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Accounting Ethics and Corporate Performance in Nigerian Manufacturing Firms: Evidence from Atlantic Textile Manufacturing Company

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Abstract

This study examined the influence of accounting ethics on the performance of corporate entities, using Atlantic Textile Manufacturing Company in Lagos State, Nigeria, as a case study. The study adopted a descriptive survey research design and utilized primary data collected through structured questionnaires administered to 51 respondents drawn from accounting, finance, internal audit, and management departments. Data were analyzed using descriptive statistics, Pearson Product Moment Correlation, and regression analysis. Findings revealed that accounting ethics has a strong positive and statistically significant relationship with corporate performance ($r = 0.655$, $p < 0.05$). The study further established that ethical accounting practices significantly influence financial performance, operational efficiency, stakeholder confidence, and corporate sustainability. Ethical principles such as integrity, objectivity, professional competence, confidentiality, and due care were found to improve transparency, accountability, and managerial decision-making. The study concluded that accounting ethics is a major determinant of sustainable corporate performance in manufacturing firms. It recommended that organizations should strengthen ethical compliance frameworks, provide continuous ethics training for accounting personnel, and enforce strict adherence to professional accounting standards.

Keywords: Accounting Ethics, Corporate Performance, Manufacturing Firms, Ethical Compliance, Financial Performance, Nigeria.

1. Introduction

The performance of corporate entities has become an important concern for stakeholders in both developed and developing economies. Corporate performance reflects an organization's ability to effectively utilize resources, achieve profitability, maintain operational efficiency, and sustain stakeholder confidence. In the Nigerian manufacturing sector, corporate performance is particularly significant due to the sector's contribution to employment generation, industrial development, and economic growth.

In recent years, accounting ethics has emerged as a critical determinant of corporate performance. Accounting ethics refers to the moral principles and professional standards that guide accountants in the preparation, presentation, and interpretation of financial information. Ethical accounting practices promote transparency, accountability, integrity, objectivity, and reliability in financial reporting, thereby enhancing organizational credibility and decision-making.

The collapse of global corporations such as Enron and WorldCom exposed the devastating effects of unethical accounting practices on organizational sustainability and stakeholder trust. Similar challenges have also been observed in Nigeria, where unethical accounting behavior has contributed to financial mismanagement, loss of investor confidence, and declining corporate performance.

Despite the existence of ethical codes established by professional bodies such as the Institute of Chartered Accountants of Nigeria (ICAN) and the Financial Reporting Council of Nigeria (FRCN), unethical accounting practices remain prevalent among some corporate entities. This situation raises concerns regarding the extent to which accounting ethics influences corporate performance within Nigerian manufacturing firms.

This study therefore investigated the influence of accounting ethics on the performance of corporate entities, using Atlantic Textile Manufacturing Company as a case study.

2. Literature Review

2.1.1. Concept of Accounting Ethics

Accounting ethics refers to the moral values, principles, and standards that guide professional accountants in the discharge of their responsibilities. Ethical accounting practices require accountants to demonstrate integrity, objectivity, professional competence, confidentiality, and professional behavior.

Ethical accounting enhances transparency and accountability in financial reporting, reduces fraud, improves decision-making, and strengthens stakeholder confidence. Conversely, unethical accounting practices such as earnings manipulation, misrepresentation of financial statements, and concealment of liabilities undermine corporate performance and organizational sustainability.

2.1.2. Corporate Performance

Corporate performance refers to the extent to which an organization achieves its financial and operational objectives. Performance indicators include profitability, operational efficiency, stakeholder satisfaction, market competitiveness, and sustainability.

Ethical accounting practices contribute to improved corporate performance by ensuring accurate financial reporting, promoting prudent resource management, and supporting effective corporate governance.

2.1.3. Theoretical Framework

This study was anchored on Ethical Theory, Stakeholder Theory, Agency Theory, and Institutional Theory.

Ethical Theory emphasizes moral responsibility and integrity in professional conduct. Stakeholder Theory argues that organizations should serve the interests of all stakeholders through transparent and accountable practices. Agency Theory explains the importance of ethical accounting in reducing information asymmetry between owners and managers. Institutional Theory highlights the influence of societal norms and regulatory pressures on organizational ethical behavior.

2.1.4. Empirical Review

Previous studies established that accounting ethics positively influences corporate performance. Owolabi and Adegbie (2017) found that ethical accounting practices improved organizational transparency and managerial effectiveness. Oyerogba (2018) reported that firms with strong ethical compliance recorded better performance outcomes. Adekunle and Lawal (2018) established that ethical accounting practices enhanced operational efficiency and cost control in Nigerian manufacturing firms.

However, limited studies focused specifically on manufacturing firms using primary data from accounting professionals. This study addressed this gap.

3. Methodology

The study adopted a descriptive survey research design. The population consisted of employees within the accounting, finance, internal audit, and management departments of Atlantic Textile Manufacturing Company.

A purposive sampling technique was adopted to select respondents with adequate knowledge of accounting practices and corporate performance. Out of a population of 73 employees, a sample size of 51 respondents was selected.

Primary data were collected through structured questionnaires. Data were analyzed using descriptive statistics, Pearson Product Moment Correlation, and regression analysis.

4. Results and Discussion

The study found a strong positive relationship between accounting ethics and corporate performance ($r = 0.655$, $p < 0.05$). This implies that improved ethical accounting practices significantly enhance organizational performance.

The regression analysis revealed that accounting ethics significantly affects financial performance ($F = 48.372$, $p < 0.05$). Ethical accounting practices improve transparency, reduce financial manipulation, and enhance profitability.

Furthermore, accounting ethics significantly influenced operational efficiency ($F = 62.943$, $p < 0.05$). Organizations that adhere to ethical accounting standards recorded improved budgeting, cost control, and resource utilization.

The findings also established that compliance with accounting ethics significantly improves stakeholder confidence and corporate sustainability ($R^2 = 0.557$ and $R^2 = 0.590$ respectively). Ethical accounting practices strengthen investor trust, organizational reputation, and long-term sustainability.

These findings align with Stakeholder Theory and Agency Theory, which emphasize accountability, transparency, and ethical governance as determinants of corporate success.

4.1. Conclusion and Recommendations

The study concluded that accounting ethics significantly influences corporate performance in Nigerian manufacturing firms. Ethical accounting practices enhance financial performance, operational efficiency, stakeholder confidence, and corporate sustainability.

The study recommended that:

1. Corporate organizations should strengthen ethical compliance mechanisms.
2. Professional accounting bodies should intensify ethics training and monitoring.
3. Organizations should establish effective internal control systems to discourage unethical practices.
4. Regulatory agencies should enforce strict sanctions against unethical accounting behavior.
5. Ethical values should be integrated into organizational culture and governance frameworks.

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