new systems. In Nigerian manufacturing companies, the adoption of digital reporting platforms is influenced by whether financial managers perceive them as effective for improving efficiency and reducing reporting errors (Onyekwelu & Umeoduagu, 2020). With the emergence of AI-powered analytics, blockchain-based ledgers, and robotic process automation, recent studies have confirmed that ease of integration and user-friendliness remain critical determinants of adoption (Okafor et al., 2022). More specifically, companies that perceive digital reporting systems as reliable and less complex are more likely to adopt them fully, leading to improvements in financial reporting quality (Ogunjobi & Lawal, 2023). The TAM framework is therefore essential for understanding why some quoted firms embrace digital reporting technologies more effectively than others, and why adoption rates may vary across Nigeria's manufacturing sector.

Institutional Theory

Institutional theory suggests that organizations adopt practices not only for efficiency but also to conform to social expectations, regulations, and industry norms (DiMaggio & Powell, 1983). In the Nigerian context, the push towards digital financial reporting is partly driven by institutional pressures, including compliance with International Financial Reporting Standards (IFRS), government regulatory policies, and global technological trends (Chukwu & Okafor, 2020). Recent works highlight how coercive pressures from regulators, mimetic pressures from competitors, and normative pressures from professional accounting bodies are compelling firms to adopt digitalized reporting systems (Umar & Adebayo, 2021). For instance, listed manufacturing companies are increasingly under pressure to demonstrate transparency to foreign investors, which in turn motivates the adoption of globally

accepted digital reporting tools (Owolabi & Dada, 2022). The theory therefore explains how digitalization is not only a matter of internal efficiency but also of external legitimacy, with firms striving to align with international standards to maintain competitiveness and credibility (Ogunleye & Oladipo, 2024).

Resource-Based View (RBV)

The Resource-Based View (RBV) argues that organizations gain a competitive advantage by acquiring and deploying valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). Within the context of digitalization, advanced financial reporting systems represent strategic resources that can enhance operational efficiency and reporting credibility. Nigerian manufacturing companies that have invested in sophisticated digital platforms are better positioned to ensure accurate reporting and attract investor confidence (Olowookere & Adepoju, 2019). Recent evidence suggests that digital accounting tools not only improve efficiency but also contribute to competitive advantage by enhancing decision-making speed and accuracy (Nnadi & Olayinka, 2021). Moreover, RBV highlights that the successful deployment of these technologies requires complementary human capital, such as skilled accountants and IT professionals who can maximize the systems' potential (Ibrahim & Musa, 2023). As such, digitalization should not be seen merely as a technological upgrade but as a resource that strengthens firms' strategic positions in the marketplace (Adelakun & Taiwo, 2025).

Empirical Review

Empirical studies on digitalization and financial reporting quality have produced a growing body of evidence, particularly within the Nigerian and broader African context. Much of this literature relies on secondary data, reflecting the practice of using audited financial reports, stock exchange filings, and IFRS-based disclosures as the foundation for measuring reporting quality.

Akinyemi and Ojo (2019) examined annual reports of Nigerian listed firms to investigate the extent to which ERP adoption influenced the timeliness of financial reporting. Their findings showed that firms that had integrated ERP systems reduced the number of days between financial year-end and annual report publication, thereby improving timeliness. Similarly, Olowookere and Adepoju (2019) analyzed corporate governance reports from Nigerian Exchange Group (NGX) filings and concluded that companies disclosing the use of IT-enabled reporting systems provided more comprehensive and transparent information, enhancing financial statement reliability.

In a comparative study, Owolabi and Dada (2020) assessed secondary data from both Ghanaian and Nigerian listed firms to evaluate the effect of digital transformation on compliance with IFRS. Their regression analysis revealed that digitalization improved compliance and disclosure consistency, particularly for firms with higher levels of foreign investor participation. This finding is consistent with Yakubu and Ajayi (2021), who applied content analysis to the annual reports of Nigerian manufacturing companies and reported that automation reduced financial restatements, which are often a sign of low-quality reporting.

Nwankwo and Eze (2021) conducted an archival study of 30 manufacturing firms in Nigeria, focusing on sustainability disclosures as a proxy for transparency. They found that companies leveraging cloud-based reporting technologies provided richer

voluntary disclosures in their annual reports compared to those using traditional manual methods. Similarly, Ogunleye and Omodero (2022), through analysis of audited reports, showed that cloud adoption facilitated inclusiveness by ensuring that diverse stakeholders could access financial information simultaneously through digital platforms.

Recent contributions have continued to validate these findings. Okoye et al. (2022) employed secondary data from firm-level financial statements and concluded that the presence of AI-assisted accounting systems was associated with higher accuracy of financial reports. Ogunjobi and Lawal (2023), using panel regression on audited financial reports of Nigerian manufacturing companies, confirmed that digital innovations reduced discrepancies between interim and final accounts, thereby boosting reliability. They also noted that smaller firms were less likely to adopt these tools, highlighting a gap in digital readiness across the sector.

At a broader level, Ibrahim and Musa (2023) emphasized that digitalization not only improved the credibility of financial statements but also enhanced corporate legitimacy by aligning disclosures with IFRS requirements. Their study, based on content analysis of listed firms' reports, demonstrated that investors responded more positively to firms that reported evidence of adopting digitalized financial processes. More recently, Adelakun and Taiwo (2025) analyzed secondary data across multiple years and found that digitalization enhanced both compliance and investor confidence, while also serving as a strategic resource that distinguished digitally advanced firms from laggards.

Taken together, these empirical studies consistently highlight the positive impact of digitalization on the timeliness, accuracy, compliance, and transparency of financial reports. However, findings also reveal persistent challenges such as unequal adoption across firms, infrastructural limitations, and high implementation costs. These mixed results underline the need for continued research into how digitalization specifically affects quoted manufacturing companies in Nigeria, where investor reliance on financial information is particularly critical.

Methodology

Research Design

This study adopted a mixed-methods research design combining quantitative and qualitative approaches to examine digitalization and financial reporting quality of quoted manufacturing companies in Nigeria.

Quantitative analysis relied on archival financial data, while qualitative evidence was obtained through structured questionnaires. A descriptive-correlational approach was used to assess the relationship between digitalization and financial reporting quality.

Population and Sample

The population comprised all manufacturing firms listed on the Nigerian Exchange Group (NGX) as of 2024. 38 firms with complete annual reports from 2019–2024 were selected, generating 228 firm-year observations. Primary respondents included accountants, auditors, finance managers, and IT personnel selected through purposive sampling.

Data Collection

Secondary data were obtained from audited annual reports, corporate governance disclosures, and NGX databases covering the study period. Primary data were collected using structured questionnaires measured on a five-point Likert scale administered to relevant professionals. Information captured digital technology adoption, reporting processes, and disclosure practices (OECD, 2024).

Variables and Measurement

Digitalization served as the independent variable measured through disclosure indices and questionnaire responses on technology adoption. Financial reporting quality was the dependent variable measured using timeliness, accuracy, compliance, and transparency indicators. Firm size, leverage, and profitability were included as control variables based on prior literature.

Data Analysis

Descriptive statistics summarized study variables, while panel regression analysis tested the hypotheses using STATA 17 at a 5% significance level. Fixed and random effects estimations were conducted, with the Hausman test guiding model selection. The regression model is specified as:

$$FRQ = \beta_0 + \beta_1DIG + \beta_2FS + \beta_3LEV + \beta_4PROF + \varepsilon$$

Reliability and Validity

Reliability was ensured through audited financial statements and consistent coding procedures across firms and years. Questionnaire items were adapted from established studies and pre-tested for clarity and internal consistency. Construct validity was achieved through IFRS-aligned measures and triangulation of primary and secondary data sources.

Results and Discussion

The results are presented in line with the study objectives using descriptive statistics, regression analysis, robustness testing, and hypothesis evaluation. The analyses combine evidence from secondary financial data and quantitative assessments consistent with the study methodology.

Descriptive Statistics

Table 1 presents descriptive statistics for 228 firm-year observations obtained from 38 manufacturing firms listed on the Nigerian Exchange (NGX) between 2019 and 2024.

Table 1: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Timeliness (days)	104.3	21.6	65	187
Accuracy (restatements)	0.31	0.46	0	2
Compliance (score/100)	73.5	9.4	51	94
Transparency (score/10)	6.8	1.5	3	10
Digitalization Index	0.57	0.22	0.14	0.94
Firm Size (log assets)	15.2	1.3	12.4	18.9
Leverage (D/E ratio)	0.48	0.26	0.07	1.21
Profitability (ROA %)	6.2	4.8	-7.3	18.5

Interpretation

The average reporting lag of 104 days indicates that firms generally take longer than the global benchmark of 60–90 days, but firms with higher digitalization scores show consistently shorter delays. Primary qualitative disclosures reveal that firms adopting ERP and cloud-based platforms report more streamlined internal reporting processes, automated reconciliation, and timely audit preparations. The average accuracy score of 0.31 shows that restatements occur but are less frequent in digitally advanced firms, aligning with quantitative evidence of improved data reliability.

Compliance scores and transparency measures indicate that firms investing in digital reporting are more aligned with IFRS and voluntarily disclose more information. The combination of secondary quantitative metrics and primary qualitative evidence provides a holistic understanding of how digitalization improves overall reporting quality.

Regression Analysis

Table 2 presents fixed-effects regression results examining the influence of digitalization on financial reporting quality dimensions.

Table 2: Regression Results (Fixed Effects Model)

Variable	Timeliness (β, p-value)	Accuracy (β, p-value)	Compliance (β, p-value)	Transparency (β, p-value)
Digitalization Index	-18.6 (0.000)	-0.12 (0.021)	+6.21 (0.000)	+1.34 (0.000)
Firm Size	-1.3 (0.184)	-0.01 (0.612)	+2.14 (0.015)	+0.09 (0.427)
Leverage	+2.7 (0.073)	+0.03 (0.329)	-1.06 (0.091)	-0.11 (0.286)
Profitability (ROA)	-0.9 (0.241)	-0.02 (0.144)	+0.94 (0.067)	+0.06 (0.179)
Constant	129.4 (0.000)	0.82 (0.037)	54.1 (0.000)	4.32 (0.000)
R²	0.41	0.29	0.47	0.44
Observations	228	228	228	228

Interpretation

Regression results confirm that digitalization significantly reduces reporting lag, improves accuracy, enhances IFRS compliance, and increases transparency. The negative coefficient for timeliness (-18.6) suggests that high digital adoption reduces delays by nearly three weeks. Qualitative disclosures indicate that automated controls, ERP integration, and real-time data validation are key mechanisms for this improvement. Accuracy improves as digital systems minimize human error and facilitate systematic reconciliation, supported by primary document evidence showing fewer audit restatements. Compliance gains are also explained by

structured internal reporting and adherence to IFRS guidelines documented in corporate governance reports. Transparency improvements are validated by management notes highlighting voluntary disclosures and stakeholder communication efforts. Together, quantitative metrics and qualitative narratives show that digitalization systematically strengthens financial reporting quality across all measured dimensions.

Robustness Tests

Table 3 presents System GMM results used to address potential endogeneity between digitalization and reporting quality.

Table 3: Robustness Test (System GMM)

Variable	Timeliness (β , p-value)	Compliance (β , p-value)
Digitalization Index	-16.8 (0.000)	+5.87 (0.000)
Lagged FRQ	+0.21 (0.018)	+0.33 (0.004)
Control Variables	Included	Included
Hansen J-test (p)	0.41	0.37
AR (2) test (p)	0.28	0.33

Interpretation

System GMM results show that digitalization effects remain significant even after controlling for endogeneity and dynamic effects, confirming a stable, causal influence on reporting quality. Lagged FRQ coefficients indicate persistence, and primary evidence from annual reports shows continuous investment in digital systems such as cloud reporting and ERP upgrades. Qualitative insights from governance notes reveal structured

oversight and adherence to internal controls, which corroborates the quantitative robustness outcomes. These findings suggest that digitalization not only improves current reporting performance but also sustains long-term enhancements in timeliness and compliance.

Hypotheses Testing

Table 4 summarizes hypothesis testing results based on regression outcomes.

Table 4: Summary of Hypotheses Testing

Hypothesis	Statement	β	p-value	Decision
Ho1	Digital technologies have no significant effect on reporting processes	-18.6	0.000	Rejected
Ho2	Digitalization has no significant effect on timeliness	-18.6	0.000	Rejected
Ho3	Digitalization has no significant effect on accuracy	-0.12	0.021	Rejected
Ho4	Digital tools do not reduce earnings management	+6.21	0.000	Rejected
Ho5	Nigerian challenges do not hinder digital reporting	Mixed	<0.05	Partially Rejected

Interpretation

Four hypotheses (Ho1–Ho4) are fully rejected, showing strong evidence that digitalization enhances reporting processes, timeliness, accuracy, compliance, and transparency. The partial rejection of Ho5 reflects contextual implementation challenges such as infrastructure limitations and organizational size, as revealed in primary qualitative disclosures. Narrative evidence also highlights that firms continue to face operational constraints despite high digital adoption, explaining mixed outcomes. These findings demonstrate the complementary nature of quantitative and qualitative data, providing a comprehensive understanding of the impact of digitalization on financial reporting in Nigerian manufacturing firms.

Discussion of the Findings

Digitalization and Timeliness of Reporting

The study found that firms with higher digitalization scores significantly reduced reporting lag, averaging about 18 days faster than less digitalized firms. Quantitative results from the regression model confirm that digital tools such as ERP and cloud-based

reporting accelerate internal reconciliation and audit preparation, consistent with prior findings (Adegbe et al., 2021; Babajide & Ismail, 2023). Qualitative evidence from management disclosures indicates that automated data validation and electronic filing platforms enhance the speed of reporting processes. This suggests that digitalization not only supports compliance but also strengthens operational efficiency. Similar trends were observed in international contexts, where AI and ERP adoption shortened reporting timelines (Barth et al., 2020; OECD, 2024). Overall, digital infrastructure appears critical for timely reporting in highly regulated Nigerian manufacturing firms.

Impact on Accuracy and Reliability

Results indicate that higher digitalization significantly reduces restatements and improves data reliability. Regression findings show a negative coefficient (-0.12, $p < 0.05$), implying fewer errors in firms with advanced IT systems. Primary qualitative evidence reveals that automated internal controls and real-time error detection reduce human intervention and misstatements (Houque & van Zijl, 2021; Odugbesan & Rjoub, 2022). Firms that integrated AI and blockchain systems consistently reported fewer audit

adjustments, supporting the quantitative outcomes. These findings align with previous studies demonstrating that digitalized reporting enhances accuracy and prevents earnings management (Babajide & Ismail, 2023; OECD, 2024). Consequently, both qualitative and quantitative data confirm that technological adoption fosters reliability in financial reporting.

Compliance with IFRS Standards

The study demonstrates that digitalization positively influences compliance, with firms achieving an average compliance score of 73.5 out of 100. Regression results indicate a strong positive association ($\beta = 6.21$, $p < 0.01$), suggesting that digital tools facilitate adherence to IFRS requirements. Qualitative review of corporate disclosures highlights that firms use IT-based governance and audit documentation to ensure statutory conformity (IFRS Foundation, 2023; Adegbe et al., 2021). Larger firms tend to invest more in digital systems, explaining higher compliance levels (Okafor et al., 2020; Barth et al., 2020). These findings are consistent with global literature where cloud-based and ERP systems enhance regulatory alignment (OECD, 2024; Houque & van Zijl, 2021). Therefore, digitalization is instrumental in promoting high-quality, standards-compliant reporting.

Transparency and Voluntary Disclosure

Digitalization was found to improve transparency, with firms disclosing more voluntary information beyond statutory requirements. Regression analysis indicates a positive effect ($\beta = 1.34$, $p < 0.01$), showing that IT adoption supports broader stakeholder communication. Primary qualitative evidence shows that management reports often emphasize digital reporting capabilities, cybersecurity, and sustainability disclosures, enhancing transparency (Babajide & Ismail, 2023; OECD, 2024). Firms with moderate to high digitalization scores were more proactive in reporting corporate governance practices and risk management initiatives. These findings align with prior studies indicating that technological adoption increases stakeholder trust and disclosure completeness (Odugbesan & Rjoub, 2022; Barth et al., 2020). Consequently, both qualitative narratives and quantitative evidence confirm that digitalization is a key driver of transparent financial reporting.

Implications of the Findings

Theoretical Implications

The results of this study contribute significantly to the body of knowledge on organizational strategy and performance by providing fresh insights into the role of leadership practices in shaping outcomes within the Nigerian context. While earlier studies emphasized structural or technological factors as drivers of organizational competitiveness, the present findings demonstrate that leadership style and decision-making consistency remain crucial theoretical pillars for sustaining organizational effectiveness. By empirically validating that leadership directly influences both employee commitment and organizational adaptability, this study reinforces and extends the resource-based view (RBV) of the firm, which argues that intangible resources such as leadership capacity can be sources of sustained advantage (Okeke, 2020; Bello & Adeyemi, 2022).

Furthermore, the findings refine contingency theory by showing that leadership effectiveness is not a universal construct but must

be tailored to environmental and cultural realities. In contexts like Nigeria, where institutional and infrastructural challenges persist, leadership practices aligned with transparency, adaptability, and innovation offer stronger explanatory power for performance outcomes (Umar & Musa, 2021; Yakubu, 2023). Thus, this research provides a theoretical framework that future scholars can use to examine leadership–performance dynamics in similar emerging economies.

Practical Implications for Organizations

Beyond theory, the findings have practical value for organizations seeking to enhance performance and competitiveness. Managers and executives are encouraged to prioritize leadership development programs that strengthen skills in communication, ethical decision-making, and adaptive strategy execution. Evidence from this study shows that employees respond positively when leaders demonstrate empathy and clarity, leading to improved organizational cohesion and productivity. These insights echo recent calls for leadership training that moves beyond technical competence to include emotional intelligence and ethical consciousness (Adams & Okoro, 2019; Johnson, 2024).

For private and public sector organizations alike, the study suggests that investing in leadership capacity is not a luxury but a necessity. In particular, firms that operate in highly volatile markets, such as construction, manufacturing, or services, can draw from these findings to craft leadership policies that improve resilience and sustain long-term growth (Ibrahim et al., 2021; Chukwu, 2025).

Policy Implications

The findings also carry strong implications for policy and governance. Given that leadership practices within organizations often reflect broader institutional frameworks, policymakers should design regulations and initiatives that encourage transparency, accountability, and leadership training. For example, government agencies could collaborate with industry associations to develop certification programs that emphasize ethical leadership and strategic innovation. Doing so would not only enhance organizational performance but also contribute to national economic development. Similar recommendations have been made in recent governance studies emphasizing leadership reforms in African economies (Osei & Mensah, 2020; Nwosu, 2023).

In addition, educational institutions and professional bodies should integrate leadership modules into curricula and training programs, ensuring that graduates and professionals are adequately prepared for the realities of organizational leadership. This aligns with emerging global trends that position leadership development as a critical driver of sustainable economic growth (Martins, 2022; Adebajo, 2024).

Conclusion

This study reveals that digitalization significantly enhances financial reporting quality in Nigerian manufacturing firms, improving timeliness, accuracy, IFRS compliance, and transparency (Babajide & Ismail, 2023; OECD, 2024). Quantitative and qualitative evidence show that tools such as ERP, AI, and cloud-based systems streamline reporting processes and strengthen internal controls. The findings support the view that digital infrastructure is a strategic resource that enhances accountability

and decision-making. Firms with higher digital adoption demonstrate fewer restatements and more consistent disclosure practices. Challenges such as infrastructural limitations and firm-specific constraints moderately influence these benefits (Odugbesan & Rjoub, 2022; Adegbie et al., 2021). Digitalization is a key driver of reliable and transparent financial reporting. The study contributes to both theory and practice by highlighting the strategic role of technology in emerging economies. Future research could examine long-term effects of digital adoption on corporate reporting excellence.

Recommendations

- i. Firms should accelerate adoption of digital tools such as ERP, AI, and cloud reporting to improve timeliness and accuracy of financial reports.
- ii. Management should invest in IT-based internal controls to enhance reliability and prevent errors or restatements.
- iii. Regulators and professional bodies should provide guidelines and support for digital reporting adoption to ensure IFRS compliance.
- iv. Firms should address infrastructural and capacity challenges that limit the full benefits of digitalization.
- v. Continuous training and awareness programs for staff are recommended to maximize the efficiency and transparency of digital reporting systems.

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