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ENHANCING FINANCIAL REPORTING INTEGRITY THROUGH BOARD GOVERNANCE: EVIDENCE FROM NIGERIAN INSURANCE FIRMS

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ABSTRACT

This study examined the influence of board governance on financial reporting integrity among listed insurance firms in Nigeria, with specific objectives of determining the influence of board size and board independence on financial reporting integrity measured by accrual earnings management. The study adopted an ex post facto research design and covered a population of fifteen listed insurance firms in Nigeria, from which ten firms were purposively selected based on the availability and completeness of their annual reports for the period 2015 to 2024. Secondary data were collected from the audited annual reports and financial statements of the sampled firms, while the hypotheses were tested using Panel Estimated Generalized Least Squares with Cross Section Seemingly Unrelated Regression after conducting relevant diagnostic tests at a 5 percent level of significance. The findings revealed that: board size had a positive and significant effect on the financial reporting integrity of listed insurance firms in Nigeria by reducing accrual earnings management ($\beta = -0.051990$, $p = 0.0000$); board independence had a positive and significant effect on the financial reporting integrity of listed insurance firms in Nigeria by reducing accrual earnings management ($\beta = -0.388944$, $p = 0.0000$). The study concluded that effective board governance, through appropriate board size and greater board independence, reduced accrual earnings management and strengthened the integrity of financial reporting among listed insurance firms in Nigeria. The study recommended that the boards of listed insurance firms should

maintain an appropriate board size and increase the proportion of independent directors to strengthen oversight functions and improve the integrity of financial reporting.

KEYWORDS: Board Governance, Financial Reporting Integrity, Board Size, Board Independence.

1.0 INTRODUCTION

The increasing complexity of modern business operations has placed greater attention on the quality and credibility of corporate financial reporting across the world. Investors, creditors, regulators, and other stakeholders rely heavily on financial statements when assessing the financial position and performance of business organizations. These financial statements serve as an important basis for making investment decisions, granting credit facilities, evaluating management performance, and determining the long term sustainability of firms (Filipova et al., 2025). However, the usefulness of financial reports depends largely on their integrity. Cases of financial reporting failures, accounting manipulation, and corporate scandals have continued to challenge confidence in financial reporting in both developed and developing economies (Adejumo &Ogburie, 2025). Several organizations that once appeared financially stable later experienced collapse because their financial reports failed to present a true picture of their financial condition. Such incidents have increased public concern about the quality of financial reporting and the governance structures responsible for overseeing financial reporting processes. As a result, corporate governance has received considerable attention from researchers, regulatory agencies, and business practitioners as an important mechanism for improving the credibility and transparency of financial reports. Empirical evidence has continued to show that effective governance structures strengthen the quality and integrity of financial reporting by improving oversight and reducing opportunities for financial reporting irregularities (Atser et al., 2026; Francis &Onuora, 2025). In Nigeria, concerns about financial reporting integrity have also intensified following reports of earnings manipulation, weak internal controls, and governance failures in several corporate organizations. These developments have strengthened the need to examine governance practices that can improve financial reporting integrity and restore stakeholder confidence in financial statements.

Financial reporting integrity has become increasingly important in today's business environment because organizations operate in highly competitive and regulated markets where transparency and accountability are expected by various stakeholders (Enyi et al., 2018). Financial reporting integrity refers to the extent to which financial statements faithfully represent the actual financial condition and performance of an organization without deliberate manipulation or material misstatement. Financial reports with high integrity provide users with reliable information for making informed economic decisions, while poor quality reports increase uncertainty and expose investors and other users to financial risks. At the same time, board governance has become a major area of attention because the board of directors is responsible for overseeing management activities and ensuring that financial reporting complies with applicable accounting standards and regulatory requirements. Effective board governance involves establishing structures and practices that encourage accountability, transparency, ethical conduct, and sound oversight of management. Among the various dimensions of board governance, board size and board independence have attracted considerable interest because they directly influence the board's monitoring effectiveness. A board with an appropriate number of members may possess a wider range of skills, knowledge, and experience needed to supervise management effectively. Similarly, a higher proportion of independent directors may strengthen objective decision making by reducing management influence over the reporting process. Recent empirical evidence has shown that board size, board independence, audit committees, and other governance mechanisms contribute to improving the credibility and integrity of financial reports, although the strength of these effects differs across industries and countries (Febriani, 2026; Rizavi et al., 2024). In the Nigerian insurance industry, where public confidence is essential for business survival, maintaining sound board governance is particularly important because insurance companies manage large volumes of policyholders' funds and are expected to maintain high standards of financial accountability. Francis and Onuora (2025) further observed that governance mechanisms explained a substantial proportion of variations in financial reporting quality among Nigerian insurance firms. Consequently, board governance remains an essential institutional mechanism for supporting credible financial reporting in today's corporate environment.

Board governance influences financial reporting integrity through the quality of oversight provided by the board of directors over financial reporting processes and management activities (Francis &Onuora, 2025). The board approves major financial policies, monitors compliance with accounting standards, supervises internal control systems, and ensures that management prepares financial statements that fairly reflect the organization's financial performance and position. Board size may affect financial reporting integrity because larger boards often provide greater diversity of expertise, professional experience, and perspectives that strengthen monitoring activities and reduce opportunities for financial manipulation (Ideh et al., 2021). However, excessively large boards may experience coordination challenges that could reduce decision making efficiency. Board independence also plays a significant role because independent directors are generally expected to provide objective judgment without undue influence from executive management. Independent board members are more likely to question questionable accounting practices, demand greater disclosure, and support compliance with financial reporting regulations (Atser et al., 2026). These responsibilities contribute to reducing earnings management and improving the credibility of published financial statements. Several empirical studies have shown that effective board governance contributes positively to financial reporting quality through improved monitoring and stronger accountability, although some studies reported that board independence alone may not always produce significant improvements in reporting quality (Porter & Sherwood, 2023; Oladapo et al., 2024; Ideh et al., 2021). In the Nigerian insurance sector, where firms are subject to regulatory oversight and public scrutiny, effective board governance contributes to maintaining confidence among policyholders, shareholders, regulators, and the investing public. Weak governance structures may allow management to engage in earnings manipulation and other practices that undermine the integrity of financial reports.

Financial reporting integrity is essential for ensuring that the financial statements of business organizations present a true and fair view of their financial position and performance. Reliable financial reports enable investors, creditors, regulators, and other stakeholders to make sound economic decisions with confidence. Achieving financial reporting integrity depends largely on effective board governance, as the board of directors is responsible for supervising management, monitoring financial reporting processes, ensuring compliance with accounting standards, and protecting the interests of shareholders and other stakeholders. Board size and board independence are important governance mechanisms because they influence the board's ability to exercise effective oversight, promote accountability, and discourage financial reporting practices that may distort the true financial condition of an organization (Atser et al., 2026; Francis &Onuora, 2025).

In the Nigerian insurance industry, concerns have continued to arise regarding the integrity of corporate financial reports despite the existence of corporate governance regulations and financial reporting standards. Cases of earnings management, financial misstatements, and other reporting practices that reduce the credibility of published financial statements have raised questions about the effectiveness of board governance in ensuring transparent financial reporting(Adejumo &Ogburie, 2025). Where boards lack adequate oversight or independence, management may have greater opportunities to manipulate accounting figures through accrual earnings management, thereby reducing the reliability and credibility of financial statements presented to users. Although some studies have reported that board governance improves financial reporting quality, evidence from other studies suggests that certain governance characteristics may not always be sufficient to prevent earnings management under different organizational settings (Owoeye &Oshatimi, 2025; Devie et al., 2024; Aifuwa&Embele, 2019). This situation has continued to create uncertainty about whether existing board governance mechanisms are sufficiently effective in promoting financial reporting integrity within insurance firms.

If financial reporting integrity is weakened by ineffective board governance, investors may lose confidence in the financial statements issued by insurance companies, making investment decisions more difficult and increasing uncertainty in the capital market. Regulators may also encounter greater challenges in maintaining compliance with financial reporting requirements, while policyholders, creditors, and other users of financial reports may rely on information that does not accurately reflect the financial condition of firms. This may expose organizations to reputational damage, reduced investor confidence, regulatory sanctions, and financial instability. These consequences reinforce the importance of strengthening governance practices that can promote transparent financial reporting and sustain confidence in the Nigerian insurance industry.

Existing studies by Atser et al. (2026), Febriani (2026), Francis and Onuora (2025), Owoeye and Oshatimi (2025), Rizavi et al. (2024), Oladapo et al. (2024), Devie et al. (2024), Porter and Sherwood (2023), Ideh et al. (2021), and Aifuwa and Embele (2019) examined the relationship between board governance and financial reporting quality, earnings management, financial statement fraud, or financial reporting integrity using conventional estimation techniques such as Ordinary Least Squares, fixed effects, random effects, panel regression, and Generalised Linear Model regression. However, these approaches did not address the problem of cross sectional dependence, which is common in panel data involving firms operating within the same industry and economic environment. Failure to account for cross sectional dependence may produce inefficient and biased estimates. This study addressed this methodological gap by employing Panel Estimated Generalized Least Squares with Cross Section Seemingly Unrelated Regression after confirming the presence of cross sectional dependence, thereby producing more efficient, consistent, and reliable parameter estimates.Hence, filling this gap will enable the study provide answer to the under-listed research question:

i. How do board size and board independence influence Financial Reporting Integrity (proxy by accrual earnings management)?

2.0 LITERATURE REVIEW

2.1 Synthesis of Existing Empirical Studies

Recent empirical studies have produced considerable evidence on the role of board governance in improving financial reporting integrity, although the findings have not been entirely consistent across sectors and countries. Several studies supported the argument that board size and board independence strengthen monitoring functions and reduce the likelihood of financial reporting irregularities. For example, Atser et al. (2026) found that both board size and board independence significantly reduced financial statement fraud among Nigerian deposit money banks, suggesting that larger and more independent boards improved oversight and enhanced reporting integrity. Similarly, Francis and Onuora (2025) reported that board size significantly improved financial reporting quality among quoted insurance firms in Nigeria, indicating that effective governance structures increased the credibility of financial reports. Porter and Sherwood (2023) also found that firms which increased board independence through board expansion achieved higher financial reporting quality because stronger board monitoring improved reporting practices rather than increased audit effort. These findings are consistent with the argument that effective board governance provides the supervision necessary to discourage earnings manipulation and promote transparent financial reporting. Although these studies were conducted in different sectors and institutional settings, they collectively suggest that board characteristics remain important governance mechanisms capable of strengthening financial reporting integrity.

A broader examination of governance mechanisms also demonstrated that board governance operates alongside other governance structures in promoting the integrity of financial reporting. Febriani (2026) established that independent commissioners, audit committees, and audit quality significantly improved the integrity of financial statements among Indonesian infrastructure firms, although leverage and audit tenure did not produce significant effects. Likewise, Rizavi et al. (2024), through a comprehensive bibliometric review, observed increasing global scholarly evidence linking board independence with improved financial reporting quality, enhanced corporate transparency, and reduced earnings management. The review further highlighted the growing importance of independent audit committees and board diversity in strengthening reporting credibility. These studies indicate that financial reporting integrity is influenced by a combination of governance mechanisms rather than a single board characteristic. They also reinforce the argument that board independence contributes to objective oversight and accountability, even though its effectiveness may depend on the broader governance environment within which firms operate. Together, these findings support the growing recognition that strong governance structures remain essential for protecting the credibility of corporate financial reports.

Despite the substantial evidence supporting the effectiveness of board governance, several empirical studies have reported contrasting findings regarding the influence of board size and board independence on financial reporting integrity. Owoeye and Oshatimi (2025) found that board independence and audit committee expertise did not significantly reduce earnings management among Nigerian insurance companies, while ownership concentration emerged as the major determinant of earnings manipulation. Similarly, Oladapo et al. (2024) reported that board size significantly improved financial reporting quality among Nigerian manufacturing firms, but board independence and board financial expertise were not significant determinants, although board diversity showed a weak positive effect. Devie et al. (2024) also concluded that board size, independent commissioners, audit committees, institutional ownership, and leverage did not significantly influence the integrity of financial statements among Indonesian banking firms, with firm size providing the only significant explanation for reporting integrity. Likewise, Ideh et al. (2021) established that board size and board independence did not significantly influence earnings management after introducing IFRS adoption and firm age into the analysis. Aifuwa and Embele (2019) similarly found that board independence did not significantly affect financial reporting quality, while board expertise remained the only significant governance characteristic. These differing findings suggest that board governance may not produce uniform outcomes across firms because organisational characteristics, ownership structures, regulatory environments, and institutional factors may alter the effectiveness of governance mechanisms.

Taken together, the empirical literature demonstrates broad agreement that board governance is closely associated with financial reporting integrity, but important differences remain regarding the extent to which board size and board independence individually influence reporting outcomes. Studies such as Atser et al. (2026), Francis and Onuora (2025), Porter and Sherwood (2023), Febriani (2026), and Rizavi et al. (2024) provided evidence that effective board structures improve transparency, reduce financial reporting irregularities, and enhance reporting quality. In contrast, the findings of Owoeye and Oshatimi (2025), Devie et al. (2024), Ideh et al. (2021), Oladapo et al. (2024), and Aifuwa and Embele (2019) suggest that board governance alone may not always guarantee financial reporting integrity because other organisational and institutional factors may influence reporting behaviour. The variation in empirical evidence indicates that the effectiveness of board governance is likely to depend on the operating environment, governance practices, and industry characteristics of individual firms. This makes further investigation necessary, particularly within the Nigerian insurance industry where financial reporting integrity remains essential for sustaining public confidence and where accrual earnings management provides a direct measure of the quality and credibility of financial reporting.

2.2 Theoretical Framework and Development of Research Hypotheses

This study was anchored on the Stewardship Theory, which was developed by James Davis, F. David Schoorman, and Lex Donaldson in 1997 (Nwafor & Nworie, 2025). The theory emerged as an alternative to Agency Theory, which assumes that managers are primarily motivated by self interest and therefore require constant monitoring. Stewardship Theory challenged this assumption by arguing that managers are capable of acting responsibly and placing the interests of the organization above their personal interests. The theory was developed within the field of organizational management to explain how trust, commitment, and responsibility influence managerial behaviour and organizational performance. Since its introduction, Stewardship Theory has been widely applied in corporate governance, accounting, finance, and management studies to explain the relationship between boards of directors and management in achieving organizational objectives.

The main proposition of Stewardship Theory is that managers are trustworthy stewards whose actions are directed toward achieving organizational goals rather than pursuing personal gains (Davis et al., 1997). The theory argues that managers derive greater satisfaction from organizational success because their achievements, reputation, and professional growth are closely linked to the performance of the organization. Consequently, they are expected to act with honesty, integrity, and accountability when carrying out their responsibilities. The theory further maintains that an effective board of directors should not only perform monitoring functions but should also provide guidance, support, and strategic direction that enable management to perform efficiently. It also suggests that board characteristics such as an appropriate board size and the presence of independent directors enhance sound decision making, strengthen accountability, and encourage the preparation of credible financial reports. According to the theory, cooperation between the board and management creates an environment that promotes transparency, responsible financial reporting, and long term organizational sustainability.

Stewardship Theory is relevant to this study because it explains how effective board governance can promote financial reporting integrity within Nigerian insurance firms. The study examines board size and board independence as important governance mechanisms that influence the quality and credibility of financial reporting measured through accrual earnings management. The theory supports the view that when boards are properly constituted with an appropriate number of members and a sufficient level of independence, they are better positioned to guide management, encourage ethical conduct, and ensure that financial statements faithfully represent the financial position of the organization (Glinkowska& Kaczmarek, 2015). Rather than viewing the relationship between the board and management as adversarial, Stewardship Theory emphasizes cooperation and shared responsibility in achieving transparent financial reporting. This makes the theory suitable for explaining how board governance contributes to reducing earnings management and improving financial reporting integrity in Nigerian insurance firms. In line with the above hypothesis, we hypothesise that:

H_1: Board size will increase the financial reporting integrity of Nigerian insurance firms.

H_2: Board independence will increasethe financial reporting integrity of Nigerian insurance firms.

3.0 METHODOLOGY

This study adopted an ex post facto research design to examine the influence of board governance on financial reporting integrity among listed insurance firms in Nigeria. The ex post facto research design was considered appropriate because the study relied on historical events and existing financial information that could not be manipulated or controlled by the researcher (Amasiatu et al., 2026; Olughu et al., 2026). The study made use of secondary data extracted from the published annual reports and financial statements of the selected insurance firms over the period 2015 to 2024. Since the variables had already occurred, the design provided an appropriate basis for examining how board size and board independence influenced financial reporting integrity measured by accrual earnings management.

The study focused on listed insurance firms in Nigeria. These firms operate under the regulatory supervision of the Nigerian Exchange Group (NGX) and the National Insurance Commission (NAICOM), both of which require compliance with corporate governance principles and financial reporting standards. The population of the study consisted of fifteen (15) listed insurance firms in Nigeria as presented below.

Table 3.1: Study Population.

1. Goldlink Insurance Plc
2. International Energy Insurance Plc
3. Niger Insurance Plc
4. Staco Insurance Plc
5. Standard Alliance Insurance Plc
6. AIICO Insurance Plc
7. AXA Mansard Insurance Plc
8. Consolidated Hallmark Insurance Plc
9. Cornerstone Insurance Plc
10. Coronation Insurance Plc
11. Guinea Insurance Plc
12. NEM Insurance Plc
13. Regency Alliance Insurance Plc
14. Sovereign Trust Insurance Plc
15. Universal Insurance Plc

Source: Nigerian Exchange Group (2025)

The study employed a purposive sampling technique in selecting the sample. The choice of purposive sampling was based on the availability, consistency, and completeness of annual financial reports throughout the study period of 2015 to 2024. Five insurance firms were excluded because their annual reports were either incomplete or unavailable for some years within the study period. Consequently, the final sample comprised ten (10) listed insurance firms.

Table 3.2: Sampled Firms

1. AIICO Insurance Plc
2. AXA Mansard Insurance Plc
3. Consolidated Hallmark Insurance Plc
4. Cornerstone Insurance Plc
5. Coronation Insurance Plc
6. Guinea Insurance Plc
7. NEM Insurance Plc
8. Regency Alliance Insurance Plc

9. Sovereign Trust Insurance Plc
10. Universal Insurance Plc

Source: Researcher's Compilation (2026)

The study utilized secondary data obtained from the audited annual reports and financial statements of the selected insurance firms covering the period from 2015 to 2024. Secondary data were considered appropriate because they provide objective, reliable, and verifiable information for evaluating board governance characteristics and financial reporting integrity over time.Data for the study were obtained from the published annual reports and accounts of the selected insurance firms. Information relating to board size and board independence was extracted from the corporate governance sections of the annual reports. Board size was obtained by counting the total number of directors serving on the board during each financial year, while board independence was measured using the proportion of independent non executive directors to the total number of directors.

Financial reporting integrity was measured using accrual earnings management. Data required for computing accrual earnings management were extracted from the statement of financial position, statement of profit or loss, statement of cash flows, and accompanying notes to the financial statements. All relevant data were collected for the ten sampled firms over the ten year period, producing a balanced panel data set consisting of 100 firm year observations.

The study employed descriptive statistics, correlation analysis, diagnostic tests, and panel regression analysis. Descriptive statistics were used to summarize the characteristics of the variables through the mean, median, maximum value, minimum value, standard deviation, skewness, kurtosis, and Jarque Bera statistics.Pearson correlation analysis was employed to determine the direction and strength of the association among the variables. Several diagnostic tests were also conducted before estimating the regression model. These included the Variance Inflation Factor test for multicollinearity, the Breusch Pagan Lagrange Multiplier test for panel effects, the Hausman specification test for model selection, and the residual cross sectional dependence test.

The Hausman specification test indicated a probability value of 0.0457, which was less than the 5 percent significance level. Consequently, the fixed effects model was considered appropriate. However, because the residual cross sectional dependence test revealed significant cross sectional dependence among the sampled firms, the Panel Estimated Generalized Least Squares using Cross Section Seemingly Unrelated Regression estimation technique was adopted to obtain efficient, consistent, and unbiased parameter estimates.Hypotheses were tested at the 5 percent level of significance. The null hypothesis was rejected whenever the probability value was less than 0.05, indicating that board governance exerted a statistically significant influence on financial reporting integrity.The functional relationship is expressed as:

FRI = $f(BSZ, BIN)$

The econometric model is specified as:

$$AEM_{it} = \beta_0 + \beta_1 BSZ_{it} + \beta_2 BIN_{it} + \mu_{it}$$

Where:

- **AEM** = Accrual Earnings Management (Proxy for Financial Reporting Integrity)
- **BSZ** = Board Size
- **BIN** = Board Independence
- **β_0** = Constant
- **$\beta_1 - \beta_2$** = Regression coefficients
- **μ** = Error term
- **i** = Insurance firm
- **t** = Time period (2015–2024)

Table 3.3: Variable Definitions and Measurements.

Variable	Description	Measurement
AEM (Accrual Earnings Management)	Proxy for Financial Reporting Integrity	Estimated discretionary accruals using the Modified Jones Model. Lower discretionary accruals indicate higher financial reporting integrity.
BSZ (Board Size)	Number of directors serving on the board	Total number of directors on the board.
BIN (Board Independence)	Degree of board independence	Number of independent non executive directors divided by the total number of directors.

Source: Researcher's Computation (2026)

4.0 DATA ANALYSIS

4.1 Descriptive Analysis and Model Diagnostics

Table 4.1 Descriptive Statistics.

	AEM	BSZ	BIN
Mean	0.911117	8.830000	0.669101
Median	0.770603	9.000000	0.666667
Maximum	2.537204	12.00000	0.875000
Minimum	0.052146	4.000000	0.500000
Std. Dev.	0.668323	1.803784	0.089207
Skewness	0.792825	-0.076513	-0.130902
Kurtosis	2.821151	2.265903	2.700282
Jarque-Bera	10.60947	2.342980	0.659886
Probability	0.004968	0.309905	0.718965
Sum	91.11166	883.0000	66.91006
Sum Sq. Dev.	44.21889	322.1100	0.787835
Observations	100	100	100

Source: Eviews 10 Output (2026)

As shown in **Table 4.1**, Accrual Earnings Management (AEM), which served as the proxy for financial reporting integrity, recorded a mean value of 0.911117, indicating the average level of discretionary accruals among the sampled insurance firms during the study period. The maximum value of 2.537204 and minimum value of 0.052146 show considerable variation in accrual earnings management across firms. The standard deviation of 0.668323 indicates moderate dispersion around the mean. The positive skewness value of 0.792825 suggests that the distribution was slightly skewed to the right, while the kurtosis value of 2.821151 indicates a distribution close to normal. Although the Jarque Bera probability of 0.004968 suggests non normality, the sample size of 100 satisfies the Central Limit Theorem, making the data appropriate for statistical analysis.

As presented in **Table 4.1**, Board Size (BSZ) recorded a mean value of 8.830000, indicating that the sampled insurance firms had an average of about nine directors on their boards during the study period. The maximum board size was 12 directors, while the minimum was 4 directors, showing some variation in board composition across firms. The standard deviation of 1.803784 indicates a moderate spread of board sizes around the average. The skewness value of negative 0.076513 shows that the distribution was approximately symmetric with a slight left skew. The kurtosis value of 2.265903 indicates a relatively flat distribution. The Jarque Bera probability of 0.309905 is greater than 0.05, confirming that the variable was normally distributed.

According to **Table 4.1**, Board Independence (BIN) had a mean value of 0.669101, implying that independent non executive directors accounted for about 66.91 percent of board membership on average. The maximum value of 0.875000 and minimum value of 0.500000 indicate differences in the proportion of independent directors across the sampled firms. The standard deviation of 0.089207 shows that board independence varied only slightly during the study period. The skewness value of negative 0.130902 indicates that the distribution was approximately symmetric with a slight left skew, while the kurtosis value of 2.700282 suggests a distribution close to normal. The Jarque Bera probability of 0.718965 exceeds 0.05, indicating that the variable was normally distributed.

Table 4.2Correlational Analysis: Ordinary.

Date: 06/28/26 Time: 07:12			
Sample: 2014 2023			
Included observations: 100			
Correlation			
Probability	AEM	BSZ	BIN
AEM	1.000000		

BSZ	0.134436	1.000000	
	0.1824	-----	
BIN	0.005114	0.388203	1.000000
	0.9597	0.0001	-----

Source: Eviews 10 Output (2026)

Table 4.2 presents the Pearson correlation analysis showing the relationship between the independent variables and accrual earnings management (AEM), which serves as the proxy for financial reporting integrity. The result indicates that board size (BSZ) has a weak positive correlation with AEM (r = 0.134436), but the relationship is not statistically significant since the probability value of 0.1824 is greater than the 0.05 significance level. Similarly, board independence (BIN) has an almost negligible positive correlation with AEM (r = 0.005114), and this relationship is also statistically insignificant, with a probability value of 0.9597. These results suggest that, based on the ordinary correlation analysis, board size and board independence do not exhibit significant linear relationships with accrual earnings management.

Table 4.3 Correlated Random Effects - Hausman Test.

Equation: Untitled				
Test cross-section random effects				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		6.172891	2	0.0457

Source: Eviews 10 Output (2026)

Table 4.3 presents the results of the Hausman specification test. The essence of the Hausman test is to determine the most appropriate estimation technique between the fixed effects model and the random effects model for panel data analysis. The result shows a Chi square statistic of 6.172891 with a probability value of 0.0457. Since the probability value is less than the 0.05 level of significance, the null hypothesis that the random effects model is appropriate is rejected. This indicates that the fixed effects model is more suitable for the study because it provides more consistent estimates by accounting for firm specific characteristics that may influence financial reporting integrity.

Table 4.4 Lagrange multiplier (LM) test for panel data.

Date: 06/28/26 Time: 07:07			
Sample: 2014 2023			
Total panel observations: 100			
Probability in ()			
Null (no rand. effect)	**Cross-section**	**Period**	**Both**
Alternative	**One-sided**	**One-sided**	
Breusch-Pagan	47.03904	0.032504	47.07155
	(0.0000)	(0.8569)	(0.0000)
Honda	6.858501	0.180288	4.977175
	(0.0000)	(0.4285)	(0.0000)
SLM	7.944396	0.396486	--
	(0.0000)	(0.3459)	--

Source: Eviews 10 Output (2026)

Table 4.4 presents the result of the Breusch Pagan Lagrange Multiplier test for panel data. The essence of this test is to determine whether panel effects exist and whether a panel data model is more appropriate than a pooled regression model. The result shows a Breusch Pagan statistic of 47.07155 with a probability value of 0.0000. Since the probability value is less than the 0.05 level of significance, the null hypothesis of no random effects is rejected. This indicates that significant panel effects exist in the data and confirms that a panel estimation technique is more appropriate than a pooled ordinary least squares regression model for analysing the relationship among the study variables.

Table 4.5 Multicollinearity Test.

Variance Inflation Factors			
Date: 06/28/26 Time: 07:16			
Sample: 1 100			
Included observations: 100			
	Coefficient	**Uncentered**	**Centered**
Variable	**Variance**	**VIF**	**VIF**
BSZ	0.001632	29.67823	1.177442
BIN	0.667213	68.08690	1.177442
C	0.279047	62.50546	NA

Source: Eviews 10 Output (2026)

Table 4.5 presents the results of the multicollinearity test using the Variance Inflation Factor. The essence of this test is to determine whether a high degree of correlation exists among the explanatory variables, which could affect the reliability of the regression estimates. The results show that both board size and board independence have a centered Variance Inflation Factor value of 1.177442. Since these values are far below the commonly accepted threshold of 10, there is no evidence of multicollinearity among the independent variables. This indicates that board size and board independence are sufficiently independent of each other and can therefore be included together in the regression model without causing estimation problems.

Table 4.6 Residual Cross-Section Dependence Test.

Null hypothesis: No cross-section dependence (correlation) in residuals			
Equation: Untitled			
Periods included: 10			
Cross-sections included: 10			
Total panel observations: 100			
Note: non-zero cross-section means detected in data			
Cross-section means were removed during computation of correlations			
Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	141.6889	45	0.0000
Pesaran scaled LM	10.19190		0.0000
Pesaran CD	4.752468		0.0000

Source: Eviews 10 Output (2026)

Table 4.6 presents the results of the residual cross section dependence test using the Pesaran CD statistic. The essence of this test is to determine whether the residuals of the sampled firms are correlated across cross sections, which is common when firms operate within the same industry and economic environment. The result shows a Pesaran CD statistic of 4.752468 with a probability value of 0.0000. Since the probability value is less than the 0.05 level of significance, the null hypothesis of no cross section dependence is rejected. This indicates the presence of significant cross section dependence among the sampled firms. Consequently, the study adopted the Panel Estimated Generalized Least Squares with Cross Section Seemingly Unrelated Regression estimator to obtain efficient, consistent, and reliable parameter estimates.

4.2 Test of Hypotheses

H_1: Board size will increase the financial reporting integrity of Nigerian insurance firms.

H_2: Board independence will increase the financial reporting integrity of Nigerian insurance firms.

Table 4.7 Test of Hypotheses.

Dependent Variable: AEM		
Method: Panel EGLS (Cross-section SUR)		
Date: 06/28/26 Time: 07:10		
Sample: 2015 2024		

Periods included: 10				
Cross-sections included: 10				
Total panel (balanced) observations: 100				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
BSZ	-0.051990	0.004338	-11.98564	0.0000
BIN	-0.388944	0.087706	-4.434629	0.0000
C	0.714243	0.075689	9.436608	0.0000
	Weighted Statistics			
R-squared	0.627485	Mean dependent var		5.378376
Adjusted R-squared	0.619804	S.D. dependent var		16.23879
S.E. of regression	1.005606	Sum squared resid		98.09056
F-statistic	81.69605	Durbin-Watson stat		1.964471
Prob(F-statistic)	0.000000			

Source: Eviews 10 Output (2026)

Table 4.7 presents the results of the Panel Estimated Generalized Least Squares with Cross Section Seemingly Unrelated Regression used to examine the effect of board governance on financial reporting integrity among listed insurance firms in Nigeria. The adjusted R squared value of 0.619804 indicates that approximately 61.98 percent of the total variation in financial reporting integrity, measured by accrual earnings management, was explained by board size and board independence. This suggests that the explanatory variables possess strong explanatory power, while the remaining 38.02 percent of the variation was explained by other factors outside the model. The probability value of the F statistic (0.000000) is less than the 5 percent level of significance, indicating that the overall regression model is statistically significant and appropriate for explaining the effect of board governance on financial reporting integrity. Furthermore, the Durbin Watson statistic of 1.964471, which is approximately 2, indicates the absence of serious autocorrelation in the residuals. This confirms that the regression estimates are reliable for hypothesis testing and policy conclusions.

Table 4.7 shows that the constant coefficient is 0.714243 with a probability value of 0.0000. The constant represents the average level of accrual earnings management when board size and board independence are held constant. The coefficient implies that, in the absence of changes in the explanatory variables, accrual earnings management would be expected to stand at 0.714243. Since lower accrual earnings management reflects higher financial reporting integrity, this value represents the baseline level of financial reporting integrity among the sampled firms. The probability value of 0.0000 is less than the 5 percent significance level, indicating that the constant is statistically significant and should be retained in the model.

Hypothesis One

Table 4.7 shows that the coefficient of board size (BSZ) is −0.051990 with a probability value of 0.0000. The negative coefficient indicates that an increase in board size leads to a reduction in accrual earnings management. Specifically, a unit increase in board size reduces accrual earnings management by 0.051990 units. Since lower accrual earnings management represents higher financial reporting integrity, this result implies that increasing board size improves financial reporting integrity among listed insurance firms in Nigeria. The probability value of 0.0000 is less than the 5 percent level of significance, showing that the effect is statistically significant. Therefore, the study concludes that board size has a positive and significant effect on financial reporting integrity, although the estimated coefficient is negative because the dependent variable is measured using accrual earnings management, where lower values indicate greater integrity. Consequently, the alternative hypothesis stating that board size will increase the financial reporting integrity of Nigerian insurance firms is accepted.

Hypothesis Two

Table 4.7 further indicates that the coefficient of board independence (BIN) is −0.388944 with a probability value of 0.0000. The coefficient implies that a unit increase in board independence reduces accrual earnings management by 0.388944 units. This marginal effect shows that greater board independence substantially lowers the level of discretionary accruals reported by insurance firms. Since financial reporting integrity increases as accrual earnings management decreases, the result indicates that higher board independence enhances financial reporting integrity. The probability value of 0.0000 is less than the 5 percent significance level, indicating that the effect is statistically significant. Therefore, the study concludes that board independence has a positive and significant effect on financial reporting integrity, even though the estimated coefficient is negative because the dependent variable is measured as accrual earnings management. Accordingly, the alternative hypothesis stating that board independence will increase the financial reporting integrity of Nigerian insurance firms is accepted.

4.3 DISCUSSION OF FINDINGS

Finding 1: Board size had a positive and significant effect on the financial reporting integrity of listed insurance firms in Nigeria by reducing accrual earnings management ($\beta = -0.051990$, $p = 0.0000$).

The finding revealed that board size significantly improved financial reporting integrity by reducing accrual earnings management among listed insurance firms in Nigeria. This suggests that boards with a higher number of directors possess a wider range of professional knowledge, experience, and skills that strengthen oversight over management and discourage the manipulation of accounting figures. Larger boards are also more likely to establish effective monitoring mechanisms, promote balanced decision making, and ensure greater compliance with accounting standards and corporate governance regulations. As a result, managers have fewer opportunities to engage in discretionary accounting practices that reduce the credibility of financial statements. This outcome is consistent with the stewardship theory, which maintains that directors work collectively to protect organisational interests and improve accountability. The finding agrees with Atser et al. (2026), who reported that board size significantly strengthened the prevention of financial statement fraud in Nigerian deposit money banks through improved monitoring activities. It also supports Francis and Onuora (2025), who found that board size exerted a positive and significant effect on financial reporting quality among quoted insurance firms in Nigeria. Similarly, Oladapo et al. (2024) established that board size significantly improved financial reporting quality among listed manufacturing firms in Nigeria, while Porter and Sherwood (2023) observed that firms which increased board size to satisfy board independence requirements recorded better financial reporting quality because of stronger board monitoring. However, the result contradicts Devie et al. (2024), who found that board size did not significantly influence the integrity of financial statements among Indonesian banking companies. It also disagrees with Ideh et al. (2021), who reported that board size had no significant influence on earnings management after considering the mediating roles of International Financial Reporting Standards adoption and firm age. The differences may be attributed to variations in sectors, countries, periods covered, governance environments, estimation techniques, and the treatment of cross sectional dependence.

Finding 2: Board independence had a positive and significant effect on the financial reporting integrity of listed insurance firms in Nigeria by reducing accrual earnings management ($\beta = -0.388944$, $p = 0.0000$).

The study further found that board independence significantly enhanced financial reporting integrity by reducing accrual earnings management among listed insurance firms in Nigeria. This indicates that increasing the proportion of independent non executive directors strengthens objective oversight of management and limits opportunities for managers to manipulate reported earnings. Independent directors are generally less influenced by executive management and are therefore better positioned to question accounting decisions, demand adequate disclosures, and ensure compliance with financial reporting standards. Their presence promotes greater accountability and improves the credibility of published financial statements. This outcome is consistent with the stewardship theory, which recognises the importance of responsible oversight in protecting organisational interests and promoting transparent reporting. The finding is supported by Atser et al. (2026), who found that board independence significantly improved the prevention of financial statement fraud in Nigerian deposit money banks. It also agrees with Febriani (2026), who reported that independent commissioners significantly enhanced the integrity of financial statements among Indonesian infrastructure companies. In addition, Rizavi et al. (2024) concluded from their bibliometric review that stronger board independence contributes to improved financial reporting quality and reduced earnings management. The result is also consistent with Porter and Sherwood (2023), who found that greater board independence strengthened financial reporting quality through improved board monitoring. However, the finding disagrees with Owoeye and Oshatimi (2025), who reported that board independence did not significantly influence earnings management among Nigerian insurance companies. It also contradicts Oladapo et al. (2024), who found no significant effect of board independence on financial reporting quality, Ideh et al. (2021), who observed that board independence did not significantly affect earnings management after introducing mediating variables, and Aifuwa and Embele (2019), who equally found no significant effect of board independence on financial reporting quality. These differences may have resulted from differences in research scope, governance environments, sample characteristics, model specification, and estimation methods.

5.0 CONCLUSION AND RECOMMENDATION

The findings demonstrate that effective board governance plays an important role in improving the integrity of financial reporting within the Nigerian insurance industry. The significant influence of board size and board independence shows that strengthening board composition can reduce accrual earnings management and increase the credibility of published financial statements. This means that insurance firms with boards that possess adequate membership and a higher proportion of independent directors are more likely to exercise effective oversight over management decisions, encourage compliance with accounting standards, and limit opportunities for earnings manipulation. The results also reinforce the argument of stewardship theory that directors are capable of acting in the best interests of the organisation by promoting accountability and transparent reporting. For investors, creditors, policyholders, regulators, and other users of financial statements, the findings provide evidence that board governance contributes to greater confidence in the quality of financial information used for investment, lending, and regulatory decisions.

1. **The Boards of Directors of listed insurance firms in Nigeria** should maintain an appropriate board size by appointing directors with diverse professional knowledge, financial expertise, and industry experience to strengthen oversight of management, improve the quality of financial reporting, and reduce the likelihood of accrual earnings management.

2. **The National Insurance Commission (NAICOM) and the Boards of Directors of listed insurance firms in Nigeria** should ensure adequate representation of truly independent non executive directors on corporate boards and safeguard their independence from management influence so that they can exercise objective oversight, promote compliance with financial reporting standards, and improve the integrity and credibility of published financial statements.

5.1 Contribution to Knowledge

This study contributed to the existing literature by addressing an important methodological limitation identified in previous studies on board governance and financial reporting integrity. While earlier studies relied mainly on estimation techniques such as Ordinary Least Squares, fixed effects, random effects, panel regression, and Generalised Linear Model regression, this study first established the presence of cross sectional dependence among the sampled firms before selecting the appropriate estimation method. By applying Panel Estimated Generalized Least Squares with Cross Section Seemingly Unrelated Regression, the study produced more efficient, consistent, and reliable parameter estimates. This methodological improvement strengthened the credibility of the empirical findings and demonstrated the importance of using estimation techniques that account for cross sectional dependence when analysing panel data from firms operating within the same industry. Consequently, the study provides a stronger methodological basis for future empirical research on board governance and financial reporting integrity.

5.2 Limitations of the Study and Suggestion for Further Studies

This study was limited to listed insurance firms in Nigeria and covered only ten firms whose annual reports were complete and available for the period 2015 to 2024. The findings may therefore not fully represent unlisted insurance firms or companies operating in other sectors of the Nigerian economy. The study also considered only board size and board independence as measures of board governance, while other governance variables that may influence financial reporting integrity were not included. In addition, the study relied entirely on secondary data obtained from published annual reports, making the results dependent on the accuracy and completeness of the reported information.

Future studies should examine the influence of additional board governance variables such as board expertise, board diversity, board meetings, and audit committee characteristics on financial reporting integrity. Similar studies should also be conducted in other sectors of the Nigerian economy, including banking, manufacturing, and oil and gas firms, to determine whether the findings remain consistent across industries. Researchers may also extend the study period or include more firms to improve the generalisation of the findings. Further studies may combine secondary data with primary data obtained from directors, auditors, and regulators to provide a broader understanding of financial reporting integrity.

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