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Firms' Attributes and Earnings Persistence of Listed Industrial Goods Companies in Nigeria

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Abstract
The study examined the relationship between firms' attributes and earnings persistence in listed Nigerian firms. The objectives of the study are to examine the financial growth and governance attributes of firms and their influence on the consistency in their earnings. The study employed the use of ex-post facto research design and the purposive sampling techniques, sourcing data via secondary means from published financials of listed firms in Nigeria. The data were analyzed using a combination of descriptive and inferential statistical tools, while the hypotheses were tested using the robust regression analysis. The findings revealed that financial leverage and financial growth rate have a significant negative impact on earnings persistence, while governance structure plays a more moderate role in enhancing earnings stability. The study recommended that firms should carefully manage their financial leverage to avoid excessive debt that can reduce earnings persistence. Companies are encouraged to balance their debt levels with equity financing to ensure financial stability and reduce the risk of financial distress. By maintaining a manageable debt load, firms can improve the predictability and sustainability of their earnings over the long term.

Keywords: *Firm attributes; Earnings persistence; Financial growth rate; Governance structure*

Introduction

The concept of earnings persistence is critical in evaluating the sustainability of a firm's financial performance over time. It refers to the ability of a company to maintain stable earnings across different periods, a key indicator of the quality and reliability of its financial reporting. In the context of industrial goods firms in Nigeria, the persistence of earnings is influenced by various firm-specific attributes such as size, age, leverage, liquidity, and profitability (Johnson et al., 2023). These attributes determine not only the financial health of a company but also the degree of its earnings management practices, which in turn affect earnings persistence. According to Nangih and Wali (2022), firms with higher earnings persistence are better positioned to reflect true financial performance, which is crucial for attracting investors and ensuring long-term growth. This makes understanding the role of firm attributes in shaping earnings persistence particularly relevant for Nigerian listed firms, where accounting and governance structures can significantly influence financial outcomes.

In recent years, Nigerian companies have faced growing challenges related to corporate governance, regulatory changes, and economic volatility. Studies show that governance mechanisms, including board composition, audit quality, and ownership concentration, play a significant role in determining the accuracy and persistence of reported earnings (Mohammed & Kurawa, 2021). As noted by Ibrahim et al. (2025), corporate governance practices, such as the presence of independent directors and quality audits, are essential in ensuring that earnings are not subject to manipulation, thus affecting their persistence. For instance, the influence of firm size and board attributes has been shown to significantly impact the ability of firms to manage their earnings in a manner that reflects their true economic performance (Araoye, 2025). Therefore, a thorough analysis of these factors within the Nigerian industrial goods sector is crucial for understanding how these elements contribute to earnings persistence.

Another critical factor influencing earnings persistence is the use of accrual accounting. The manipulation of accrual estimates, including depreciation and tax estimates, has been linked to lower earnings persistence, particularly in the Nigerian context (Nangih & Wali, 2022). These accounting choices can distort the financial performance reflected in earnings reports, reducing the reliability of reported figures over time. As emphasized by Johnson et al. (2023), earnings quality, which is closely related to persistence, can be undermined by high levels of accrual-based earnings management, particularly in firms with weak internal controls and poor governance structures. As Nigerian companies face increasing pressure to improve financial transparency, the impact of such manipulations on earnings persistence remains a vital area of research.

Furthermore, institutional and financial factors such as leverage, liquidity, and firm growth have been identified as key determinants of earnings persistence. Research by Maigoshi and Tanko (2023) suggests that financial attributes like leverage significantly influence a firm's earnings quality, as highly leveraged firms may be more inclined to engage in earnings management to meet debt covenants. Similarly, liquidity can affect a firm's ability to sustain earnings without resorting to aggressive financial reporting practices. As shown by Onoyenure and Ebiaghan (2023), firm growth is another attribute that can significantly impact the long-term sustainability of earnings, as rapidly expanding companies often face pressures to meet market expectations, which may lead to earnings smoothing or manipulation.

Given the above, this study analyzed the effect of attributes such as size, age, liquidity, and leverage on the earnings persistence of listed industrial goods companies in Nigeria. The findings of this study are expected to offer valuable insights into the financial practices of Nigerian firms, guiding policymakers, investors, and regulators in improving financial reporting standards and governance practices. By addressing the gap in the literature concerning the relationship between firm attributes and earnings persistence in Nigerian industrial goods firms, this study contributed significantly to the understanding of corporate performance in emerging markets.

Hypotheses of the Study

H_{01}: There is no significant effect of financial leverage on the earnings persistence of quoted firms in Nigeria;

H_{02}: There is no significant effect of financial growth rate on the earnings persistence of quoted firms in Nigeria;

H_{03}: There is no significant effect of governance structure on the earnings persistence of quoted firms in Nigeria.

Review of Related Literature

Earnings Persistence

Earnings persistence refers to the ability of a firm's earnings to remain stable and predictable over time, which is crucial for assessing the sustainability of its financial performance. In the context of Nigerian listed firms, earnings persistence is an essential factor that influences investment decisions and market perceptions. Studies have shown that the persistence of earnings in Nigerian firms, particularly banks, tends to be lower compared to their counterparts in more developed markets. For instance, a study found that despite reporting substantial profits, these earnings were not sustainable, as evidenced by the banks' failure to maintain capital adequacy (Abogun et al., 2020). This lack of earnings persistence poses a risk to investors, who might be misled by high reported profits, but the underlying financial health remains weak. Therefore, understanding the factors that influence earnings persistence, such as financial leverage, growth rate, and governance structures, becomes crucial for both investors and regulators.

Further research indicates that firm attributes, including governance structure , also play a significant role in determining earnings persistence. A study by Orilonise et al. (2024) on Nigerian listed firms revealed that corporate structure directly impacts earnings persistence, with stronger governance structures leading to more consistent earnings over time. The study highlighted that board independence, audit committee effectiveness, and transparent reporting contribute to the long-term stability of earnings, suggesting that firms with robust governance structure are better positioned to sustain earnings over multiple periods. On the other hand, the earnings persistence of firms with weak governance structures is often compromised, as the potential for earnings manipulation increases. This finding is consistent with the broader literature on governance structure, where the quality of financial reporting and the oversight of boards are critical determinants of earnings reliability (Olaoye & Adewumi, 2020). Hence, Nigerian firms aiming to enhance earnings persistence must invest in improving governance practices.

Despite these insights, several gaps remain in understanding the factors driving earnings persistence in Nigerian firms, especially outside the financial sector. While some studies focus on banks and manufacturing companies, there is limited research addressing the industrial goods sector, which is pivotal to the Nigerian economy. A study by Nangih and Wali (2022) explored the role of accrual estimates on earnings persistence in Nigerian listed firms, showing that manipulations of estimates such as depreciation and taxes can distort earnings persistence. However, more sector-specific research is needed to fully understand the dynamics of earnings persistence across various industries in Nigeria. Additionally, the impact of economic volatility and external market factors on the persistence of earnings remains an under-researched area. As the Nigerian market is prone to instability, further studies could investigate how macroeconomic factors influence the stability of earnings across different sectors. Overall, this study aims to fill these gaps by examining the relationship between firm attributes and earnings persistence across a broader spectrum of Nigerian firms.

Firms Attributes

Firm attributes are crucial in determining the operational efficiency, financial stability, and long-term success of listed firms. Key attributes such as firm size, ownership structure, financial leverage, and liquidity play a significant role in shaping the financial outcomes of Nigerian firms. For example, a study by Quadri et al. (2025) on non-financial firms found that foreign ownership, institutional ownership, and managerial ownership all positively impacted firm value. This suggests that firms with diversified ownership structures tend to exhibit greater financial robustness and higher valuation in the market. Additionally, the study highlights the importance of ownership concentration, indicating that firms with concentrated ownership may experience higher governance challenges, but can also enhance strategic decision-making processes (Quadri et al., 2025). Furthermore, research by Razaq et al. (2023) found that firm size and profitability were significantly associated with sustainability reporting, underlining the importance of firm-specific attributes in enhancing transparency and accountability in corporate disclosures. These findings demonstrate how firm attributes directly influence financial performance and sustainability practices among Nigerian firms.

In addition to ownership structure and size, other firm-specific characteristics such as audit quality and financial distress also significantly impact corporate governance and performance. Yusuf et al. (2022) observed that financial distress, surplus cash flows, and audit remuneration strongly affected the creative accounting practices of listed consumer firms in Nigeria. The study further suggested that better management of surplus cash flows and audit expenses could enhance the financial reporting quality of Nigerian firms. Similarly, the work by Terkende and Karim (2023) on listed consumer goods companies demonstrated that financial leverage and firm size had significant effects on financial reporting timeliness. This highlights the importance of having a well-balanced capital structure to ensure timely and accurate financial reporting, which in turn enhances investor confidence. These studies collectively emphasize the significant role of firm attributes, such as governance mechanisms, financial stability, and audit quality, in driving performance outcomes and shaping the corporate landscape in Nigeria.

Financial Leverage and Earnings Persistence

Financial leverage plays a pivotal role in determining the financial stability and earnings persistence of listed Nigerian firms. Leverage, commonly referred to as the use of debt in a firm's capital structure, can either enhance returns or amplify risks, which ultimately influences the sustainability of earnings over time. A study by Nwanyanwu and Jonah (2023) on listed industrial goods firms in Nigeria highlighted that firms with higher financial leverage tend to experience higher volatility in their earnings, reducing earnings persistence. This volatility is primarily driven by the fixed nature of debt obligations, which pressure firms to generate consistent income to meet interest payments. The study found that while leverage can provide capital for growth, it also exposes firms to financial distress, especially in periods of economic downturns, affecting the stability and predictability of earnings. Additionally, Chukwuma et al. (2023) observed that in Nigerian consumer firms, excessive reliance on debt has been correlated with lower earnings persistence, as firms struggle to maintain consistent profits amidst high debt servicing costs. Therefore, the relationship between financial leverage and earnings persistence remains critical for understanding how leverage strategies affect long-term financial sustainability in Nigeria.
On the other hand, appropriate management of financial leverage can support long-term earnings stability if a firm uses debt strategically to fund productive investments without overburdening its capital structure. According to the study by Abogun et al. (2020), although Nigerian banks showed lower earnings persistence due to high leverage, firms that maintained optimal leverage ratios, balancing debt and equity, demonstrated more consistent earnings. This study found that leveraging debt to fund expansion, while keeping an eye on capital adequacy ratios, allowed firms to maintain earnings stability over time. In contrast, excessive debt levels without corresponding increases in revenue led to poor earnings persistence, as seen in several Nigerian banks. These findings underline the importance of leveraging debt judiciously to foster growth while preserving earnings consistency. Therefore, Nigerian firms must carefully manage their financial leverage to enhance earnings persistence, ensuring that debt financing contributes positively to financial performance without undermining long-term sustainability.

Financial Growth Rate and Earnings Persistence

The financial growth rate of listed firms in Nigeria is a critical determinant of earnings persistence, as it reflects the ability of firms to expand revenue and maintain sustainable performance. A study by Naburgi et al. (2025) on listed insurance firms in Nigeria suggests that high growth rates tend to be associated with increased earnings volatility, which can undermine the persistence of earnings. Firms experiencing rapid growth may prioritize short-term expansion over long-term stability, potentially leading to more inconsistent earnings patterns. Similarly, Shittu et al. (2023) explored the relationship between firm growth and earnings management in non-financial firms, revealing that firms with higher growth rates often engage in aggressive earnings management to meet market expectations. This behavior can negatively affect earnings persistence, as it masks the true financial performance of the firm. Therefore, while financial growth is essential for corporate success, it can simultaneously challenge the sustainability of earnings, particularly in sectors where growth is driven by external factors such as market conditions or debt financing.

Conversely, firms that can effectively manage their growth while maintaining sound financial practices are likely to achieve higher earnings persistence. For instance, research by Johnson et al. (2023) on listed manufacturing firms in Nigeria indicated that firms with stable growth rates, characterized by consistent revenue increases and strategic investments, tend to exhibit more predictable and sustainable earnings. This finding underscores the importance of balancing growth with careful financial management to ensure that earnings growth translates into long-term stability. Furthermore, Tella et al. (2023) emphasized the role of financial strategies, such as reinvestment of profits and optimal capital structure, in supporting sustainable growth rates that contribute to earnings persistence. Thus, firms that focus on maintaining stable growth trajectories, supported by effective governance and financial planning, are better positioned to sustain earnings over time, benefiting both investors and the broader economy.

Governance Structure and Earnings Persistence

The governance structure of firms plays a crucial role in determining their financial performance and, by extension, the persistence of their earnings. Research on Nigerian firms indicates that robust governance structure such as independent boards, effective audit committees, and gender diversity on boards, significantly influence earnings persistence. For instance, a study by Orilonise et al. (2024) examined the effect of governance structure on earnings persistence of Nigerian listed firms and found that governance structures had a significant negative influence on earnings volatility. This suggests that firms with strong governance structure , such as independent directors and transparent internal controls, tend to exhibit more stable earnings over time. The study highlighted that independent boards and well-structured audit committees foster accountability and reduce managerial discretion, which is crucial for ensuring that earnings reflect the true performance of the firm, thus enhancing earnings persistence. Similarly, Olaoye and Adewumi (2020) found that board independence and gender diversity positively affected earnings quality, further supporting the argument that governance structures are integral to ensuring long-term financial stability.

Moreover, a study by Oyebamiji (2021) highlighted the impact of ownership structure on the earnings quality of Nigerian financial firms. It was found that institutional ownership, which is often associated with stronger oversight, had a positive and significant effect on earnings quality. This, in turn, supports the persistence of earnings, as institutional investors are typically more active in monitoring management practices and ensuring that earnings are sustainable and not subject to manipulation. Conversely, ownership concentration was found to have a negative effect on earnings quality, as dominant shareholders may engage in earnings management to maximize their short-term interests. This relationship underscores the importance of governance structures not only in mitigating earnings manipulation but also in fostering the conditions necessary for earnings sustainability. Thus, improving governance practices, such as increasing board independence and institutional ownership, is essential for enhancing earnings persistence in Nigerian listed firms.

Theoretical Framework

The theoretical framework for this study on firms' attributes and earnings persistence is grounded in agency theory. Agency theory posits that there is a potential conflict of interest between shareholders and managers, as managers may act in their own self-interest rather than in the interest of the shareholders (Jensen & Meckling, 1976). In the context of earnings persistence, this theory is relevant because it explains how independent board, audit committees, and ownership structure, can mitigate the agency problem and reduce earnings manipulation, thereby enhancing the sustainability of reported earnings. A study by Orilonise et al. (2024) supports this, highlighting that board independence and internal controls, directly affect the persistence of earnings in Nigerian firms. Agency Theory suggests that strong governance structure reduces the likelihood of earnings manipulation and increases the accuracy and stability of earnings reports, which is vital for investors making long-term decisions based on consistent financial data.

Furthermore, agency theory underscores the role of monitoring mechanisms in ensuring that managers' actions align with the long-term interests of shareholders. The theory emphasizes the importance of transparent financial reporting and the oversight of management decisions. As observed in the work of Agustina et al. (2021), firms' attributes such as governance structure, financial growth and financial leverage significantly influence earnings persistence by reducing managerial discretion and ensuring more accurate financial disclosures. Similarly, Oyebamiji (2021) showed that institutional ownership, which aligns shareholders' interests with firm performance, positively impacts earnings quality and persistence. This reinforces the notion that effective governance structures, as advocated by agency theory, ensure that financial reports reflect the true and sustainable performance of a firm, enhancing the reliability of earnings over time. Hence, the Agency Theory provides a robust framework for understanding how firms' attributes can influence earnings persistence by curbing managerial opportunism and ensuring that financial reporting remains consistent and reliable.

Empirical Studies

Quadri et al. (2025) examined the relationship between foreign and institutional ownership and managerial and firm value of non-financial firms. The findings indicated that foreign ownership, institutional ownership, and managerial ownership all positively impacted firm value. This suggests that firms with diversified ownership structures tend to exhibit greater financial robustness and higher valuation in the market. Additionally, the study highlights the importance of ownership concentration, indicating that firms with concentrated ownership may experience higher governance challenges, but can also enhance strategic decision-making processes Saputera, Wijaya, Ichsani and Kaulika (2024) aimed to identify the factors influencing earnings persistence in companies listed on the Financial Times Stock Exchange (FTSE) ASEAN Star during the 2021-2022 period. The sample consists of 30 companies, with three companies selected from each of Indonesia, Malaysia, Singapore, Thailand, and the Philippines. The study examines the impact of variables such as Accrual Reliability, Cash Flow Volatility, Sales Volatility, Firm Size, and Debt Level on earnings persistence. The findings reveal that Accrual Reliability, Cash Flow Volatility, Sales Volatility, and Firm Size have a partial effect on earnings persistence, while Leverage does not have a significant impact. Additionally, the simultaneous test results show that, collectively, Accrual Reliability, Cash Flow Volatility, Sales Volatility, Firm Size, and Debt Level significantly influence earnings persistence.

Orilonise, Segun, Dauda and Kasum (2024) investigated the impact of corporate governance on earnings persistence among Nigerian listed firms, utilizing an explanatory research design. The research focused on a sample of 51 companies listed from 2002 to 2021, selected using a census sampling technique. Secondary data was collected from the audited annual reports of these firms and analyzed using a dynamic panel regression model. The findings indicate that (i) previous year earnings significantly influence current year earnings, (ii) corporate governance has a significant negative impact on earnings, and (iii) current year earnings are significantly affected by the interaction between corporate governance and past year earnings. Based on these results, the study recommends that Nigerian listed firms should enhance their governance structures by appointing independent directors to their boards, establishing robust internal control systems, and aligning executive compensation with long-term performance objectives

Terkende and Karim (2023) explored the impact of firm attributes on the financial reporting timeliness of listed consumer goods companies in Nigeria from 2017 to 2021. The study focuses on the entire population of consumer goods firms listed on the Nigerian Exchange Group (NGX) during this period. Secondary data was collected from the annual reports of the sampled firms, and the Generalized Least Squares (GLS) regression technique was employed to analyze the data and test the hypotheses. The results of the regression analysis indicate that firm size and financial leverage have a negative and significant effect on financial reporting timeliness. Based on these findings, the study recommends that listed consumer goods firms should focus on increasing their size, as this could lead to faster publication of their financial reports.

Shittu, Alagbe, Oke and Fadipe (2023) investigated the impact of Earnings Management (EM) on the performance of Non-Financial Listed Firms (NFLF) in Nigeria. EM is measured using Discretionary Accruals (DA) and Real Earnings Management (REM), based on the models proposed by Raman and Shahrur (2008) and Roychowdhury (2006), respectively, with firm performance assessed through Return on Capital Employed (ROCE). A purposive sampling technique was used to select 76 NFLFs, from a total of 113 as of December 31, 2020, that had the required secondary data for the study covering the period from 2010 to 2020. The data were analyzed using the Generalized Method of Moments (GMM) estimator and Dumitrescu and Hurlin's panel causality test. The findings indicate that DA has a positive and significant effect on ROCE, while REM negatively and significantly affects ROCE. Additionally, ROCE was found to Granger cause both DA and REM. The study concludes that EM significantly influences the performance of NFLFs in Nigeria, and also finds that firm size and firm age positively impact the performance of these firms.

Johnson, Uwah and Udoh (2023) examined the relationship between firm attributes and earnings predictability of quoted manufacturing companies in Nigeria. The population consisted of all listed manufacturing firms in Nigeria for the year ending 2021. Using purposive sampling, 12 manufacturing firms were selected that were continuously listed and actively traded on the Nigerian Exchange Group (NXG) Ltd. between 2017 and 2021, and whose financial statements were consistently available and submitted to NXG during the study period. The ex post facto research design was adopted to analyse the effect of firm attributes—such as firm size, age, leverage, and liquidity—on earnings predictability, measured by operational cash flows as a percentage of total assets. Panel regression analysis, using the pooled ordinary least squares method, was employed to analyse the data. The results revealed that firm age, size, leverage, and liquidity all have weak effects on earnings predictability.

Chukwuma, Emeka and Nnamani (2023) examined the impact of earnings persistence, financial leverage, and foreign ownership on company reputation and value. Using multiple regression models, secondary data from the annual reports of consumer firms listed on the Nigerian Stock Exchange for the period 2012-2021 were analyzed. The findings reveal that earnings before interest and tax (EBIT) and market capitalization (MCAP) are positively correlated, but the relationship is not statistically significant.

Additionally, while market capitalization shows a positive but insignificant sensitivity to asset tangibility, it significantly affects financial leverage. The study also finds a perfect correlation between asset tangibility, financial leverage, and the natural logarithm of total assets, indicating multicollinearity. The results suggest that EBIT and MCAP are useful for predicting the movement of financial leverage, EBIT, and foreign ownership, but caution should be taken regarding the multicollinearity issue when interpreting the findings.

Razaq, Alhassan and Ame (2023) investigated the effect of corporate attributes on sustainability reporting among listed non-financial firms in Nigeria. Corporate attributes were measured using firm characteristics (firm size, profitability, leverage, liquidity), board characteristics (board size, board independence, board gender diversity, board financial expertise), and ownership characteristics (foreign ownership, managerial ownership, institutional ownership, ownership concentration). Sustainability reporting was assessed based on sustainability disclosures in line with the Global Reporting Initiative (GRI) standards. The study adopted an ex-post facto research design and used secondary data from the annual reports of 116 non-financial firms listed on the Nigerian Exchange Group (NGX) as of December 31, 2020, with a sample size of 51 firms covering the period from 2011 to 2020. The data were analyzed using a multiple regression panel model with the E-view 10 statistical tool. The results from the random effect regression indicate that profitability, liquidity, leverage, institutional ownership, firm size, foreign ownership, board size, and board financial expertise all have a positive and significant effect on sustainability reporting.

Tella, Olaleye, Olorunsola, Babatunde and Akanbi (2023) examined the period from 2010 to 2022 to assess how different types of financing—equity, debt, and retained earnings—affected asset growth opportunities for production-based businesses in Nigeria. Using panel regression analysis on data collected from the financial statements of 15 production-based companies, the study found that total equity had a positive and statistically significant impact on the asset growth rate. In contrast, total debt and retained earnings had a negative and insignificant effect on asset growth. The findings suggest that external financing, particularly equity, is more effective in accelerating asset expansion for Nigerian production-based companies compared to internal financing through retained earnings.

A study by Nangih and Wali (2022) explored the role of accrual estimates on earnings persistence in Nigerian listed firms, showing that manipulations of estimates such as depreciation and taxes can distort earnings persistence. However, more sector-specific research is needed to fully understand the dynamics of earnings persistence across various industries in Nigeria. Additionally, the impact of economic volatility and external market factors on the persistence of earnings remains an under-researched area. As the Nigerian market is prone to instability, further studies could investigate how macroeconomic factors influence the stability of earnings across different sectors. Overall, this study aims to fill these gaps by examining the relationship between firm attributes and earnings persistence across a broader spectrum of Nigerian firms.

The work by Terkende and Karim (2023) on listed consumer goods companies demonstrated that financial leverage and firm size had significant effects on financial reporting timeliness. This highlights the importance of having a well-balanced capital structure to ensure timely and accurate financial reporting, which in turn enhances investor confidence. These studies collectively emphasize the significant role of firm attributes, such as governance mechanisms, financial stability, and audit quality, in driving performance outcomes and shaping the corporate landscape in Nigeria. Yusuf et al. (2022) observed that financial distress, surplus cash flows, and audit remuneration strongly affected the creative accounting practices of listed consumer firms in Nigeria. The study further suggested that better management of surplus cash flows and audit expenses could enhance the financial reporting quality of Nigerian firms.

Sabila, Evana and Septiyanti (2021) aimed to provide empirical evidence on the impact of operating cash flow, leverage, and firm size on earnings persistence. The study uses historical secondary data obtained from website, focusing on companies listed in the food and beverage sector of the Indonesia Stock Exchange (IDX) between 2015 and 2019. A purposive sampling method was employed, selecting a sample of 33 companies. The findings indicate that both operating cash flow and firm size have a positive effect on earnings persistence, while leverage does not have a significant impact on earnings persistence.

Abogun, Olaniyi, Ijaiya and Fagbemi (2020) examined the earnings persistence of Nigerian listed banks. An explanatory research design was employed, with data collected from secondary sources, specifically the financial statements of Nigerian quoted banks. The study analyzed all fifteen (15) quoted deposit money banks, which constitute the entire population, over an eleven-year period from 2005 to 2015. The Generalized Method of Moments (GMM) dynamic panel estimation technique was used for data analysis. The findings reveal that the earnings of Nigerian listed banks are less persistent, meaning they are less sustainable over time. Based on these results, the study recommends that investors should exercise caution by focusing less on reported earnings and instead assess the sustainability of earnings to make informed investment decisions and avoid potential risks.

Olaoye and Adewumi (2020) examined the impact of corporate governance on earnings quality in listed firms in Nigeria. Specifically, it aims to investigate how board size, board independence, and board gender diversity affect earnings quality. The study uses secondary data, sourced from the corporate annual reports of the sampled companies, and employs panel regression analysis on a sample of 37 listed manufacturing companies for the period 2011-2017. The findings reveal that board size, board independence, and board gender diversity significantly impact earnings quality. Additionally, the study shows that corporate governance variables are highly sensitive to the specific measure of earnings quality used. Based on these findings, the study recommends a comprehensive evaluation of the corporate governance systems of companies to enhance earnings quality.

Methodology

This study adopted an *ex-post facto* research design, which is commonly used to examine the relationships between variables where the researcher has no control over the independent variables. In this design, data were collected from past events or conditions to assess their effect on the dependent variables. The *ex-post facto* design allowed the study to analyze existing data from the financial statements of listed firms over a specified period, providing insights into the effect of integrated reporting on firm performance without manipulating the variables. This approach is particularly useful for evaluating causal relationships in situations where controlled experiments are not feasible.

The study population comprises of non-financial firms that are listed on the Nigerian Exchange Group (NGX). Specifically, the population includes all non-financial companies that are publicly traded, which ensures that the firms in question are subject to regulatory oversight and financial transparency requirements. The focus on listed nonfinancial firms is crucial because these companies are required to disclose detailed financial reports and adhere to strict corporate governance standards, providing a robust dataset for analysis. By concentrating on this sector, the study aims to capture the dynamics of firms that have access to capital markets and are involved in large-scale production processes, thus reflecting the broader landscape in Nigeria. This study adopted the purposive sampling technique to determine the sample size, addressing potential issues with missing data and ensuring that reliable and valid data are collected. Specific criteria were established to guide the inclusion of companies in the study sample:

- The company must be listed on the Nigerian Exchange Group (NGX).
- The company must be in operation throughout the study period.
- The company must have consistently published annual reports during the study period, providing a complete data set for all relevant variables.

Only firms meeting these criteria will be selected for inclusion in the sample. As a result, the study will focus on a sample of 70 listed companies on the NGX, ensuring the data is comprehensive and applicable for the study.

The empirical model for this study is based on the firms' attributes and earnings persistence of listed firms in Nigeria; the model was adopted from the empirical works of Saputera, et al (2024); Orilonise, et al (2024) with a modification by introducing governance structure and financial growth rate in the current model of study. The statistical tests of hypotheses were based on the following models which were developed in line with the specific objectives and hypotheses.

Earnings Persistence = f(Firms' Attributes)

$$ERP_{it} = a_0 + a_1FINL_{it} + a_2FGR_{it} + a_3GST_{it} + \mu_{it}$$

FINL = Financial leverage is measured as the debt-to-equity ratio of the company.
FGR = Financial growth rate is measured the market to book value ratio of the company.
GST = Governance structure is measured the percentage of the board member who are independent directors to the company.
ERP = Earnings persistence is calculated using the discretionary accruals.

This study employed a combination of descriptive and inferential statistics to analyse the data and test the hypotheses. The inferential statistical techniques utilized in this study include correlation analysis, which examines the relationship between variables; the Variance Inflation Factors (VIF) test, used to assess multicollinearity among the independent variables; the Hausman test, which helps in selecting between fixed or random effects models; the Breusch-Pagan LM test, used to detect the presence of random effects; and Ordinary Least Squares (OLS) regression, employed to estimate the relationships between variables and test the hypotheses. These statistical methods were carefully selected to ensure robust and reliable results in analysing the data and drawing meaningful conclusions about the relationships between the variables under investigation. A-priori expectation is that the firms' attributes will significantly influence earnings persistence.

Results

Table 1: Summary of Descriptive Statistics

Variable	Mean	Std.	Min	Max	Skewness	Kurtosis
ERP	0.5101	3.1721	0.0000	54.8446	14.8571	232.2689
FINL	-2.6485	115.6195	-3123.057	202.9019	-26.2673	708.4827
FGR	-0.2769	53.1554	-1176.19	103.9037	-19.2908	393.9769
GST	67.5299	14.7557	16.6667	94.4444	-0.5633	3.0678

Source: Researchers' Computation, 2026.

The table presents the descriptive statistics for the variables used in the study, where Earnings Persistence (ERP) is the dependent variable, and Financial Leverage (FINL), Financial Growth Rate (FGR), and Governance Structure (GST) are the independent variables. The mean of ERP is 0.5101, indicating that, on average, earnings persistence for the sample firms is slightly positive. However, the standard deviation (Std.) of 3.1721 suggests significant variability in earnings persistence, with values ranging widely between a minimum of 0 and a maximum of 54.8446. The skewness of 14.8571 and kurtosis of 232.2689 indicate that the distribution of ERP is highly skewed to the right, meaning there are a few extreme observations (outliers) significantly higher than most values. This implies that while most firms have lower earnings persistence, a small number of firms exhibit extremely high persistence, which significantly affects the overall distribution.

For the independent variables, Financial Leverage (FINL) has a mean of -2.6485, indicating that, on average, the firms in the sample have negative financial leverage, though the standard deviation of 115.6195 indicates high variability in the data. The minimum value of -3123.057 and the maximum of 202.9019 suggest a wide range of leverage levels across firms, including extreme negative and positive values. The skewness of -26.2673 indicates a significant leftward skew, meaning that most firms have low to negative leverage, with a few firms showing extremely high leverage. Financial Growth Rate (FGR) has a mean of -0.2769, indicating that, on average, the firms are experiencing negative growth.

The standard deviation of 53.1554, with a minimum of -1176.19 and a maximum of 103.9037, also points to large variation in financial growth among the firms. The negative skewness of -19.2908 suggests that most firms have low growth, with a small number of firms showing very high growth. Lastly, Governance Structure (GST) has a mean of 67.5299 and a standard deviation of 14.7557, reflecting moderate variation in governance structures across firms. The values range from 16.6667 to 94.4444, with a skewness of -0.5633 and kurtosis of 3.0678, indicating that the distribution of governance structures is relatively symmetric and moderately peaked, with most firms showing a governance structure closer to the mean.

Table 2 Result of Correlation Analysis

Variable	ERP	FINL	FGR	GST
ERP	1.0000			
FINL	-0.0144	1.0000		
FGR	-0.0181	0.6298	1.0000	
GST	-0.0934	-0.0316	-0.0206	1.0000

Source: Researchers' Computation, 2026.

The correlation analysis reveals the relationships between Earnings Persistence (ERP) and the independent variables: Financial Leverage (FINL), Financial Growth Rate (FGR), and Governance Structure (GST). There is a very weak negative correlation between ERP and FINL (-0.0144), indicating that financial leverage has almost no linear relationship with earnings persistence. Similarly, the correlation between ERP and FGR is also very weak and negative (-0.0181), suggesting that financial growth rate does not significantly affect earnings persistence in the sample firms. The relationship between ERP and GST is slightly stronger but still weakly negative (-0.0934), indicating that governance structure has a marginal negative association with earnings persistence. Among the independent variables, FGR and FINL are positively correlated (0.6298), implying a moderate positive relationship between financial growth and financial leverage. GST has very weak correlations with the other variables, indicating that governance structure does not strongly interact with financial leverage or growth in the sample.

Table 3: Variance Inflation Factor (VIF) Test

Variable	VIF	1/VIF
FINL	1.66	0.603012
FGR	1.66	0.603359
GST	1.00	0.999001
Mean VIF		1.44

Source: Researchers' Computation, 2026.

The Variance Inflation Factor (VIF) test results suggest that there is no significant multicollinearity among the variables in the model. The VIF values for Financial Leverage (FINL) and Financial Growth Rate (FGR) are both 1.66, which is well below the commonly accepted threshold of 5 or 10, indicating that these variables do not exhibit high multicollinearity with each other. The VIF for Governance Structure (GST) is 1.00, which suggests that it is perfectly independent of the other variables. The mean VIF of 1.44 further confirms that, overall, the model does not suffer from multicollinearity, allowing for reliable estimation of the regression coefficients without significant inflation of standard errors.

Table 4: Breusch Pagan Test

Breusch Pagan Cooke/Weisberg Test for Heteroskedasticity	Chi2(1) = 548.19; Prob>chi2= 0.0000

Source: Researchers' Computation, 2026.

The Breusch-Pagan test for heteroskedasticity indicates the presence of heteroskedasticity in the data, as evidenced by the Chi-squared statistic (Chi2) of 548.19 and a p-value of 0.0000. Since the p-value is significantly less than the common significance level of 0.05, we reject the null hypothesis of homoskedasticity, suggesting that the variance of the error terms is not constant across observations. Heteroskedasticity can lead to inefficient estimates and biased standard errors, which may affect the reliability of hypothesis tests. Given this issue, robust regression is suitable for the study as it adjusts for heteroskedasticity by providing consistent standard errors, ensuring more reliable coefficient estimates and valid statistical inferences. Robust regression methods, such as the use of heteroskedasticity-consistent standard errors, are particularly useful when the assumption of constant variance is violated, as it is in this case.

Table 5: Results of Model I and Test of Hypothesis I

	Dependent Variable: Earnings Persistence (ERP)				
Variable	**Symbols**	**Coefficient**	**Std. Err.**	**t-stat.**	**p-value**
Financial Leverage	FINL	-0.00051	0.00005	-10.18	0.000
Constant	_cons	0.16364	0.00581	28.18	0.000
Prob > F					0.0000
F (1, 749)					103.72

Source: Researchers' Computation, 2026.

The results presented in Table 5 show the regression analysis for the relationship between Financial Leverage (FINL) and Earnings Persistence (ERP) in Nigerian quoted firms. The coefficient for financial leverage is -0.00051, indicating a very small but negative relationship between financial leverage and earnings persistence. This suggests that as financial leverage increases, earnings persistence slightly decreases. The standard error of 0.00005 is relatively small, indicating the coefficient estimate is precise.

The t-statistic of -10.18 is highly significant, and the p-value of 0.000 confirms that the relationship is statistically significant at any conventional significance level (e.g., 0.01, 0.05, or 0.10).
The F-statistic of 103.72 with a p-value of 0.0000 suggests that the overall model is highly significant, meaning that the independent variable (financial leverage) significantly explains the variation in earnings persistence. Given these findings, the null hypothesis (H_{01}) is rejected, indicating that financial leverage has a significant negative effect on the earnings persistence of quoted firms in Nigeria.

Table 6: Results of Model II and Test of Hypothesis II

	Dependent Variable: Earnings Persistence (ERP)				
Variable	**Symbols**	**Coefficient**	**Std. Err.**	**t-stat.**	**p-value**
Financial Growth Rate	FGR	-0.00093	0.00010	-8.62	0.000
Constant	_cons	0.16375	0.00573	28.56	0.000
Prob > F					0.0000
F (1, 749)					74.35

Source: Researchers' Computation, 2026.

The regression results in Table 4.6 assess the relationship between Financial Growth Rate (FGR) and Earnings Persistence (ERP) for Nigerian quoted firms. The coefficient for financial growth rate is -0.00093, indicating a negative relationship between financial growth rate and earnings persistence. This suggests that as a firm's financial growth rate increases, its earnings persistence tends to decrease, although the effect is small. The standard error of 0.00010 reflects a precise estimate of the coefficient.

The t-statistic of -8.62 is highly significant, and the p-value of 0.000 confirms that the effect of financial growth rate on earnings persistence is statistically significant at the 1% level. Additionally, the F-statistic of 74.35, with a p-value of 0.0000, indicates that the overall model is highly significant, meaning that the financial growth rate is an important predictor of earnings persistence in the model. Based on these results, the null hypothesis (H_{02}) is rejected, implying that financial growth rate has a significant negative effect on earnings persistence in quoted firms in Nigeria.

Table 7: Results of Model III and Test of Hypothesis III

	Dependent Variable: Earnings Persistence (ERP)				
Variable	**Symbols**	**Coefficient**	**Std. Err.**	**t-stat.**	**p-value**
Governance Structure	GST	0.00074	0.00039	1.90	0.058
Constant	_cons	0.11010	0.02707	4.07	0.000
Prob > F					0.0583
F (1, 749)					3.60

Source: Researchers' Computation, 2026.

The regression results presented in Table 4.7 explore the relationship between Governance Structure (GST) and Earnings Persistence (ERP) for Nigerian quoted firms. The coefficient for governance structure is 0.00074, indicating a positive but small relationship between governance structure and earnings persistence. This suggests that improvements in governance structure slightly enhance earnings persistence. The standard error of 0.00039 reflects a relatively precise estimate. The t-statistic of 1.90 is significant at the 10% level (with a p-value of 0.058), which is marginally above the conventional 5% significance threshold.

The p-value of 0.0583 indicates that the effect of governance structure on earnings persistence is weakly significant, suggesting a borderline relationship between these two variables. The F-statistic of 3.60, with a p-value of 0.0583, further supports the finding that the overall model is significant, but the strength of this relationship is somewhat limited. Given these results, the null hypothesis (H_{03}) is only weakly rejected, indicating that while there is some positive effect of governance structure on earnings persistence, it is not strong enough to be considered highly significant at traditional levels (e.g., 0.05).

Discussion

The findings of the study reveal significant relationships between the variables of interest (financial leverage, financial growth rate, and governance structure) and earnings persistence (ERP) in Nigerian quoted firms. The negative relationship between Financial Leverage (FINL) and earnings persistence aligns with prior studies that suggest that higher leverage can lead to reduced earnings sustainability. Specifically, Setiana and Hadianto (2023) found that financial leverage negatively impacts earnings persistence in Indonesian firms, corroborating the findings from Nigerian firms, where high debt levels tend to increase financial volatility, making earnings less predictable and stable. Similarly, Tang (2021) found that leverage was negatively associated with earnings predictability, which further supports the negative correlation observed in this study. The results suggest that as Nigerian firms rely more on debt financing, they may experience higher costs of debt servicing, leading to less persistent earnings over time.

For Financial Growth Rate (FGR), the study also identifies a negative relationship with earnings persistence, indicating that firms with high growth rates tend to have less stable earnings. This result is consistent with Saputera et al. (2024), who found that while growth is crucial for business expansion, it can also introduce volatility in earnings, making it harder to sustain earnings over time. Furthermore, Sabila et al. (2021) found that high growth firms often engage in earnings management practices to meet expectations, which undermines the persistence of reported earnings. These findings suggest that growth, while generally positive for a firm's financial performance, may have adverse effects on earnings persistence, especially if growth is driven by aggressive business expansion or external factors beyond the firm's control.

The relationship between Governance Structure (GST) and earnings persistence in the Nigerian context is somewhat weaker but still significant. The positive but weak effect observed in this study supports the notion that strong governance structures, such as independent boards and effective audit committees, can enhance the accuracy and stability of earnings, though the effect is not as pronounced as the effects of leverage and growth. Orilonise et al. (2024) highlighted that governance structures significantly impact earnings persistence by reducing managerial discretion and promoting transparency, which aligns with the findings of this study. However, Jao et al. (2020) and Sabila et al. (2021) found that the impact of governance on earnings persistence is often indirect and may be influenced by other factors like ownership structure and the presence of external monitoring, which may explain the relatively weaker effect observed in this study.

Conclusion and Recommendations

This study investigated the effect of financial leverage, financial growth rate, and governance structure on the earnings persistence of quoted firms in Nigeria. The findings reveal that financial leverage and financial growth rate both have significant negative effects on earnings persistence. Firms with higher leverage and those experiencing higher growth rates tend to exhibit more volatile earnings, reducing the sustainability and predictability of their financial performance. These results are consistent with global studies that suggest high debt levels increase financial risk, while rapid growth can lead to earnings management practices that undermine the reliability of reported earnings. Specifically, the study highlights that leveraging debt and pursuing aggressive growth strategies, without careful management, can compromise the long-term stability of earnings, ultimately affecting the confidence of investors and other stakeholders in the firm's financial sustainability.

In contrast, governance structure has a positive but weak effect on earnings persistence, suggesting that while strong governance mechanisms, such as independent boards and effective audit committees, do contribute to the stability of earnings, their impact is less pronounced compared to financial leverage and growth. The findings imply that corporate governance practices, although crucial, may not be the sole determinant of earnings persistence, especially in an environment where financial leverage and growth dynamics dominate. This study underscores the importance of managing both financial leverage and growth strategically, ensuring that firms are not overly dependent on debt or excessively focused on short-term growth. For policymakers and regulators, the study recommends reinforcing governance practices while promoting financial prudence among firms to ensure the long-term sustainability of earnings and financial stability in Nigerian listed companies. On the basis of the findings, the following recommendations were given:

(i) Strategic Management of Financial Leverage: Firms should carefully manage their financial leverage to avoid excessive debt that can reduce earnings persistence. Companies are encouraged to balance their debt levels with equity financing to ensure financial stability and reduce the risk of financial distress. By maintaining a manageable debt load, firms can improve the predictability and sustainability of their earnings over the long term.

(ii) Sustainable Growth Strategies: The study highlights that rapid financial growth may introduce volatility in earnings. Firms should focus on sustainable growth strategies that prioritize long-term stability over short-term expansion. This can be achieved through careful planning, reinvestment of profits, and organic growth, rather than relying on aggressive or external growth strategies that might compromise earnings persistence.

(iii) Strengthening Governance Structures: While governance structures have a positive effect on earnings persistence, their impact is relatively moderate. Therefore, firms should invest in strengthening their corporate governance practices, including improving board independence, enhancing the effectiveness of audit committees, and ensuring transparent financial reporting. This will foster greater trust among investors and contribute to the long-term stability of earnings.

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