

CORPORATE GOVERNANCE AND EARNINGS MANAGEMENT OF LISTED DEPOSIT MONEY BANKS IN NIGERIA: MODERATING EFFECT OF WHISTLE BLOWING

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ABSTRACT

This paper explores how whistle blowing mechanisms can moderate the connection between the corporate governance attributes and the earnings management in the banking industry. The endurance of the issue of financial reporting manipulation has cast doubts on the ability of the governance structures to curtail both accrual and real earnings management. The paper thus examines the assertions of the presence of whistle blowing systems and their role in enhancing governance oversight in the limit of managerial opportunistic behaviour. The study based on panel data of sampled banks undertakes analysis of the association between the variables of governance and whistle blowing mechanisms on the management of accrual and real earnings through panel regression techniques using fixed and random effects estimators. The results indicate that whistle blowing has a significant moderating effect in the association between governance characteristics and earnings control that lowers both the accrual and actual earnings management. The implications of the results are that quality whistle blowing systems increase levels of governance oversight and transparency in financial reporting. The research adds to the existing literature by offering empirical evidence on the relationships between governance and whistle blowing in the restricted earnings management in the banking industry.

KEYWORDS: *Governance; Whistle Blowing; Transparency; Stakeholder.*

Jel Classification: M40, M41, M42

INTRODUCTION

Management of earnings has been a thorn in the flesh of the banking industry across the globe and Nigeria is not an exception since most managers tend to manipulate financial reports in order to address regulatory requirements, smooth income or manipulate market perceptions (Healy & Wahlen, 1999; Eteidung, 2025). Such practices within the Nigerian banking sector have not only compromised the reliability of financial statements, stakeholder confidence as well as increased systemic risks. The most popular tools that bank managers use to attain these goals are discretionary accounting decisions such as accrual adjustments and loan loss provisions (Magaji et al, 2020). Regardless of all the reforms and corporate governance codes, it can be argued that earnings management continues, which demonstrates the weakness of the classical governance mechanisms (Siyabola et al, 2019).

The corporate governance mechanisms such as the board structure, independence of auditing

committee, and ownership concentration, and quality of external audit are designed to regulate the operations of management, facilitate accountability, and limit opportunistic reporting practices (Magaji, et al, 2020). Well-established governance systems increase control over earnings management and minimise the motivation to manipulate earnings by aligning the interests of managers with the interests of shareholders and other stakeholders (Jensen & Meckling, 1976; Erin & Bamigboye, 2020; Siyanbola et al, 2019). Whistle blowing has become an auxiliary internal control system that can enhance governance structures. It also gives employees and other stakeholders avenues to report cases of suspected misconduct anonymously and hence enhancing transparency and chances of penalizing opportunistic behavior (Erin & Bamigboye, 2020; Farooq et al, 2018).

The moderating effect of whistle blowing in the governance systems is also supported by international evidences. In Saudi Arabia and Indonesia, studies indicate that companies that have effective whistleblowing mechanisms have better governance surveillance and less earnings management (Belgacem, 2025; Hapsari et al, 2024). In the case of successful whistle blowing, it supplements board oversight, audit committees, and external audits, and thus increases the capacity of governance mechanisms to limit earnings manipulation. Some researchers have looked at elements of corporate governance and earnings management in the deposit money banks in the Nigerian context. Magaji et al (2019) discovered that audit independence, management ownership and board independence had a significant negative effect on earnings management in the Nigerian banks compared to the previous periods; but auditor size and tenure did not have any significant effects.

In a similar manner, Eteidung et al (2023) have found mixed relationships between governance characteristics (size and committee independence) and discretionary loan loss provision. Uadiale (2010) emphasized that more financially competent audit committees are associated with a reduced earnings manipulation aspect of Nigerian firms, whereas Madugba and Ogbonnaya (2022) proposed that some governance practices were linked to enhanced financial performance. Individual studies have taken into consideration whistle blowing policy disclosure and its relation with performance measures, with Agwor (2023) concluding that the banks that disclose whistle blowing policies have better performance results.

Despite the contribution of these studies to the literature of governance, majority of them concentrate on the direct effects of governance or disclosure practices without employing empirical research to connect whistle blowing to the earnings management process. In spite of these contributions, there are gaps that are evident in existing research in Nigeria. To begin with, not many studies have been conducted to examine the relationship between corporate governance and whistle blowing in findings out the relationship between the two as it tries to explain the earnings management, thereby not answering the questions of whether whistle blowing enhances or diminishes the capability of governance mechanisms to limit earnings management. Second, a significant part of the literature addresses governance variables independently, and that most of the research lacks the complementary approach to understanding internal control in terms of whistle blowing systems that can be used effectively to complement governance monitoring. Third, despite the fact that some researchers' study disclosure of whistle blowing policies, they fail to assess the impact of actual operation of the whistle blowing systems on the outcomes of earnings management in case the governance structures exist.

This research paper fills these gaps by investigating the moderation role of whistle blowing on the correlation between corporate governance and earnings management in the listed Nigerian deposit money banks during the years 2019- 2024. The incorporation of whistle blowing in the corporate governance-earnings management nexus offers new empirical findings of whether and how internal reporting systems enhance governance effectiveness in minimizing opportunistic financial

reporting. Such an emphasis sets it apart as compared to the previous studies within the Nigerian context and provides insights which can be utilized by the regulators, the management of the banks, investors and the policymakers to ensure greater transparency and accountability in the banking system.

Literature Review

Theoretical Framework

The presented work is based on the Agency Theory that was initially elaborated by Jensen and Meckling (1976) and describes the connection between principals (shareholders) and agents (managers). The theory assumes that managers (agents) can be opportunistic so as to maximize their own utility, which can be against the interest of shareholders (principals). In deposit money banks, the opportunities of opportunism may also arise in the form of earnings management whereby managers of the bank manipulate financial reporting to attain targets, manipulate stock prices or hide poor performance (Healy & Wahlen, 1999). The agency problems are mitigated by incorporating corporate governance practices like board structure, independence of audit committee, ownership concentration and external audit quality which are intended to monitor managerial behavior and align the behavior with the interests of its shareholders.

Nonetheless, the governing mechanisms might not be adequate in detecting and preventing opportunistic reporting. Whistle blowing is another internal control mechanism that can be used in addition to corporate governance by exposing unethical conducts, fraud, or earnings misrepresentation, which would otherwise not be seen (Erin & Bamigboye, 2020). Whistle blowing has been conceptualized in this study to reinforce the monitoring effect of corporate governance on earnings management by relying on the concept of whistle blowing. Combining the Agency Theory with the moderating effect of whistle blowing, the study offers an opportunity to comprehend that the joint governance structure and internal reporting systems may minimize the opportunism of managers and increase the trustworthiness of bank financial reports.

Conceptual Review

Earnings Management

Earnings management is a deliberate act of manipulating accounting decisions and operational decisions by managers to affect reported earnings to achieve personal goals, including regulatory levels, smooth earnings, or to indicate financial health. In banks, it has been common in terms of discretionary loan loss provision, and accrual changes which misrepresent reported profitability and actual financial position. Continuous earnings management erodes stakeholder trust, heightens information asymmetry and endangers financial stability. (Healy & Wahlen, 1999; Eteidung et al, 2023)

Corporate Governance

Corporate governance consists of the policies, structures and procedures which guide and regulate a company to ensure that the managers are acting in the best interest of the shareholders and stakeholders. Some of its key mechanisms are: independence of boards (board-structure, independence, size), audit committee independence and experience, ownership concentration, and quality of external audit. All these features of governance are meant to enhance better oversight, limit opportunistic behavior of managers and lower earnings manipulation. High level of information asymmetry, financial operations and strict regulatory scrutiny makes the issue of good corporate governance especially important in deposit money banks. (Magaji et al 2020; Siyanbola et al, 2019).

Whistle blowing

This moderating role is also supported by evidence of foreign studies. A study carried out on Saudi financial companies revealed that effective whistle blowing disclosure decreases earnings management and enhances the impacts of governance provisions, including board checks and audit committees (Belgacem, 2025). On the same note, the case of Indonesian listed companies suggests that a better governance earnings management relationship emerges when strong whistle blowing policies are in place, and discretionary reporting is therefore unlikely (Hapsari et al., 2024; Giovanni et al., 2024). When the whistle blowing systems are robust, the board control, audit committees, and external audit are backed by internal reporting systems, which increase the power of governance structures to limit earnings manipulation. On the other hand, ineffective or inefficient whistle blowing policies can decrease the efficiency of governing systems, whereby discretionary financial reporting can continue to exist (Farooq et al., 2018; Erin & Bamigboye, 2020). Therefore, not only does whistle blowing offer an extra monitoring tool but it also enhances the governance structure, which turns to be hard to be tampered by managers when it comes to earnings management. According to this moderating role the study will be guided by the following hypothesis:

H₀: Whistle blowing has no moderating effect on the relationship between corporate governance and earnings management in listed deposit money banks in Nigeria.

Empirical Review

Belgacem (2025) is an ongoing study to examine the effectiveness of disclosures made by whistleblowers in the Saudi Arabian Takaful Insurance (TKI) industry on earnings management during 2017-2023. In this respect, a whistle blowing index was developed to serve as an indicator of the efficiency of the whistle blowing framework. In an examination of endogeneity using the Dynamic Generalized Method of Moments (GMM), the majority of Saudi insurance companies put more effort in reporting information on whistleblowers, and it substantially lowered the amount of earnings management. In particular, the research finds that the size of the audit committee (ACS) negatively and significantly influences the way the insurance businesses process their incomes in case a whistleblower system is present. There is also a significant and negative impact on earnings management of the board size (BSZ), the proportion of non-executive independent members (PNIM), and Shariah board size (SBS). The frequency of the board meetings has however been found not to have an effect on earnings management.

Hapsari (2025) investigate whether the whistle-blowing policy implementation enhances the effectiveness of the corporate governance practices in curbing the practice of earnings management in the Indonesian manufacturing companies. This study will be an empirical quantitative study, involving secondary data on manufacturing companies that are listed on the Indonesian Stock Exchange in the 2021-2023 period. The sample was purposively selected and panel data regression was used in analyzing the data. The results showed that WHBLP is capable of improving the monitoring in the cases of well-organized internal control by firms thereby alleviating earnings management.

In the study, Ikechukwu et al (2025) explores how the corporate governance mechanisms impact the quality of financial reporting by the listed deposit money banks in Nigeria. The proxy of financial reporting quality was discretionary accruals. The research design is a quantitative one and relies on secondary data which are 12 listed deposit money banks in the Nigerian Exchange Group (NGX) during 2015-2024. Annual reports, NGX filings and Central Bank of Nigeria (CBN) reports are used as the source of the data, and panel regression with fixed effects is used to analyze it. The results shows that board independence, effectiveness of the audit committee, and concentrated ownership have a negative impact on DA, whereas CEO duality has a positive effect.

The paper draws the conclusion that it is important to have strong corporate governance to reduce the earnings manipulation and improve the quality of financial reporting.

Adegbayibi and Adelowotan (2024) examined the role of corporate governance mechanism on the financial performance of listed deposit money banks (DMBs) in Nigeria and Ghana. The research method used in the study was quantitative and based on the panel regression analysis methods. The sample of the study was 19 DMBs in Nigerian Exchange Group and Ghana Stock Exchange in the years between 2014 and 2023. Findings showed that managerial ownership positively affects financial performance of listed DMBs in Ghana with a significant impact.

The article by Godwin et al (2023) investigated the management of earnings and corporate governance among deposit money banks in Nigeria. The research design was ex-post facto research. The sample size and the population of the study consists of 12 listed deposit money banks in Nigeria stock exchange. The research questions embraced descriptive statistics and the hypotheses employed simple regression analysis in the study. The study results have shown that audit committee independence is not significantly related with risk committee independence and discretionary loan loss provisions among deposit money banks in Nigeria. The finding also indicated that size and the discretionary loan loss provisions have a strong relationship in the deposit money banks of Nigeria.

The article by Magaji et al (2020) analyses the quality of audits, ability to manage governance and earnings of listed deposit money banks in Nigeria over the period of eleven years between 2009-2019. The study sample entails a population of all the 14 deposit money banks listed in Nigeria on 31st December, 2019. The study took expo-factor and correlation research design and multiple regressions as method of data analysis. The study findings indicated that the independent audits, managerial ownership and board independent possess a significant negative effect on the earnings management of quoted Nigerian banks whereas auditor size and audit tenure bear no substantial effect on the earnings management of listed deposit money banks in Nigeria.

Siyabola et al (2019) analyzed the impact of Corporate Governance on Reported Earnings Quality in the Nigerian deposit money banks. A total of Ten (10) listed deposit money banks in Nigerian Stock Exchange were taken as the source of cross-sectional data and gathered over a duration of more than a decade (2008-2017). Descriptive and inferential statistics were used to analyse the data. It has used earnings predictability as a proxy of earnings quality reported, and board size, board independence, foreign directorship and firm size as proxies of corporate governance. The research results revealed that the board size positively and insignificantly relates to the quality of earnings; that the independence of the board is negatively and insignificantly related to the quality of earnings; that foreign directors in the board are positively and significantly related to the quality of earnings and that firm size is negatively and non-significantly related to earnings quality.

Methodology

The research design followed in this study is ex-post facto research design that aims at exploring the moderating impact of whistle blowing on the correlation between corporate governance and earnings management of listed deposit money banks in Nigeria within the years 2019-2024. The sample includes all the 14 listed deposit money banks in the Nigerian Stock Exchange of which 12 of the banks were used in the sample as a result of the availability of the data. Annual reports, corporate governance disclosures were used to get secondary data. Discretionary accruals and real earnings were used to measure earnings management and board structure; risk committee independence and ownership structure were used to measure corporate governance. Whistle blowing systems was measured by an index of content analysis which indicated the availability, anonymity, safety, and implementation of reporting systems. The control variables were the bank

size, age. The analysis of the data was designed as the moderating effect of whistle blowing to assess reliability and validity (Erin & Bamigboye, 2020; Farooq et al, 2018). Model Specification This model is defined based on the theoretical framework and submissions of related empirical literature which performed previously. In particular, the research uses the Warrens (2021) model of corporate governance mechanisms and earnings management. The model is as stated below:

$$AEM_{it} = AEM_{it-1} + \beta_1 BS * WBH_{it} + \beta_2 BM * WBH_{it} + \beta_3 MO * WBH_{it} + \beta_4 FO * WBH_{it} + \beta_5 RCI * WBH_{it} + \beta_6 RCG * WBH_{it} + \beta_7 FAGE_{it} + \beta_8 FS_{it} + \omega_i + \varepsilon_t$$

$$REM_{it} = REM_{it-1} + \beta_1 BS * WBH_{it} + \beta_2 BM * WBH_{it} + \beta_3 MO * WBH_{it} + \beta_4 FO * WBH_{it} + \beta_5 RCI * WBH_{it} + \beta_6 RCG * WBH_{it} + \beta_7 FAGE_{it} + \beta_8 SIZ_{it} + \omega_i + \varepsilon_t$$

Where:

EM_{it-1} = lagged of dependent variable ($DACC_{it-1}, REM_{t-1}$)

$\alpha, \beta, \delta, \gamma, \varphi$ = autoregressive (persistence)

ω_i = Fixed-effect error term

ε = iid disturbance term and $\varepsilon \sim N(0, \sigma^2_\varepsilon)$

AEM = Accruals earnings management; REM = Real earnings management; BS = Board size; BM = Board Meeting; MO = Managerial Ownership; FO = Foreign Ownership; RCI = Risk committee independence; RCG = Risk Gender; WHB = Whistle blowing policy; FAGE = Firm Age; FS = Firm size.

Measurement of Variables

Independent Variable (Firm Characteristics) Proxy by the Following Variables				
Variables	Variable Label	Measurement	Previous Authors that used similar -Measurement	Expected Sign
Corporate Governance	CGM			
Board Composition	BS	Number of directors on the board	Monday et al (2024) Warrens (2021)	
Board Size		The total number of meetings held in a year		
Board meeting	BM	<u>Managerial Ownership</u>	Monday et al (2024)	+ -
Ownership Structure		<u>Total Outstanding Shares</u>		
Managerial Ownership	MO	<u>Foreign Ownership</u>	Ozigi (2022)	+ -
Foreign Ownership	FO	<u>Total Outstanding Shares</u>	Magaji (2019) Ozigi (2022)	
Risk Management Committee			Musa et al (2024)	
Risk committee independence	RCI	Proportion of non-executive directors on the committee to the total directors	Oladejo et al (2023)	+ -
Risk Committee Gender				
Whistle Blowing Mechanisms	RCG	Proportion of female on board		+ -
Earnings Management				
Accrual Earnings Management	WBH		Warrens (2021)	+ -
Real Earnings Management		Absolute discretionary component from Modified Jones Model	Nguyen et al. (2021)	
Firm Age		Absolute residual component from Roychowdhury (2006) production model	Mellado and Saona (2020)	+ -
Firm Size	FAGE	Log of Number of years firm of incorporation	Owolabi & Olayinka (2021)	
	FS	Log of Turnover	Warrens (2021)	

Author's Compilation

Discussion

The descriptive statistics indicate the distribution of the study variables. The average accrual earnings management (AEM), real earnings management (REM), board size (BS), board meetings (BM), managerial ownership (MO), foreign ownership (FO), risk committee independence (RCI), risk committee gender (RCG), whistle blowing (WBH), firm age (LAGE) and firm size (FS) have 0.05, 0.01, 13.99, 6.06, 9.10, 25.52, 4.54, 1.15, 0. The standard deviations of 0.07, 0.01, 3.28, 1.96, 15.41, 27.59, 1.19, 1.03, 0.17, 0.14 and 1.39 indicate different levels of variation especially between managerial and foreign ownership that is highly varying across firms. The skewness values (2.32, 0.63, -0.05, 0.92, 2.11, 1.24, -0.02, 0.70, -0.40, -1.21 and 0.28) indicated that most of the variables were skewed moderately which is positive or negative, and the values of kurtosis (9.52, 2.78, 2.52, 3.23, 6.81, 3.33, On the whole, the descriptive statistics show that the variation between the variables is acceptable, and it also gives preliminary information about the distributional characteristics of the data used to conduct the empirical analysis.

Table 1: Descriptive Statistics

	AEM	REM	BS	BM	MO	FO	RCI	RCG	WBH	LAGE	FS
Mean	0.05	0.01	13.99	6.06	9.10	25.52	4.54	1.15	0.58	1.52	7.35
Median	0.03	0.01	14.00	5.00	2.05	12.70	4.00	1.00	0.50	1.53	6.88
Maximum	0.36	0.03	21.00	12.00	71.60	94.10	8.00	4.00	0.83	1.72	9.99
Minimum	0.00	0.00	6.00	3.00	0.10	0.00	0.00	0.00	0.00	1.08	5.17
Std. Dev.	0.07	0.01	3.28	1.96	15.41	27.59	1.19	1.03	0.17	0.14	1.39
Skewness	2.32	0.63	-0.05	0.92	2.11	1.24	-0.02	0.70	-0.40	-1.21	0.28
Kurtosis	9.52	2.78	2.52	3.23	6.81	3.33	6.36	3.01	3.48	4.88	1.88
J. Bera	192.26	4.87	0.71	10.37	97.08	18.67	33.84	5.95	2.61	28.25	4.73
Obs.	72	72	72	72	72	72	72	72	72	72	72

Source: Author' Computation

Correlation and Variance Inflation Factors

The correlation outcomes revealed that the accrual earnings management (AEM) has weak link with the majority of explanatory variables, however, it is observed to have negative correlations with REM (-0.02), managerial ownership (-0.22), risk committee independence (-0.04), risk committee gender (-0.16), and firm size (-0.07), and positive correlations are noted with the board size (0.12), foreign ownership (0.11), whistleblowing (0.09), firm age (0.19). On the same note, real earnings management (REM) shows negative association with board size (-0.11), board meetings (-0.01), foreign ownership (-0.15), and risk committee independence (-0.08), and positive association with managerial ownership (0.17), risk committee gender (0.04), whistleblowing mechanisms (0.24), and firm age (0.05) and firm size (0.09). In general, the correlation coefficients are not that high which indicates that there are no close linear relationships between the variables. This is also enhanced by the fact that the Variance Inflation Factor (VIF) values lie within the range of 1.5 to 4.4, lower than the traditional value of 10 and it shows that multicollinearity is not an issue of serious concern and the explanatory variables can be incorporated in the regression model.

Table 2: Correlation Matrix

	AEM	REM	BS	BM	MO	FO	RCI	RCG	WBH	LAGE	FS	VIF
AEM	1.00											-
REM	-0.02	1.00										-
BS	0.12	-0.11	1.00									4.4
BM	-0.22	-0.01	0.20	1.00								1.8
MO	0.11	0.17	0.35	0.15	1.00							2.4
FO	-0.04	-0.15	-0.02	-0.02	-0.11	1.00						2.1
RCI	-0.16	-0.08	0.50	0.28	0.22	-0.02	1.00					1.5
RCG	0.09	0.04	0.24	0.11	0.45	0.00	0.45	1.00				3.5
WBH	0.19	0.24	-0.18	-0.36	0.30	-0.20	-0.31	0.11	1.00			1.6
AGE	-0.35	0.05	-0.37	-0.26	-0.39	-0.08	-0.09	-0.10	-0.01	1.00		3.3
FS	-0.07	0.09	0.12	0.10	0.13	-0.43	0.26	0.08	0.01	-0.10	1.00	4.5

Source: Author' Computation

Regression Result (Accrual Earnings)

The outcome of the moderating role of whistle blowing (WBH) on the accrual earnings management (AEM) shows that the Breusch Pagan test (1.966, $p = 0.0515$) and Hausman test (2.098, $p = 0.9781$) justify the use of the random-effects estimator as the most suitable model to use in the analysis. The model is statistically significant as it shows that the F-statistic of 2.173 ($p = 0.000$) is statistically significant and that the explanatory variables, when combined, have an effect on the accrual earnings management. The value of Durbin-Watson is 1.663, which also demonstrates that serious autocorrelation is not present in the model. In terms of the interaction terms, the negative and significant moderating effects are observed in board meetings and whistle blowing (BM*WBH) ($t = -1.999$, $p < 0.05$), managerial ownership and whistle blowing (MO*WBH) ($t = -2.379$, $p < 0.05$), and risk committee gender and whistle blowing (RCG*WBH) ($t = -2.024$, $p < 0.05$) meaning that the existence of whistle blowing systems rein

Table 3 Regression Analysis Accrual Earnings Management

Variable	Pooled		Fixed Effect		Random Effect	
	Coef	T-Stat	Coef	T-Stat	Coef	T-Stat
C	0.372	3.219**	0.080	0.295	0.2742	2.531
BS*WBH	0.085	2.158**	0.062	1.469	0.076	1.890
BM*WBH	-0.012	-1.643	-0.168	-2.091**	-0.158	-1.999**
MO*WBH	-0.098	-1.037	0.278	0.166	-0.043	-2.379**
FO*WBH	-0.050	-0.869	-0.014	-0.010	-0.320	-0.341
RCI*WBH	-0.121	-0.829	-0.079	-0.538	-0.098	-0.679
RCG*WBH	-0.214	-1.476	-0.366	-2.253**	-0.031	-2.024**
LAGE	-0.177	-2.990**	-0.063	-0.039	-0.124	-1.241
FS	-0.063	-1.064	-0.216	-0.224	-0.040	-0.499
Adjusted R ²	0.2579		0.4732		0.2806	
F-Statistic (p-val.)	2.664 (0.0138)		2.449 (0.0055)		2.173 (0.000)	
Durbin Watson	1.539		1.798		1.663	
Breusch Pagan Test					1.966 (0.0515)	
Hausman test					2.098 (0.9781)	

Source: Author's Computation

Regression Result (Real Earnings management)

The outcome of the moderating effect of the whistle blowing (WBH) and real earnings

management (REM) shows that the Breusch-Pagan test (11.445, $p = 0.000$) and Hausman test (7.707, $p = 0.0425$) imply the adoption of the fixed-effects estimator as the most suitable. The model has a significant statistical significance as evidenced by the F-statistic of 12.289 ($p = 0.000$) implying that the explanatory variables actually affect real earnings management in combination. The adjusted R² of 0.4521 means that approximately 45.21 percent of variation in REM is accounted by the model whereas Durbin-Watson value of 2.076 suggests that there is no severe autocorrelation. BM*WBH ($t = -3.473$, $p < 0.05$) and RCG*WBH ($t = -3.110$, $p < 0.05$) demonstrate negative and significant moderating effects which show that the mechanisms of whistle blowing can make the governance practices more effective in eliminating real earnings management. Likewise, the significant moderating effect can also be observed under the condition of FO*WBH ($p < 0.05$), indicating that whistle blowing supplements the influence of foreign ownership in curbing the practice of earnings management.

Table 4 Regression Analysis Real Earnings Management

Variable	Pooled		Fixed Effect		Random Effect	
	Coef	T-Stat	Coef	T-Stat	Coef	T-Stat
C	-0.077	-0.4525	-0.078	-2.256**	-0.076	-0.460
BS*WBH	-0.079	-0.1927	-0.068	-0.144	-0.004	-2.086**
BM*WBH	0.096	0.6918	-0.059	-3.473**	0.037	0.396
MO*WBH	0.178	1.9628	0.027	2.157**	0.017	3.289**
FO*WBH	-0.005	-0.0776	0.025	0.129	0.001	-0.020
RCI*WBH	-0.011	-0.0073	0.106	0.694	0.033	0.178
RCG*WBH	-0.462	-0.3165	-0.240	-3.110**	-0.016	-0.087
LAGE	0.101	1.0338	0.752	0.476	0.871	0.993
FS	0.339	0.4751	0.025	0.248	0.035	0.413
Adjusted R ²	0.2714		0.4521		0.2856	
F-Statistic (p-val.)	10.630 (0.000)		12.289 (0.000)		11.777 (0.000)	
Durbin Watson	2.045		2.076		2.013	
Breusch Pagan Test			11.445 (0.000)			
Hausman test			7.707 (0.0425)			

Source: Author's Computation

Discussion of Findings

The hypothesis of the study was that, whistle blowing does not play a significant role of mediating between corporate governance mechanisms and earnings management in the sampled banks. The empirical evidence on accrual earnings management (AEM) however show that the terms of interaction BM*WBH, MO*WBH, and RCG*WBH are negative and statistically significant ($p < 0.05$) therefore nullifying the null hypothesis. This means that whistle blowing will enhance governance oversight and discourage managers to have a propensity to practice earnings management, based on accrual figures. Likewise, the findings on real earnings management (REM) indicate that BM*WBH, FO*WBH, and RCG*WBH are significant at 5 percent level, which proves that the relationship between governance attributes and the concept of real earnings management is also moderated by whistle blowing.

The negative coefficients indicate that the presence of effective whistle blowing channels will deter opportunistic behaviour by managers because there is higher chances of reporting the unethical financial practice. Such results are in line with the agency theory that claims that good monitoring systems decrease the conflict between managers and shareholders thus limiting opportunistic financial reporting (Aggarwal & Knoeber, 1996; Dechow et al., 1998). The deterrence theory and stakeholder theory also support the result because they postulate that the presence of whistle blowing mechanisms enhances accountability and deters financial misconducts in organizations. Intuitively, the results add to the existing literature which reveals that whistle

blowing systems increase the effectiveness of corporate governance and decrease the manipulation of earnings by enhancing the effectiveness of internal monitoring and transparency (Alareeni & Hamdan, 2023; Gerged et al., 2021; Erin & Ogundele, 2016).

The evidence in the emerging markets also suggests that good internal reporting systems are a real brake on managerial opportunism and enhancing financial reporting quality (Chen et al., 2019; Dong et al., 2020). Nevertheless, a few studies have given different evidence and also indicated that the effective governance mechanisms might not be effective in curbing the earnings management in the absence of the institutional enforcement or when the board monitoring is more of a symbolic than substantive (Vafeas, 1999; Xie et al., 2003). The economic and policy conclusion of this result is that wholesale institutions of the banks need to enhance whistle blowing conventions as their corporate governance and risk management framework. In the case of the sampled banks, whistle blowing policies may prove to be effective in improving transparency, agency cost, and credibility of the financial reporting and boost investor confidence and compliance with regulatory policies. Regulators and the management of banks are thus advised to support confidential reporting, staff protection policy and ethical company cultures that can ensure accountability and deter both accrual and real earnings manipulation.

Conclusion, Recommendations and Suggestions for Future Research

This paper has explored the moderating nature of whistle blowing systems in the association between corporate governance qualities and earnings management in the sampled banks. In particular, the research question concerned the effectiveness of the whistle blowing systems to enhance governance mechanisms to contain the accrual earnings management and the real earnings management. The experimental findings indicated that the connection between various governance features and the earnings management is highly mitigated by whistle blowing. Specifically, the interaction effects between the whistle blowing and board meetings, managerial ownership, and gender of the risk committee had a significant impact by diminishing the accrual earnings management, whereas the interaction effects between the whistle blowing and board meetings, foreign ownership, and the gender of risk committee had a significant influence on the reduction of real earnings management. These results imply that whistle blowing systems positively influence effectiveness of corporate governance systems through better monitoring, transparency and prevention of opportunistic managerial behaviour. The findings thus confirm the argument that internal reporting system is a valuable instrument of governance that can help alleviate agency problems and enhance the quality of the financial reporting in the banking industry. All in all, the research findings show that the existence of efficient whistle blowing mechanisms enhances corporate governance frameworks and helps in reducing the number of banks that engage in both accrual and real earnings management.

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