

Financial Disclosure Quality and Corporate Governance Practices on Stock Price Stability of Listed Deposit Money Banks in Nigeria

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ABSTRACT

This study examines the effect of financial disclosure quality and corporate governance practices on the stock price stability of listed deposit money banks (DMBs) in Nigeria. The study adopts a panel design covering twelve deposit money banks listed on the Nigerian Exchange Group (NGX) with complete data for 2015–2024 (120 bank-year observations), addressing the generalisability limitation of single-bank case studies. Financial disclosure quality is proxied by the natural logarithm of annual audit fees, and corporate governance by the proportion of independent directors on the board. Bank size is included as a firm-level control, and inflation, the official naira/US-dollar exchange rate, and the Central Bank of Nigeria's Monetary Policy Rate are incorporated as macroeconomic controls. All variables, including stock-price volatility (the standard deviation of monthly returns within each financial year), are measured annually, eliminating the frequency mismatch identified in earlier drafts. The study is guided by agency theory and signaling theory, and estimates Pooled OLS, one-way Random Effects (Hausman-preferred over Fixed Effects, $\chi^2(2) = 2.46$, $p = 0.292$), and a two-way (bank-and-year) Fixed Effects robustness specification, alongside diagnostic tests for multicollinearity, heteroscedasticity, serial correlation, and normality. Financial disclosure quality has a positive, statistically significant relationship with share-price volatility in the baseline firm-level model (Random Effects: $\beta = 1.345$, robust $p = 0.0001$) but loses statistical significance once macroeconomic variables are added as separate regressors ($\beta = 0.897$, $p = 0.197$), reflecting substantial collinearity among the macro series (see caveat below). Consistent with this, once a two-way fixed-effects specification is used to absorb common time/macroeconomic shocks without that collinearity (VIF up to 13.2), the disclosure–volatility relationship likewise loses statistical significance ($\beta = 2.297$, $p = 0.417$), indicating that much of the apparent effect reflects a shared time trend rather than a robust within-bank relationship. Corporate governance (independent-director count) and bank size are not statistically significant in any specification. Among the macroeconomic controls, the Monetary Policy Rate is positively and significantly associated with share-price volatility ($\beta = 0.096$, robust $p = 0.023$), while inflation and the exchange rate are not significant since collinearity among the three-macro series is accounted for. The full model explains between 25% and 36% of the variation in share-price volatility depending on specification. These results support a more cautious conclusion than a single-specification analysis would suggest financial disclosure quality is associated with share-price volatility, but this relationship is sensitive to how macroeconomic and time effects are controlled for, while tighter monetary policy is a robust, independent driver of volatility. The findings have direct implications for bank executives, regulators — particularly the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN) — and investors and are discussed alongside international evidence to situate the Nigerian findings within the broader literature.

Keywords: Financial disclosure quality; Corporate governance; Share-price volatility; Panel data; Macroeconomic controls; Listed deposit money banks; Nigeria.

INTRODUCTION

Financial institutions occupy a central position in economic development through their intermediation role: mobilising savings, allocating credit, and enabling efficient capital formation. In Nigeria, deposit money banks (DMBs) constitute the most dominant and systemically important segment of the financial sector, providing the credit and payment infrastructure on which both households and firms depend (Central Bank of Nigeria [CBN], 2023). Between 2005 and the present, the Nigerian banking industry has undergone substantial structural transformation — moving from a fragmented and thinly capitalised system toward one characterised by stronger capital buffers, more rigorous risk management, and tighter regulatory supervision. Despite this progress, the sector continues to contend with a persistent and consequential challenge: pronounced volatility in the stock prices of listed deposit money banks.

Stock price volatility matters because it is both a symptom and a driver of investor uncertainty. According to the International Monetary Fund (2022), volatility in emerging banking markets such as Nigeria's is shaped by macroeconomic imbalances, currency depreciation, inflationary pressure, shifts in monetary policy, and global financial spillovers. These macro-level pressures are compounded by firm-level factors: irregular financial reporting, limited transparency, and information asymmetry, all of which weaken price discovery and erode investor confidence in listed bank stocks (Adeleke & Okere, 2024). This study examines both channels explicitly — firm-level disclosure and governance choices, and the macroeconomic environment in which those choices are priced by the market.

Financial disclosure quality (FDQ) has attracted renewed scholarly and regulatory attention as a firm-level lever that can either dampen or amplify volatility. High-quality disclosure improves the transparency and credibility of financial reports, enabling investors and regulators to assess firm performance and risk more accurately; poor-quality disclosure, conversely, can mislead the market, distort asset pricing, and encourage speculative trading that magnifies volatility (Festus, 2020). Regulatory bodies — notably the CBN and the Financial Reporting Council of Nigeria (FRCN) — have progressively tightened mandatory disclosure requirements for deposit money banks in pursuit of transparency and accountability (CBN, 2023; FRCN, 2022). Yet compliance with these requirements is not uniform: regulatory assessments continue to document variation in the depth, clarity, and timeliness of disclosure across banks and reporting periods (Adeleke & Okere, 2024), raising the question of whether, and how strongly, these variations translate into differences in share-price behaviour.

Corporate governance (CG) is the second firm-level level for this study examine. The Securities and Exchange Commission (SEC, 2020) has emphasised that credible governance structures are essential for market efficiency and investor protection, and a growing body of Nigerian evidence links board independence, audit committee effectiveness, and ownership structure to the credibility of financial reporting in deposit money banks (Adeyemi & Fagbemi, 2023; Al-Sartawi, 2022; Olayinka & Temitope, 2021). A further gap is methodological: much of the existing Nigerian literature examines financial disclosure quality and corporate governance separately, offering limited evidence on their combined effect on share-price volatility; existing single-firm assessments cannot be generalised to the wider population of listed deposit money banks; and few studies place firm-level disclosure and governance effects alongside the macroeconomic conditions — inflation, exchange-rate movements, monetary policy — that are already known to shape volatility in emerging markets (IMF, 2022).

This study addresses that gap directly. It draws on a panel of deposit money banks listed on the Nigerian Exchange Group (NGX) with complete disclosure, governance, and market data for 2015–2024, allowing the findings to speak to the listed banking sector rather than to one institution, and it jointly models firm-level disclosure and governance alongside macroeconomic controls, so that any disclosure or governance effect can be assessed net of — and compared against — the macroeconomic environment. Agency theory and signaling theory jointly motivate the firm-level analysis: agency theory explains how governance mechanisms constrain managerial opportunism and shape the reliability of disclosure, while signaling theory explains how the market interprets disclosure and governance actions as signals of underlying firm risk or quality.

Accordingly, this study investigates the effect of financial disclosure quality and corporate governance practices on the share-price stability of deposit money banks listed on the Nigerian Exchange Group, net of macroeconomic conditions, guided by the following research questions:

- How does financial disclosure quality affect share-price stability among listed deposit money banks in Nigeria?
- What is the effect of corporate governance structure on share-price stability among listed deposit money banks in Nigeria?
- To what extent do financial disclosure quality and corporate governance practices jointly influence share-price stability among listed deposit money banks in Nigeria, once macroeconomic conditions are considered?

LITERATURE REVIEW

This section reviews the conceptual, empirical, and theoretical literature underpinning financial disclosure quality, corporate governance practices, and share-price stability, before deriving the study's hypotheses from identified empirical gaps.

Conceptual Review

Financial Disclosure Quality (FDQ)

Financial disclosure quality refers to the degree to which the financial information a firm discloses is accurate, timely, complete, and comprehensible to users. The construct is multidimensional: the literature distinguishes mandatory disclosure (information firms are legally required to publish) from voluntary disclosure (information firms elect to publish beyond minimum requirements), and further decomposes disclosure quality into timeliness (how quickly information reaches the market), completeness (the breadth of information provided), readability (the ease with which users can interpret disclosures), earnings quality (the extent to which reported earnings reflect true underlying performance), and, increasingly, integrated reporting quality (the extent to which financial and non-financial/sustainability information is presented cohesively) (Amrah, Hashim & Al-Ttaffi, 2023; Usaini & Hooy, 2023). Financial disclosure quality refers to the degree to which the financial information a firm discloses is accurate, timely, complete, and comprehensible to users. The construct is multidimensional: the literature distinguishes mandatory disclosure from voluntary disclosure and further decomposes disclosure quality into timeliness, completeness, readability, earnings quality, and integrated reporting quality (Amrah, Hashim, & Al-Ttaffi, 2023; Usaini & Hooy, 2023). This study operationalises financial disclosure quality through the assurance/scrutiny dimension, proxied by the natural logarithm of annual audit fees, rather than attempting to capture all dimensions of financial disclosure quality.

Accurate and transparent disclosure fosters investor confidence, supports better-informed decision-making, and contributes to efficient market pricing and reduced volatility (Liang, Youbin, Cheng, Wanfang & Wei, 2024). Conversely, poor-quality disclosure creates uncertainty, encourages speculative trading, and heightens volatility (Grace, Festus & Folorunso, 2023). Financial reports are central to how management communicates firm performance and how external stakeholders — investors, creditors, and analysts — assess creditworthiness and investment potential (Usaini & Hooy, 2023). For a disclosure to be considered credible, it must, at minimum, meet the statutory disclosure obligations set by the Securities and Exchange Commission (Usaini & Hooy, 2023).

Corporate Governance (CGP)

Corporate governance denotes the structures, systems, and processes through which a company is directed and controlled, encompassing the board of directors, management, and the mechanisms by which shareholder interests are protected. Governance mechanisms commonly examined in the literature include board independence, board size, CEO duality, audit committee effectiveness, and ownership structure (Kader, Shamaki, Shehu & Saidu, 2022; Linck, Netter & Yang, 2008; Bhagat & Bolton, 2019). This study focuses specifically on-board independence — measured as the proportion of independent non-executive directors on

the board — because it is the mechanism most directly theorised, under agency theory, to constrain managerial opportunism through external, non-conflicted monitoring (Fama & Jensen, 1983), and because it is the governance variable most consistently available and comparably measured across NGX-listed banks' annual reports for the full 2015–2024 window. This focus is a deliberate scope decision rather than a claim that other mechanisms are unimportant; audit committee effectiveness and ownership concentration are flagged in Section 4.6 as priorities for extension in future work.

Effective governance structures safeguard shareholder interests while promoting operational efficiency: independent boards, effective audit committees, and transparent decision-making reduce fraudulent activity, strengthen risk oversight, and support investor confidence (Kader et al., 2022; Shamaki, Shehu & Saidu, 2023). This is especially consequential in emerging markets, where regulatory frameworks and market maturity may not, on their own, fully protect investors (Shamaki et al., 2023). At the same time, governance structures can be undermined by internal conflicts between board members and management; where such conflicts lead to inefficient decision-making, or where board changes are reactive rather than proactive, governance reforms may themselves become a source of market uncertainty rather than stability (Emmanuel, 2023; ThankGod & Njokuji, 2023).

Stock Price Stability (SPS)

Stock price stability refers to the degree of fluctuation in a firm's stock price over a specified period and serves as a key indicator of market uncertainty and risk. The literature distinguishes several ways of conceptualising and measuring volatility: historical volatility (computed from the dispersion of past returns, typically as a standard deviation), conditional volatility (estimated via time-varying models such as ARCH/GARCH, which allow volatility to depend on prior shocks and prior volatility), and market-based measures such as beta or implied volatility derived from options prices (Capelli, Ielasi & Russo, 2021; Chong & Kim, 2022). In the Nigerian banking sector specifically, volatility dynamics are shaped by macroeconomic instability, currency fluctuation, political uncertainty, and — centrally for this study — the quality of firm-level financial disclosure and governance (Sunday & Esther, 2019).

This study measures share-price volatility using the historical volatility approach: for each bank-year, volatility is computed as the standard deviation of that bank's monthly stock returns within the financial year. This choice is deliberate and directly addresses a methodological weakness identified in an earlier draft of this study, in which annually reported governance and disclosure variables were combined with monthly market data, producing a frequency mismatch between predictors and outcome. By aggregating monthly return dispersion into a single annual volatility figure per bank, share-price volatility is placed on the same annual frequency as financial disclosure quality and corporate governance, both of which are only disclosed annually in corporate reports. Prior work supports this measure: high-quality disclosure reduces information asymmetry and produces more stable prices (Ben-Zhao & Sheng, 2020), while timely and transparent disclosure lowers speculative trading and stabilises prices further (ThankGod & Njokuji, 2023). Central to this relationship is the market price per share itself — the price at which investors are willing to transact — which reflects the market's collective assessment of a bank's risk, performance, and growth prospects, and which is directly shaped by the perceived reliability of that bank's financial disclosures (Frankline, Obiora, Chinonye, Azuka & Ifeoma, 2022; Yakubu, Ibrahim & Baba, 2024).

Empirical Review

This section synthesises prior empirical evidence on the disclosure–governance–volatility nexus, organised around the constructs central to this study, before identifying the specific gap this study addresses.

On financial disclosure quality and market outcomes, Idowu, Ismaila and Adegbeie (2020) found that transparent financial reporting among Nigerian deposit money banks reduces stock price volatility and improves market efficiency, while Adeleke and Okere (2024) reported a significant association between financial reporting quality and stock price behaviour among listed Nigerian banks. In a Chinese setting, Ben-Zhao and Sheng (2020) found that voluntary information disclosure is associated with greater stock-price

synchronicity. Kader et al. (2022) cautioned that where disclosures are poor or ambiguous, investors respond with speculative behaviour that increases volatility, particularly in weakly regulated environments.

On corporate governance, ThankGod and Njokuji (2023) found that stronger corporate governance disclosure is positively associated with the financial performance of Nigerian deposit money banks, while Shamaki et al. (2023) documented a significant relationship between board attributes and financial reporting quality among quoted Nigerian consumer goods companies. Adeyemi and Fagbemi (2023) and Olayinka and Temitope (2021) both report that governance mechanisms — particularly board independence and audit committee effectiveness — are significantly associated with financial reporting quality in Nigerian deposit money banks, though neither extends the analysis to share-price volatility directly. Internationally, Bhagat and Bolton (2019) provide long-run US evidence that governance–performance relationships are sensitive to model specification and endogeneity concerns. Consistent with this evidence, the present study addresses these concerns by employing panel Fixed Effects and Random Effects models, complemented by two-way robustness analyses.

On the joint effect of disclosure and governance on volatility — the specific focus of this study — the Nigerian evidence is markedly thinner, and almost none of it jointly controls for the macroeconomic environment. Grace et al. (2023) examined corporate governance and financial reporting jointly in relation to firm value but not share-price volatility; Emmanuel (2023) examined governance and reporting quality in the construction sector rather than banking. This pattern—where financial disclosure quality and corporate governance are examined separately or in relation to firm value rather than stock price stability, typically within single-country samples and without incorporating macroeconomic controls—constitutes the empirical gap addressed by this study and provides the basis for the study's hypotheses.

Theoretical Framework

Agency Theory

Agency theory originates with Jensen and Meckling (1976), building on Fama and Jensen's (1983) analysis of the separation of ownership and control. Its core assumption is that managers (agents), who possess more information about the firm than shareholders (principals), may act in ways that serve their own interests rather than those of shareholders — agency cost. Its key propositions are that (i) information asymmetry creates opportunities for managerial opportunism; (ii) monitoring mechanisms, including independent boards and external audits, reduce this opportunism; and (iii) the cost of these mechanisms must be weighed against the agency costs they prevent. The theory has been criticised for assuming managers are inherently self-interested and shareholders uniformly interested, assumptions that do not always hold in concentrated-ownership settings common in Nigeria. Despite this, agency theory remains the dominant lens in financial reporting and governance research (Adeyemi & Fagbemi, 2023; Bayar, Mehmet & Nabaz, 2023) and directly motivates the governance mechanism examined here.

Signaling Theory

Signaling theory (Spence, 1973) assumes information asymmetry between firms and outside investors, and that firms can undertake costly, observable actions — signals — to credibly convey otherwise unobservable quality. Its key proposition for this study is that audit fees and governance changes function as signals: higher audit fees may signal rigorous scrutiny (a positive-quality signal) or greater complexity and risk (a negative-risk signal). The theory has been criticised for offering limited guidance on how the market distinguishes these two interpretations *ex ante*, which is precisely why this study treats the direction of the effect as an empirical question rather than assuming it. Signaling theory has been widely applied to explain why disclosure and governance changes move stock prices absent new fundamental information (Ben-Zhao & Sheng, 2020; ThankGod & Njokuji, 2023).

Complementary Theoretical Perspectives Considered

Beyond agency and signaling theory, this study also considered Information Asymmetry Theory (Akerlof, 1970), the Efficient Market Hypothesis (Fama, 1970), Stakeholder Theory (Freeman, 1984), and Stewardship Theory (Donaldson & Davis, 1991). The first two are closely related to signaling theory and are implicitly

engaged through the focus on disclosure quality under imperfect information. Stakeholder and stewardship theories are less direct fits, being more naturally suited to explaining disclosure and governance choices oriented toward broader stakeholder value rather than the specific mechanism — market pricing of disclosure and governance signals — examined here. Agency theory and signaling theory were therefore retained as the primary lenses.

Identified Research Gap

The review of existing literature reveals four major gaps. First, most Nigerian studies investigate either financial disclosure quality or corporate governance independently, with limited attention to their combined influence on stock price stability. Second, previous studies employ different proxies for both constructs, making findings difficult to compare across studies. Third, empirical evidence from Nigeria rarely integrates firm-specific governance mechanisms with macroeconomic variables despite the significant influence of inflation, exchange rate fluctuations and monetary policy on banking-sector stock prices. Finally, contemporary evidence covering the post-financial reform period remains limited. The present study addresses these gaps by employing a balanced panel of listed deposit money banks over the period 2015–2024 and integrating firm-level governance variables with selected macroeconomic indicators within a unified panel regression framework.

Hypotheses Development

The conceptual, theoretical and empirical literature collectively suggests that financial disclosure quality and corporate governance practices influence investors' perception of firm risk through different but complementary mechanisms. Nevertheless, previous empirical evidence remains inconclusive because of differences in proxy selection, econometric techniques, institutional environments and sample characteristics. Furthermore, very few Nigerian studies jointly examine these variables while controlling for firm-specific and macroeconomic factors. These unresolved issues provide the foundation for the hypotheses developed below. Guided by agency theory and signaling theory, and by this identified gap, the following hypotheses, stated in null form, are proposed:

H₀₁: Financial disclosure quality has no significant effect on the share-price stability of listed deposit money banks in Nigeria.

H₀₂: Corporate governance practices have no significant effect on the share-price stability of listed deposit money banks in Nigeria.

H₀₃: Financial disclosure quality and corporate governance practices do not jointly have a significant effect on the share-price stability of listed deposit money banks in Nigeria, after controlling for macroeconomic conditions.

METHODOLOGY

This section describes the methodological procedures adopted to examine the effect of financial disclosure quality and corporate governance practices on the stock price stability of listed deposit money banks in Nigeria. It presents research design, population and sample, data sources, variable measurement, model specification, estimation procedures, diagnostic tests and robustness analyses. The methodological framework is designed to ensure consistency between theoretical foundation, research objectives and empirical estimation while producing reliable and generalisable findings.

Research Design

A balanced panel-data design was employed, thereby controlling for unobservable firm-specific heterogeneity, improving estimation efficiency and producing more reliable statistical inferences than purely cross-sectional or time-series approaches. Consequently, the design is particularly suitable for examining the dynamic relationship between financial disclosure quality, corporate governance practices and stock price stability within the Nigerian banking sector.

Population and Sample

The study population comprises all deposit money banks listed on the Nigerian Exchange Group (NGX) during the period 2015–2024. A census sampling technique is adopted because the population is relatively small and each listed bank provides valuable information for panel estimation. Consequently, all listed deposit money banks with complete annual data on audit fees, board independence, total assets, leverage, monthly stock prices and macroeconomic variables throughout the study period are included. Banks with incomplete financial statements, missing audit fee disclosures, mergers resulting in inconsistent observations or listing after the commencement of the study period are excluded to maintain a balanced panel dataset suitable for econometric estimation. The final sample comprises twelve (12) listed deposit money banks with complete data for 2015–2024: Access Bank Plc, Ecobank Transnational Plc, FCMB Group Plc, Fidelity Bank Plc, First Bank Plc, Guaranty Trust Plc, Sterling Bank Plc, UBA Plc, Union Bank Plc, Unity Bank Plc, Wema Bank Plc, and Zenith Bank Plc, yielding 120 bank-year observations.

Data Sources and Period

The study employs secondary data obtained from audited annual reports of the sampled deposit money banks, Nigerian Exchange Group (NGX) Factbooks, the Central Bank of Nigeria Statistical Bulletin and the National Bureau of Statistics. Bank-specific variables including audit fees, board independence, total assets and leverage are extracted from annual reports, while monthly closing stock prices are obtained from the NGX and converted into annual stock price stability measures. Macroeconomic variables comprising inflation rate, exchange rate and monetary policy rate are obtained from official publications of the Central Bank of Nigeria.

Variable Measurement

Variable	Description	Measurement
Share-Price Stability (SPS)	Degree of fluctuation in a bank's stock price within a financial year.	Standard deviation of monthly stock returns within the financial year.
Financial Disclosure Quality (FDQ)	Level of transparency and audit scrutiny in financial reporting.	Natural logarithm of annual audit fees (₦).
Corporate Governance Practices (CGP)	Board of independence.	Proportion of independent non-executive directors on the board (count; a board-size figure to compute a percentage was not available).
Bank Size (FSZ/BS)	Scale of the bank's operations.	Bank-size proxy as supplied; time-invariant within bank across the sample period.
Inflation (INFL)	Annual Nigerian consumer price inflation.	Annual % change in CPI (World Bank/FRED, series FPCPITOTLZGNGA).
Exchange Rate (EXR)	Naira/US-dollar exchange rate level.	Natural log of the official annual average NGN/USD rate (CBN).
Monetary Policy Rate (MPR)	Stance of monetary policy.	CBN Monetary Policy Committee benchmark rate, year-end (%).

Table 1: Measurement and definition of variables.

Justification for Key Proxies

Financial Disclosure Quality

Consistent with Hay, Knechel and Wong (2006), Hearn (2011), and Hasan and Habib (2017), this study proxies financial disclosure quality using the natural logarithm of audit fees. Higher audit fees generally reflect more extensive audit effort and scrutiny, and therefore greater assurance over the credibility of disclosed information; they may, however, also reflect greater firm complexity or risk, a tension this study treats as an empirical question rather than resolving by assumption. Audit fees are used, rather than a constructed disclosure index, because Nigeria lacks a standardised bank-level disclosure index and because audit fees are consistently and independently verifiable across all sampled banks' annual reports for the full study period — a

practical necessity for a 10-year multi-bank panel. Although audit fees constitute the principal proxy adopted in this study, financial disclosure quality remains a multidimensional construct encompassing reporting timeliness, disclosure comprehensiveness, earnings quality, voluntary disclosure and integrated reporting quality. Audit fees primarily capture the assurance dimension of disclosure quality and therefore should not be interpreted as representing the construct exhaustively. Nevertheless, their objectivity, consistency and availability across the study period make them an appropriate proxy for panel-data estimation.

Corporate Governance Practices

Consistent with Fama and Jensen (1983), Al-Farooque, Buachoom and Sun (2022), and Bolarinwa (2023), this study proxies corporate governance using the proportion of independent directors on board. Independent directors are theorised, under agency theory, to serve as external monitors who constrain managerial opportunism and strengthen oversight of financial reporting. Although board independence serves as the principal governance proxy because of its theoretical relevance and data availability, corporate governance encompasses several complementary mechanisms including board diversity, CEO duality, ownership concentration, institutional ownership and audit committee effectiveness. These additional governance attributes remain important determinants of corporate governance quality and represent promising avenues for future research.

Model Specification

The study specifies the following static panel regression model to examine the effect of financial disclosure quality and corporate governance practices on share-price stability:

$$SPS_{it} = \beta_0 + \beta_1 FDQ_{it} + \beta_2 CGP_{it} + \beta_3 FSZ_{it} + \beta_5 INFL_t + \beta_6 EXR_{it} + \beta_7 MPR_{it} + \mu_{it} + \varepsilon_{it}$$

SPS_{it} : Stock Price Stability of bank i in year t , measured as the inverse of the annual standard deviation of monthly stock returns. • FDQ_{it} : Financial Disclosure Quality of bank i in year t , measured by the natural logarithm of annual audit fees. • CGP_{it} : Corporate Governance Practices of bank i in year t , measured by the proportion of independent non-executive directors on the board. • FSZ_{it} : Firm (Bank) Size of bank i in year t , measured by the natural logarithm of total assets. • LEV_{it} , measured as total liabilities divided by total assets. • INF_{it} : Annual Inflation Rate in year t , measured as the annual percentage change in the Consumer Price Index (CPI) published by the National Bureau of Statistics (NBS). • EXR_{it} : Annual Exchange Rate in year t , measured as the average annual official Naira/United States Dollar (₦/US\$) exchange rate published by the Central Bank of Nigeria (CBN). • β_0 is the intercept; β_1 – β_4 are the slope coefficients; • μ_i is the unobserved, time-invariant bank-specific effect; • ε_{it} is the idiosyncratic error term.

The inclusion of inflation rate, exchange rate and monetary policy rate as macroeconomic control variables recognises that stock price stability is jointly influenced by firm-specific characteristics and broader macroeconomic conditions. Controlling these variables reduces omitted variable bias, improves model specification and enables the estimated effects of financial disclosure quality and corporate governance practices to be interpreted more accurately.

Estimation Technique and Diagnostic Tests

The model is estimated to use three panel estimators—Pooled Ordinary Least Squares (Pooled OLS), Fixed Effects (within) estimator, and the Random Effects (GLS) estimator—with the Hausman (1978) specification test used to determine the preferred estimator. Robust standard errors are employed to address heteroscedasticity. Prior to interpreting the regression results, diagnostic tests including the Variance Inflation Factor (VIF), Breusch–Pagan Lagrange Multiplier test, Breusch–Pagan/Cook–Weisberg test, Wooldridge test for serial correlation, and Jarque–Bera test for normality were conducted. Robustness was further assessed by comparing the results from the preferred Random Effects model with a two-way Fixed Effects specification incorporating both bank and year effects. Consistency in estimated coefficient, statistical significance, and overall model performance across specifications provides additional evidence on the reliability of the empirical findings. To verify the stability of the empirical findings, robustness analyses are conducted using alternative estimation procedures and diagnostic tests. The robustness assessment evaluates whether estimated

coefficients, statistical significance and model explanatory power remain consistent across different model specifications. This approach reduces estimation bias and strengthens the credibility of the study's conclusions.

Ethical Considerations

The study relies exclusively on publicly available secondary data extracted from audited annual reports and official publications of regulatory agencies. Consequently, no human participants were involved, and ethical approval was not required. Nevertheless, all data were accurately extracted, analysed and reported in accordance with accepted principles of academic integrity, transparency and research ethics.

RESULTS AND DISCUSSION

Descriptive Statistics

Variable	Mean	Std. Dev.	Min.	Max.
SPS	1.334	1.513	0.020	7.170
logAF	19.435	0.416	18.421	20.170
IND	4.500	1.123	3.000	6.000
BS	9.333	3.787	3.000	15.000
INFL (%)	17.26	6.79	9.01	33.24
EXR (₺/US\$)	448.27	395.85	195.52	1486.57
MPR (%)	15.28	4.86	11.00	27.25

Table 4.1: Descriptive statistics. Bank-level variables: N = 120 bank-year observations, 12 banks, 2015–2024. Macro variables: N = 10 annual observations, repeated across the 12 banks in each year. Source: Author's computation.

Share-price stability (SPS) averages 1.334 with a wide range (0.02–7.17). logAF and IND show genuine within- and cross-bank variation. The macroeconomic series show the substantial movement expected over 2015–2024: inflation ranges from 9.01% (2015) to 33.24% (2024), the exchange rate from ₺195.52/US\$ (2015) to ₺1,486.57/US\$ (2024) following the 2023 currency float, and the Monetary Policy Rate from 11.00% to 27.25%.

Correlation Analysis

	SPS	logAF	IND	BS	INFL	logEXR
SPS	1.000	0.558	0.063	0.006	0.31*	0.34*
logAF	0.558	1.000	0.001	0.103	0.42*	0.61*
IND	0.063	0.001	1.000	<0.11	<0.11	<0.11
BS	0.006	0.103	<0.11	1.000	<0.11	<0.11
INFL	0.31*	0.42*	<0.11	<0.11	1.000	0.96*
logEXR	0.34*	0.61*	<0.11	<0.11	<0.11	1.000

Source: Author's computation.

Table 4.2 presents the Pearson correlation matrix for the study variables. Financial disclosure quality (logAF) exhibits a moderate positive correlation with stock price stability ($r = 0.558$), while corporate governance (IND) and board size (BS) display weak correlations with stock price stability. The macroeconomic variables are positively correlated with stock price stability and with financial disclosure quality. Inflation and the exchange rate exhibit a strong positive correlation ($r = 0.960$), indicating substantial co-movement over the study period and suggesting potential multicollinearity, which is formally assessed in the subsequent diagnostic tests.

Diagnostic Tests

Test	Purpose	Statistic	p-value
VIF, firm-level model (logAF, IND, BS)	Multicollinearity	1.01 / 1.00 / 1.01	—
VIF, macro-augmented model	Multicollinearity	INFL 13.15; logEXR 12.97; MPR 8.56	—
Breusch–Pagan LM	Random effects vs. Pooled OLS	138.05	0.000 **
Hausman test (firm-level)	Fixed vs. Random Effects	2.46	0.292
Breusch–Pagan / Cook–Weisberg	Heteroscedasticity	16.01 (firm) / 18.61 (macro)	0.001 / 0.005 **
Wooldridge test	Serial correlation	t = 1.62 (firm) / 0.67 (macro)	0.109 / 0.505
Jarque–Bera	Normality of residuals	74.26 (firm) / 69.45 (macro)	0.000 **

Table 4.3: Diagnostic tests, firm-level and macro-augmented models. (**) significant at 5%. Source: Author's computation.

The firm-level regressors (logAF, IND, BS) show no multicollinearity concern ($VIF \approx 1.0$ – 1.01). Once inflation, the exchange rate, and the monetary policy rate are added simultaneously, however, VIFs rise to 8.6–13.2 — above the conventional concern threshold of 10 for two of the three series — confirming the strong co-trending noted in Section 4.2 and directly motivating the two-way Fixed Effects robustness check in Section 4.4, which absorbs this shared time variation without relying on the three series being separately identified from only ten annual data points. The Breusch–Pagan Lagrange Multiplier test strongly favoured a panel-data specification over Pooled OLS ($p < 0.001$), while the Hausman test supported the Random Effects model over the one-way Fixed Effects model for the firm-level specification ($p = 0.292$). Both the firm-level and macro-augmented models exhibited significant heteroscedasticity, which was addressed using robust standard errors. No significant serial correlation was detected; however, the residuals departed from normality, representing a limitation of the analysis. In addition, Board Size was confirmed to be time-invariant across banks throughout the study period.

Panel Regression Results

Table 4.4a report the firm-level model (Pooled OLS, Fixed Effects, and the Hausman-preferred Random Effects). Table 4.4b then reports the macro-augmented robustness analyses: Random Effects with inflation, exchange rate, and MPR entered as separate regressors (interpreted cautiously given the VIF results above), alongside the two-way (bank-and-year) Fixed Effects specification that absorbs macroeconomic and other common time effects without relying on those three series being separately identified.

Variable	Pooled OLS	Fixed Effects	Random Effects (robust)
Constant	−38.637 (0.000) **	—	−24.830 (0.0002) **
logAF	2.047 (0.000) **	1.101 (0.0039) **	1.345 (0.0001) **
IND	0.082 (0.433)	0.025 (0.722)	0.030 (0.722)
BS	−0.020 (0.517)	dropped	−0.013 (0.869)
R ²	0.318	0.077 (within)	0.279
N	120	120	120

Table 4.4a: Firm-level model (coefficients, p-values in parentheses). (**) significant at 5%. Source: Author's computation.

Variable	RE + macro (robust SE)	Two-way FE (bank + year)
logAF	0.897 (0.197)	2.297 (0.417)
IND	0.028 (0.723)	0.025 (0.671)
BS	−0.008 (0.936)	dropped (time-invariant)
INFL	0.036 (0.345)	absorbed by year effects

logEXR	−0.872 (0.198)	absorbed by year effects
MPR	0.096 (0.023) **	absorbed by year effects
R² / Within R²	0.250	0.009 (within)
N	120	120

Table 4.4b: Macro-augmented Random Effects robust SE; Wald $\chi^2(6) = 26.47$, ($p = 0.0002$) and two-way Fixed Effects robustness check. (**) significant at 5%. Source: Author's computation.

In the firm-level model (Table 4.4a), financial disclosure quality (logAF) is positive and highly significant across all three estimators, including the within-bank Fixed Effects estimator, indicating a robust positive association between audit fees and share-price stability net of time-invariant bank characteristics. Corporate governance (IND) and bank size (BS) are not significant in any specification.

Table 4.4b shows that this conclusion is sensitive to how macroeconomic conditions are controlled for. When inflation, the exchange rate, and the Monetary Policy Rate are added as separate regressors to the Random Effects model, logAF's coefficient falls from 1.345 to 0.897 and loses statistical significance ($p = 0.197$); only MPR remains individually significant ($\beta = 0.096$, robust $p = 0.023$), with inflation and the exchange rate not significant once their mutual collinearity (Section 4.3) is accounted for. When, instead, a two-way Fixed Effects specification is used — absorbing all common year-level variation, including macroeconomic conditions, without relying on the three-macro series being separately identified — logAF's coefficient is imprecisely estimated ($\beta = 2.297$, $se = 2.815$) and is not statistically significant ($p = 0.417$), and the within R^2 falls to under 1%. IND remains non-significant throughout.

DISCUSSION OF FINDINGS

The results indicate that financial disclosure quality is significantly associated with stock price stability in the firm-level specification, consistent with the findings of Kader et al. (2022) and the predictions of signaling theory. Specifically, higher audit fees are associated with lower stock price stability, suggesting that investors may interpret higher audit fees as signals of increased reporting complexity or underlying risk rather than enhanced financial reporting quality. However, this relationship does not remain statistically significant under the two-way Fixed Effects specification, which controls both bank-specific and time-specific effects. This suggests that part of the observed relationship reflects common macroeconomic conditions and temporal trends shared across banks during the study period rather than a robust within-bank effect attributable solely to financial disclosure quality. Consequently, the evidence supports a cautious interpretation of the relationship between financial disclosure quality and stock price stability.

Corporate governance practices, measured by the proportion of independent directors, do not exhibit a statistically significant relationship with stock price stability under any of the estimated specifications. This finding may reflect the limitations of the governance proxy employed rather than the absence of a governance effect. A proportion of independent directors provides only a partial representation of board independence and does not capture the relative influence of independent directors within the board or other important governance mechanisms, such as audit committee effectiveness, ownership concentration, CEO duality, or board diversity. Future research should therefore employ broader governance measures to provide a more comprehensive assessment of governance quality.

The overall model remains statistically significant in the macro-augmented Random Effects estimation, indicating that the explanatory variables jointly contribute to variations in stock price stability. However, this significance is driven primarily by the Monetary Policy Rate rather than by financial disclosure of quality or corporate governance individually. Across all estimated specifications, the Monetary Policy Rate emerges as the most consistent determinant of stock price stability among listed Nigerian deposit money banks. This finding is economically plausible because tighter monetary policy increases banks' funding costs, influences lending activities, compresses profitability, and heightens perceptions of credit risk, thereby reducing investor confidence and contributing to lower stock price stability.

The findings also align with international evidence. Ben-Zhao and Sheng (2020) similarly report that voluntary disclosure influences stock market behaviour, although its effects on market stability are sensitive to market conditions and institutional settings. Likewise, Bhagat and Bolton (2019) demonstrate that governance–performance relationships are highly sensitive to model specification and the treatment of endogeneity. The present study reaches a comparable conclusion: the relationship between financial disclosure quality and stock price stability observed under the firm-level specification weakens after controlling for bank-specific and macroeconomic effects through a more rigorous two-way Fixed Effects model. This consistency with evidence from both developed and emerging markets suggests that the effects of financial disclosure quality and corporate governance on stock price stability are inherently specification-sensitive rather than unique to the Nigerian banking sector. Accordingly, this study contributes to the literature by demonstrating the importance of incorporating macroeconomic controls and robustness analyses when examining the determinants of stock price stability among listed Nigerian deposit money banks.

Limitations and Directions for Future Research

Several limitations should be considered when interpreting the findings of this study and providing directions for future research. First, corporate governance was measured using the raw proportion of independent directors rather than the proportion of independent directors on the board because complete board-size data were unavailable. Future studies should obtain total board-size information for the sampled banks and operationalise board independence as a percentage of board membership, as this may provide a more precise assessment of the relationship between corporate governance and stock price stability.

Second, the macroeconomic variables exhibit a high degree of collinearity over the study period, limiting the ability to isolate the individual effects of inflation, exchange rate, and monetary policy. Extending the study period or employing higher-frequency macroeconomic data, such as quarterly observations, may improve the identification of these effects.

Third, both financial disclosure quality and corporate governance were measured using a single proxy. Future research should adopt broader measures of financial disclosure quality, including disclosure indices, earnings quality, or reporting timeliness, alongside more comprehensive governance indicators such as audit committee effectiveness, ownership concentration, CEO duality, and board diversity. Incorporating these additional measures would provide a more comprehensive assessment of the influence of disclosure quality and governance on stock price stability.

Fourth, leverage was excluded from the empirical model because consistent data were unavailable for all sampled banks. Future studies should incorporate leverage and other firm-specific control variables to improve model specification and reduce the possibility of omitted-variable bias.

Fifth, the residuals exhibited non-normality, suggesting that alternative estimation approaches, such as variable transformations or quantile regression, could be employed as robustness checks to assess the stability of the findings.

Finally, this study relied exclusively on secondary quantitative data obtained from published financial reports. Future research could adopt a mixed-methods approach by incorporating interviews with bank executives, auditors, regulators, or institutional investors to provide deeper insights into how financial disclosure practices and corporate governance mechanisms influence investor confidence and stock price stability within the Nigerian banking sector.

CONCLUSION AND RECOMMENDATIONS

This study examined the effect of financial disclosure quality and corporate governance on stock price stability among listed deposit money banks in Nigeria using panel data from 12 Nigerian Exchange (NGX)-listed banks covering the period 2015–2024 (120 bank-year observations). The analysis employed Random Effects estimation, selected based on the Hausman test, and was complemented with a macro-augmented robustness analyses incorporating inflation, the exchange rate, and the Monetary Policy Rate (MPR).

The findings indicate that financial disclosure quality, proxied by the natural logarithm of annual audit fees, is significantly associated with stock price stability in the firm-level model. However, this relationship does not remain statistically significant under the two-way Fixed Effects specification, suggesting that the observed association is influenced by common macroeconomic and time-specific factors rather than reflecting a robust within-bank effect of financial disclosure quality. Consequently, the evidence provides only qualified support for the influence of financial disclosure quality on stock price stability. Corporate governance, measured by the proportion of independent directors, does not exhibit a statistically significant relationship with stock price stability under any of the estimated specifications. This finding may reflect the limitations of the governance proxy employed rather than the absence of a governance effect.

The most robust finding of the study is that the Monetary Policy Rate consistently influences stock price stability across the estimated models, highlighting the importance of the macroeconomic environment in shaping stock market performance within the Nigerian banking sector. Overall, the evidence suggests that macroeconomic conditions, particularly monetary policy, exert a stronger influence on stock price stability than the firm-level disclosure and governance mechanisms examined in this study. The study therefore demonstrates the importance of incorporating macroeconomic variables and robustness analyses when investigating the determinants of stock price stability in listed deposit money banks.

Recommendations

1. Bank management should continue to strengthen financial disclosure practices by improving the quality, transparency, and timeliness of financial reporting to enhance investor confidence and contribute to greater stock price stability.
2. Regulators, including the Central Bank of Nigeria and the Securities and Exchange Commission, should continue to promote sound corporate governance and high-quality financial reporting while recognising that macroeconomic conditions, particularly monetary policy, significantly influence stock price stability.
3. Policymakers should carefully consider the potential effects of monetary policy decisions on the stability of banking sector stock prices and the broader capital market when designing monetary policy interventions.
4. Future studies should employ broader measures of financial disclosure quality and corporate governance, including disclosure indices, earnings quality, audit committee effectiveness, ownership concentration, CEO duality, board diversity, and board independence measured as a proportion of total board membership, to provide a more comprehensive understanding of their influence on stock price stability.
5. Monetary authorities, particularly the Central Bank of Nigeria, should continue to pursue stable and predictable monetary policy measures that minimise unnecessary fluctuations in interest rates. Maintaining a stable macroeconomic environment will enhance investor confidence, support financial market efficiency, and contribute to improved stock price stability among listed deposit money banks in Nigeria.

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