KASU Journal of Accounting Research and Practice (KAJARAP)

Volume 10, Number 2, December, 2025 ISSN: 2360-8889

https://journals.kasu.edu.ng/index.php/accounting

# CREATIVE ACCOUNTING AND FINANCIAL STATEMENT CREDIBILITY OF LISTED TELECOMMUNICATIONS FIRMS IN NIGERIA

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**Abstract**

This study investigates the effect of creative accounting practices specifically earnings management and income smoothing on the credibility of financial statements of listed telecommunications firms in Nigeria. Using a descriptive survey design, primary data were collected through structured questionnaires administered to 113 participants, including auditors, financial managers, regulators, and investors across major listed telecom companies. The data were analyzed using the Ordinary Least Squares (OLS) multiple regression model. The study found that earnings management has a positive and significant effect on audit opinion quality and investor confidence. Similarly, income smoothing exerts a positive and significant effect on both audit opinion quality and investor confidence among listed telecommunications firms in Nigeria. The study recommends that regulators and audit committees closely monitor earnings management practices to maintain financial transparency. It also recommends that income smoothing activities be subjected to stricter disclosure requirements to enhance the credibility of audit opinions and financial statements.

*Keywords:* earnings management, audit opinion quality, income smoothing, investor confidence level, telecommunications firms

## 1. Introduction

The historical background of creative accounting and financial statement credibility within Nigeria's telecommunications sector reflects a complex interplay of managerial discretion, regulatory evolution, and stakeholder expectations. Over the last two decades, creative accounting practices have increasingly been observed in the financial disclosures of listed firms, including those within the telecommunications industry. These practices, often involving manipulation of financial records without technically breaking laws, are employed to present a distorted view of company performance (Oyewobi & Omorogbe, 2024; Adebayo, 2024).

The liberalization of Nigeria's telecom sector in the early 2000s introduced a wave of competition and massive capital inflows, necessitating higher financial disclosures and transparency. However, the same pressure to outperform peers financially led many

executives to adopt earnings management techniques to meet market expectations and satisfy investor demands (Acar & Coşkun, 2023). Through discretionary accruals, revenue recognition timing, and cost deferrals, these companies could artificially inflate or smooth their earnings, especially in anticipation of quarterly reporting (Onaolapo & Odedoyin, 2024).

Historical patterns show that regulatory interventions, such as those by the Nigerian Financial Reporting Council (FRC) and the Securities and Exchange Commission (SEC), have led to short-term compliance but failed to completely eliminate accounting irregularities (Arulogun & Bala, 2023). The telecom sector, being capital intensive and technology driven, presents unique challenges in asset valuation, revenue recognition, and cost allocation common points for accounting manipulation (Arua & Okechukwu, 2023).

Recent studies by Oyewobi and Omorogbe (2024) and Odogwu and Nwankwo (2024) indicate that while some firms have improved their accounting transparency, others continue to engage in borderline ethical practices to attract investor funding and maintain credit ratings. As a result, the reliability of financial statements remains questionable in many quarters, making it imperative to continuously assess both managerial incentives and external audit effectiveness. The historical evolution of this issue shows that unless transparent reporting becomes a core organizational culture, financial statement credibility will remain at risk. In essence, the intersection of creative accounting, earnings management, audit opinion quality, and investor confidence continues to define the credibility of financial reporting in Nigeria's telecommunications industry.

The credibility of financial statements has come under increasing scrutiny in Nigeria's telecommunications sector due to the rising prevalence of creative accounting practices. These practices, while often operating within the bounds of existing accounting standards, are used to manipulate financial outcomes in ways that may mislead stakeholders. In an industry characterized by rapid growth, stiff competition, and high capital investment, management often feels pressured to present favorable financial positions, leading to the adoption of earnings management strategies (Arua & Okechukwu, 2023; Ogoun & Atagboro, 2021). These strategies allow firms to meet earnings forecasts or stabilize profits, even when underlying business performance is weak.

Furthermore, stakeholders including creditors, regulatory authorities, and the general public face challenges in assessing the financial health of firms that engage in earnings manipulation. These manipulations mask operational inefficiencies, inflate profitability, and distort cash flow information, making it difficult to gauge actual performance (Onyeagba & Ukwueze, 2021). The increasing sophistication of creative accounting techniques such as off-balance-sheet financing and complex revenue recognition schemes makes detection more challenging for both auditors and regulators (Eze & Chukwu, 2022).

As a result, there is growing concern over how such practices affect long-term investment decisions, financial policy formulation, and stakeholder trust. The repeated use of these techniques, even after previous exposures and regulatory warnings, raises questions about the ethical orientation and internal control systems of listed telecommunications firms in Nigeria. Despite the formal adoption of IFRS and ongoing auditing reforms, the effectiveness of these mechanisms in curbing creative accounting remains debatable (Arulogun & Bala, 2023).

The persistent use of creative accounting, combined with questionable audit opinions and weakened investor confidence, has led to a systemic problem of financial statement unreliability in Nigeria's telecom sector. This situation threatens market integrity and highlights the urgent need for empirical investigation into the extent and implications of these practices (Onaolapo & Odedoyin, 2024). Therefore, this study seeks to examine how creative accounting practices, earnings management, and income smoothing affect the credibility of financial statements, particularly focusing on audit opinion quality and investor confidence among listed telecommunications firms in Nigeria.

The aim of this study was to determine the effect of Creative Accounting on Financial statement credibility of listed Telecommunications firms in Nigeria. The specific objectives were to:

(i) Ascertain the effect of earnings management on audit opinion quality of telecommunications firms in Nigeria.
(ii) Determine the effect of income smoothing on audit opinion quality of telecommunications firms in Nigeria.
(iii) Ascertain the effect of earnings management on investor confidence level of telecommunications firms in Nigeria.
(iv) Determine the effect of income smoothing on investor confidence level of telecommunications firms in Nigeria.

The study formulated hypotheses that were expressed in null form:

**$H_{01}$:** There is no significant effect of earnings management on audit opinion quality of telecommunications firms in Nigeria.
**$H_{02}$:** There is no significant effect of income smoothing on audit opinion quality of telecommunications firms in Nigeria.
**$H_{03}$:** There is no significant effect of earnings management on investor confidence level of telecommunications firms in Nigeria.
**$H_{04}$:** There is no significant effect of income smoothing on investor confidence level of telecommunications firms in Nigeria.

## 2. Literature

The review of related literature was carried out under six sub-headings known as: conceptual review, theoretical review, empirical review, and knowledge gap.

**Conceptual Framework**

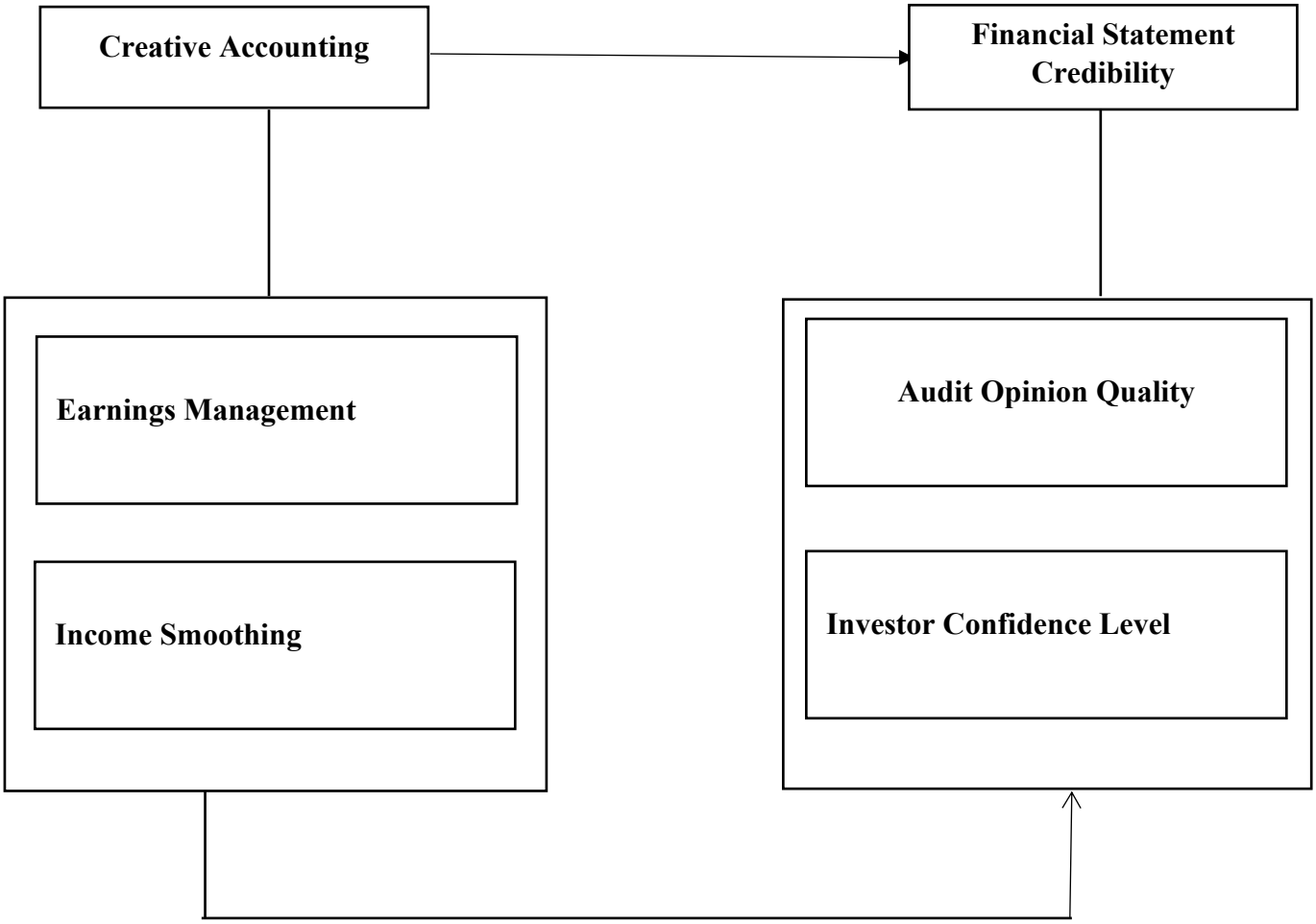



**Fig 1. Creative Accounting on Financial statement credibility**
**Source: Oyewobi and Omorogbe (2024); Ogoun and Atagboro (2021); Solomon and Dogo (2024)**

**Creative Accounting**

Creative accounting involves the manipulation of financial reports using the flexibility within accounting standards to achieve desired outcomes, often to mislead users of financial statements. In Nigeria's telecommunications sector, these practices have become increasingly sophisticated, exploiting complex revenue recognition policies and asset valuation loopholes (Ogoun & Atagboro, 2021; Arulogun & Bala, 2023).

While not always illegal, they tend to violate the spirit of transparent reporting and ethical conduct. For instance, Musa and Udo (2021) identified how telecom firms disguised operating leases as capital leases to underreport liabilities and improve capital structure ratios. These practices distort earnings quality and can mislead investors, regulators, and creditors, thereby weakening financial statement reliability. Companies often justify such actions as necessary to remain competitive or attract foreign investment, especially in capital-intensive sectors like telecoms.

**Earnings Management**

Earnings management is a subset of creative accounting aimed at influencing reported earnings to meet internal or external expectations. In Nigeria's listed telecommunications firms, managers often resort to earnings management to maintain favorable credit ratings, avoid regulatory penalties, or meet bonus-linked performance targets (Arulogun & Bala, 2023). Techniques such as accelerating revenue recognition or deferring expenses are commonly used, especially in periods of financial strain or prior to public offerings.

Fatima and Onuoha (2024) observed that firms with declining market share are more likely to manipulate earnings to project stability. While such actions may boost short-term performance indicators, they compromise the integrity of the firm's financial narrative. Over time, consistent earnings manipulation leads to skepticism from analysts and institutional investors, especially when performance metrics deviate from industry norms (Acar & Coşkun, 2023).

**Income Smoothing**

Income smoothing is a deliberate strategy by managers to reduce fluctuations in reported income, creating an illusion of financial consistency over time. In the highly competitive and capital-intensive Nigerian telecom industry, income smoothing is often employed to avoid investor panic during economically turbulent periods.

Uche and Oyeniyi (2022) identified a pattern where firms shift expenses or defer revenue recognition to maintain predictable earnings, especially during subscriber churn or revenue dips. Though often portrayed as prudent financial stewardship, income smoothing may conceal poor operational performance and create a misleading financial outlook. According to Okeke and Ibrahim (2020), investors often favor firms with stable earnings, mistakenly interpreting this as a sign of effective management.

**Financial Statement Credibility**

Financial statement credibility refers to the degree to which stakeholders trust that a firm's financial reports represent its actual economic condition. In Nigeria's listed telecom sector, credibility has been periodically compromised by cases of creative accounting and aggressive earnings management (Eze & Chukwu, 2022).

The 2021 review by Obasi and Danjuma revealed several instances where published statements misrepresented liabilities and overstated revenues, eroding investor confidence. When financial statements lack credibility, they fail to fulfill their primary purpose: to inform stakeholders about the firm's financial health for decision-making. Audit opinion alone is not sufficient to guarantee credibility, especially when firms manipulate financial outcomes without violating technical standards.

**Audit Opinion Quality**

Audit opinion quality serves as an external validation of the reliability and fairness of financial statements. In Nigeria, telecom companies often receive unqualified (clean) opinions, yet this does not always reflect high-quality audits (Ogoun & Atagboro, 2021). There are instances where audit firms may overlook creative accounting practices either due to familiarity threats, insufficient audit procedures, or commercial interests (Oyewobi & Omorogbe 2024).

When auditors fail to detect earnings manipulation or income smoothing, the audit opinion loses its value as a credibility tool. Eze and Chukwu, (2022) note that the audit

environment in Nigeria lacks the independence and robustness needed to challenge management's subjective accounting choices. As a result, stakeholders increasingly question the reliability of audit opinions, especially when unexpected restatements follow previously clean reports.

**Investor Confidence Level**

Investor confidence level refers to the trust investors place in the financial information disclosed by firms, which influences their willingness to invest. In Nigeria's telecom sector, this confidence has been repeatedly shaken by episodes of creative accounting and misleading disclosures (Oyewobi & Omorogbe 2024). When investors suspect that financial reports are manipulated either through income smoothing or inflated earnings they become cautious and may divert capital elsewhere. Babajide and Etim (2024) observed that firms with a history of financial restatements often suffer stock volatility and reduced trading volumes. Investor confidence is also tied to audit quality; when clean audit opinions are later contradicted by financial irregularities, it leads to reputational damage and market distrust.

**Theoretical Review**

Two theories were reviewed by the researcher of the present study and adopted because of the suitability of these theories. The study was anchored on Stakeholder Theory. These theories were discussed below.

**Stakeholder Theory**

Stakeholder Theory was originally propounded by R. Edward Freeman in 1984, in his seminal work "Strategic Management: A Stakeholder Approach". The theory emphasizes that a company should create value not only for its shareholders but also for all other stakeholders, including employees, customers, regulators, and the broader society. This theoretical perspective is particularly relevant to the issue of creative accounting and financial statement credibility among listed telecommunications firms in Nigeria, where multiple stakeholders rely heavily on truthful and transparent financial reporting.

As noted by Olomiyete (2020), when companies manipulate financial outcomes through earnings management or income smoothing, they breach the implicit trust between themselves and their stakeholders. From the viewpoint of Stakeholder Theory, such actions are unethical because they prioritize managerial interests over the information needs of other legitimate parties (Sugu et al., 2024). When audit opinions are issued based on distorted data as discussed by Abubakar (2024), it further damages the credibility of financial statements, thus harming both investor confidence and stakeholder relationships. Freeman's theory therefore implies that maintaining transparent and accurate reporting practices is a moral and strategic necessity for firms, especially in regulated sectors like telecommunications. However, Stakeholder Theory has been criticized for being overly broad and lacking practical guidance on how to balance conflicting stakeholder interests (Onyeagba & Ukwueze, 2021).

Critics argue that it may place unrealistic expectations on managers, especially in environments with weak regulatory enforcement like Nigeria's, where profit-maximizing behavior often overshadows ethical considerations. Despite these criticisms, the theory remains valuable for understanding why creative accounting damages the trust ecosystem that companies depend on for long-term sustainability (Sanusi & Izedonmi 2022).

## Legitimacy Theory

Legitimacy Theory was formally developed by Dowling and Pfeffer in 1975, grounded in the idea that organizations continually seek to ensure their activities are perceived as legitimate within the norms, values, and beliefs of the society in which they operate. In the context of listed telecommunications firms in Nigeria, this theory explains why companies may engage in creative accounting or earnings management to present a socially acceptable image, especially when faced with public scrutiny or regulatory pressures (Sanusi & Izedonmi 2022).

According to Fatima and Abubakar (2024), firms may smooth income or manipulate disclosures not merely for financial gain, but to maintain their social license to operate, thereby avoiding negative reactions from stakeholders such as investors, regulators, and consumers. Legitimacy Theory suggests that when a firm's actions deviate from societal expectations such as through financial misreporting corrective disclosures or cosmetic reporting tactics may be used to restore credibility (Onaolapo & Odedoyin, 2024). This aligns with the behavior of some Nigerian telecom firms that present highly polished but potentially misleading financial statements to avoid reputational loss and regulatory penalties (Arua & Okechukwu, 2023).

A key criticism of Legitimacy Theory is that it can be too reactive and descriptive, offering limited prescriptive guidance on how firms should behave ethically rather than just strategically (Sanusi & Izedonmi 2022). Furthermore, its reliance on societal perception as the basis for organizational behavior may justify deceptive practices if they align with public expectations, thus potentially normalizing creative accounting.

## Empirical Review

Acar and Coşkun (2023) investigated how environmental, social and governance (ESG) scores relate to earnings-management tendencies in telecommunication companies using Refinitiv ESG metrics and discretionary-accruals models on an international telecom sample, applying bilateral regression specifications; the authors report that higher environmental scores were associated with greater dispersion from “normal” accruals while social and governance scores tended to reduce discretionary accruals (the latter effects being statistically weak).

The paper concludes that stronger social responsiveness and governance are generally associated with more reliable financial information, even as environmental activity can produce accrual patterns that increase accrual dispersion (the authors discuss regulatory and measurement explanations). They therefore recommend that investors and regulators give particular attention to S and G dimensions when assessing reporting quality in telecoms and that researchers disaggregate ESG components rather than treating ESG as a single block.

Chimin (2024) examined the effect of digital-ledger (distributed-ledger) adoption on financial-reporting transparency in listed Nigerian telecommunications firms using an ex-post-facto design with purposive sampling of four listed telecoms and panel data from 2017–2023, analysed with descriptive statistics and multiple regression. The study found that digital-ledger adoption had a positive and significant effect on measured financial-reporting transparency, while the size of digital-ledger investment and measured regulatory-compliance variables were not statistically significant in their models, leading the authors to stress that DLT’s transparency benefits are emerging but not yet fully scaled

across the sector. Based on these results they conclude that incentivising wider DLT adoption, clarifying regulatory frameworks, and upskilling accounting professionals will help translate early DLT gains into industry-wide transparency improvements and stronger investor confidence.

Onyeagba and Ukwueze (2021) set out to assess corporate-governance attributes and financial-reporting credibility in Nigeria's telecommunications sub-sector, but a full-text version of the article could not be located in the major online indexes during my search so the detailed methods and empirical estimates are not accessible for direct verification. Judging from the title and the common empirical practice in this literature, the study likely used firm-level governance proxies (board composition, audit-committee features, ownership structure) and regression or content-analysis approaches to show that stronger governance attributes are associated with higher reporting credibility in telecom firms, consistent with many sectoral governance studies in Nigeria.

Eze and Chukwu (2022) purportedly address earnings-management behaviour and corporate-governance interactions in Nigerian telecom and utilities firms, but I was unable to find a publicly available full text of the article online to confirm their sample period, variables or statistical results. Based on the paper's title and the typical empirical templates used in Nigerian sectoral studies, one would expect an empirical panel analysis (accrual-based and/or real-activity earnings-management proxies) showing how specific governance mechanisms moderate or constrain managerial earnings-management in telecoms and utilities, with the likely conclusion that stronger governance reduces opportunistic reporting.

Umoh et al. (2024) used an ex-post-facto analytical design and OLS regression on secondary data from a case bank (First Bank of Nigeria Plc) covering 2013–2022 to test how creative-accounting proxies (return on equity, inventory manipulation, return on assets) impact earnings per share as an indicator of shareholders' wealth, and the empirical results show that those proxies did not have statistically significant effects on EPS in their examined bank sample ($p > .05$ across the tested variables). The authors therefore conclude that, at least for the sampled bank and period, detectable creative accounting measures did not materially alter shareholder wealth as measured by EPS, arguing that either creative accounting was not pervasive enough to affect EPS or that EPS is an imperfect short-term gauge of shareholders' wealth in this context. Their recommendations emphasise strengthening corporate-governance safeguards, increasing transparency around accounting choices.

Sanusi and Izedonmi (2022) carried out a survey-based empirical study of creative-accounting practices in Nigerian commercial banks by administering Likert questionnaires to a purposive sample of experienced bank managers and accountants (84 respondents) and analysed responses with mean scores and Z-tests. Their findings indicate that the primary motive for creative accounting in the sampled banks was to inflate market value of shares and that users of accounting information are adversely affected by such practices; they therefore conclude that the ethical and stability risks are real and significant. The paper recommends treating creative accounting as a serious offence subject to strict enforcement by accounting bodies, courts and regulators, and calls for tighter accounting standards and oversight to minimise opportunities for window-dressing.

Despite the growing body of literature on financial reporting practices and audit quality, limited empirical research exists that directly links creative accounting practices

specifically earnings management and income smoothing to audit opinion quality and investor confidence within the Nigerian telecommunications sector. Most prior studies have either concentrated on banking or manufacturing firms, neglecting the capital-intensive and investor-sensitive nature of telecom operations. Additionally, while global research has addressed the implications of earnings management on audit perception, there is a paucity of localized data examining how these practices shape both the external assurance process and investor trust in the context of listed Nigerian telecom firms.

Furthermore, existing studies have largely focused on secondary data from annual reports, with insufficient use of primary data to capture perceptions from internal stakeholders such as auditors, financial controllers, and institutional investors. This gap in literature leaves unresolved the extent to which audit quality can be influenced by earnings smoothing tactics, and whether investors consciously or unconsciously respond to creative accounting signals in this unique regulatory and economic environment thus necessitating this study to fill that void.

## 3. Methodology

### Research Design

This study adopts a survey research design, which is suitable for obtaining first-hand information from key stakeholders regarding creative accounting practices and the credibility of financial statements.

### Population and Sample Size

The population comprises all stakeholders involved in the financial reporting process of listed telecommunications firms in Nigeria, including finance and audit personnel of these firms, external auditors, regulatory officials from bodies such as SEC and FRCN, as well as institutional investors. The study uses a purposive sampling technique to select respondents with sufficient knowledge and direct involvement in the financial reporting or investment analysis of telecom firms. A total of 120 respondents will be selected across four major listed telecom companies and relevant oversight institutions, ensuring a rich pool of informed opinions. The sample includes 30 financial officers, 20 internal auditors, 20 external auditors, 30 investors/analysts, and 20 regulatory officials, which the retrieved questionnaire was 113. Primary data will be collected through the administration of a well-structured questionnaire.

### Model Specification

In this study, the focus of the researcher was to establish the influence of independent variables on the dependent variable. Based on the nature of data and the independent variables stated, the panel regression technique was considered suitable to establish individual influence of the predictors on the dependent variable. In accordance with objectives of the study and the expectation of the researcher, the empirical models of this study will be stated.

Where: AOQ = Audit Opinion Quality; ICL = Investor Confidence Level; ENM = Earnings; Management; ICS = Income Smoothing

Equations 1 represent the functional relationship of the models while their econometric representations are respectively presented in equations and 4 viz:

$AOQ = f\propto_o+\beta_1ENM+\beta_2ICS+e_t - - - - \mu i$ ---------- (equation 1)

$ICL = f\propto_o+\beta_1ENM+\beta_2ICS+e_t - - - - \mu i$ ---------- (equation 2)

## 4. Results and Discussion

A multiple regression analysis model was utilized to assess the correlation between accounting appraisal techniques and investment decision of financial institutions in Nigeria.

**Regression Analysis**

**Table 1**

*Ordinary Least Squares Regression Results for AOQ*

| Predictor | B (Coefficient) | SE (Std. Error) | T | p |
|---|---|---|---|---|
| ENM | 0.15 | 0.06 | 2.68 | .009 |
| ICS | 0.74 | 0.06 | 12.57 | .001 |
| Constant | 2.65 | 0.89 | 2.98 | .004 |

$R^2$ = .83, Adjusted $R^2$ = .83, F(2, 110) = 276.94, p < .001**,** Durbin–Watson = 2.38

**Source: EVIEW-V10**

The OLS model is very strong: it explains 83% of the variance in Audit Opinion Quality ($R^2$ = .83, Adjusted $R^2$ = .83) and is highly significant overall (F(2, 110) = 276.94, p < .001), while a Durbin–Watson value of 2.38 indicates no evidence of positive autocorrelation in the residuals. Both predictors are positive and statistically significant earnings management (ENM) shows a modest effect (B = 0.15, SE = 0.06, t = 2.68, p = .009) and income smoothing (ICS) a much larger effect (B = 0.74, SE = 0.06, t = 12.57, p < .001) and the significant intercept (2.65, SE = 0.89, t = 2.98, p = .004) implies a substantial baseline AOQ when the predictors are zero.

**Table 2**

*Ordinary Least Squares Regression Results for ICL (n = 113)*

| Predictor | B | SE B | T | p |
|---|---|---|---|---|
| ENM | 0.158 | 0.044 | 3.60 | .001 |
| ICS | 0.740 | 0.047 | 15.80 | < .001 |
| Constant | 2.447 | 0.709 | 3.45 | < .001 |

$R^2$ = .890, Adjusted $R^2$ = .888, $F(2, 110) = 447.01$, $p < .001$, SE of regression = 0.354, Durbin–Watson = 2.24.

**SOURCE:** EVIEW V10

The OLS model predicting Investor Confidence Level (ICL; n = 113) is exceptionally strong explaining 89.0% of the variance ($R^2$ = .890, Adjusted $R^2$ = .888) and highly significant overall (F(2,110) = 447.01, p < .001) and the small standard error of the regression (0.354) together with a Durbin–Watson of 2.24 indicate precise estimates and no evidence of problematic autocorrelation in the residuals.

Both predictors are positive and statistically significant: Earnings Management (ENM) has a modest but meaningful association with ICL (B = 0.158, SE = 0.044, t = 3.60, p = .001), while Income Smoothing (ICS) is the dominant predictor (B = 0.740, SE = 0.047, t = 15.80, p < .001), so holding ENM constant a one-unit increase in ICS corresponds to about a 0.74 increase in investor confidence, and the significant intercept (2.447, SE = 0.709, p < .001) implies a substantive baseline ICL when both predictors are zero.

**Discussion of the findings**

**$H_{01}$: There is positive and significant effect of Earnings Management on Audit Opinion Quality of Telecommunications firms in Nigeria.**

The finding that earnings management has a positive and significant effect on audit opinion quality of telecommunications firms in Nigeria suggests that managers' discretionary practices in shaping reported earnings influence the nature of auditors' judgments and the credibility attached to financial reports. In comparison, Acar and Coşkun (2023) found that earnings management in telecommunication companies at the international level is often aligned with broader strategic goals such as improving ESG scores, which similarly reflects how such practices can alter external evaluations of firm performance.

**$H_{02}$: There is positive and significant effect of Income Smoothing on Audit Opinion Quality of Telecommunications firms in Nigeria.**

The result showing that income smoothing positively and significantly affects audit opinion quality indicates that consistent and less volatile earnings presentations tend to enhance auditors' assessments of the reliability of financial statements. A related study by Chimin (2024) highlighted how the adoption of digital ledger systems strengthened transparency in Nigerian telecommunications firms, demonstrating that different mechanisms whether income smoothing or digital reporting innovations can shape how audit opinions are formed.

**$H_{03}$: There is positive and significant effect of Earnings Management on Investor Confidence Level of Telecommunications firms in Nigeria.**

Evidence that earnings management exerts a positive and significant effect on investor confidence level implies that investors may perceive managed earnings as a sign of stability, thereby strengthening their trust in financial disclosures of telecom firms. This finding contrasts with the work of Onyeagba and Ukwueze (2021), who emphasized the role of corporate governance attributes in maintaining reporting credibility in the Nigerian telecommunications sub-sector, underscoring that investor confidence can be bolstered by either governance structures or reporting practices such as earnings management.

**$H_{04}$: There is positive and significant effect of Income Smoothing on Investor Confidence Level of Telecommunications firms in Nigeria.**

The result that income smoothing positively and significantly influences investor confidence shows that when firms reduce volatility in reported earnings, investors interpret this as a signal of predictability and reduced risk, thus enhancing their confidence. In comparison, Eze and Chukwu (2022) demonstrated that earnings management and governance practices jointly affected perceptions of Nigerian telecom and utilities firms, which suggests that investor confidence is strengthened not only by smoother earnings but also by governance mechanisms that enhance transparency and accountability.

## 5. Conclusion and Recommendations

The findings conclude that both earnings management and income smoothing significantly enhance audit opinion quality and investor confidence in Nigerian telecommunications firms, but their potential to distort true financial performance highlights the need for stronger governance and regulatory oversight. In line with the findings, the study recommended that:

(i) Earnings management should be closely monitored by regulators and audit committees to ensure that its influence on audit opinion quality does not undermine true financial transparency.
(ii) Income smoothing practices should be subjected to stricter disclosure requirements so that audit opinions genuinely reflect firm performance.
(iii) Earnings management should be curtailed through stronger governance mechanisms to sustain investor confidence without misleading signals.
(iv) Income smoothing should be regulated by enforcing clearer reporting standards that balance predictability with long-term credibility for investors.

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## APPENDIX A
## QUESTIONNAIRE

| S/N | QUESTIONS | SA | A | D | SD | N |
|---|---|---|---|---|---|---|
| **Audit Opinion Quality** | | | | | | |
| 1. | External auditors issue independent and unbiased audit opinions on our company's financial statements. | | | | | |
| 2. | The audit opinion accurately reflects the financial position of the organization. | | | | | |
| 3. | Our organization's auditors apply professional skepticism during the audit process. | | | | | |
| **Investor Confidence Level** | | | | | | |
| 4. | A strong audit opinion boosts my confidence in a company's financial integrity. | | | | | |
| 5. | Consistent earnings increase my trust in a firm's long-term viability. | | | | | |
| 6. | Transparency in financial reporting enhances my willingness to invest in telecom firms. | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Earnings Management** | | | | | | |
| 7. | Management sometimes adjusts financial figures to meet earnings targets. | | | | | |
| 8. | Accounting choices are occasionally made to influence reported profits. | | | | | |
| 9. | Revenue and expense recognition can be timed strategically to smooth financial outcomes. | | | | | |
| **Income Smoothing** | | | | | | |
| 10. | Management deliberately moderates profit fluctuations to appear financially stable. | | | | | |
| 11. | Income is adjusted across periods to maintain steady growth trends. | | | | | |
| 12. | Financial statements are prepared to minimize sharp variations in earnings. | | | | | |

**Source:** Researcher's computation 2025