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Effect of Digital Innovation on the Financial Reporting of Firms Listed on Nigeria Exchange Group

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Abstract: *This research investigates the influence of digital innovation on the financial reporting procedures of publicly traded companies in Nigeria, emphasizing its effects on timeliness, accuracy, quality, reliability, and the issues that arise. A quantitative research design was employed to gather primary data from 224 respondents across all sectors of the Nigerian Exchange Group (NGX) via a structured questionnaire. The data were analysed using descriptive statistics, correlation analysis, and ANOVA. The findings indicate that digital innovations are progressively integrated into financial reporting processes, markedly improving report quality, timeliness, and stakeholder confidence, but adoption rates differ within industries. The findings also show that problems with infrastructure, cybersecurity issues, and a lack of skills limit the benefits of these new technologies. Although ERP and automation technologies have demonstrated significant positive impacts on data integration and accuracy, the use of blockchain remains constrained due to regulatory ambiguity. The study finds that digital innovation is a key factor in better financial reporting in Nigeria, as long as investments in infrastructure, staff training, and cybersecurity are made beforehand. It suggests that companies on the list gradually add digital capabilities, make rules for how technology may be used stronger, and engage with authorities to come up with regulations that would help new technologies grow.*
Keywords: digital innovation, blockchain, cyber security, risk association, financial reporting.

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INTRODUCTION

Digital innovations are transforming global practices, particularly in business operations and accounting. Technologies such as automation, artificial intelligence (AI), blockchain, big data analytics, and cloud computing are redefining the methods by which organisations create, process, store, and communicate information. Over the past twenty years, the global business landscape has experienced a significant transformation primarily due to swift advancements in digital technology. This transformation is particularly evident in financial reporting, where traditional manual and paper-based systems have increasingly been supplanted by advanced, technology-driven solutions (George, 2024). Financial reporting serves as a fundamental component of corporate transparency and accountability, facilitating informed economic decisions by investors, regulators, and other stakeholders. The timeliness, accuracy, and accessibility of financial information in the current economy are increasingly reliant on the integration of innovative digital tools (JieWei, Olayemi & Adekunle, 2023).

Digital innovation has transformed financial reporting from periodic, static documents to dynamic, real-time reporting environments on a global scale. Enterprise resource planning (ERP) systems integrate financial and operational data within organisations, allowing for automated consolidation and the immediate generation of financial statements (JieWei et al., 2023). Artificial intelligence and machine learning algorithms are utilised to identify anomalies, forecast financial trends, and highlight compliance risks, thereby improving the reliability of reported information (Olaoye, Adebayo & Salami, 2025). Blockchain provides an immutable ledger that enhances transparency and traceability of transactions, thereby reducing the risk of financial manipulation and strengthening data integrity (Tubotamuno-Ojas & Moses, 2024).

The adoption of digital innovation for financial reporting in Nigeria has accelerated due to rising regulatory demands, investor expectations, and competitive pressures within the capital market. The incorporation of ICT into business processes and financial systems has transitioned record keeping from manual, physical formats to electronic and digital formats, enhancing the efficiency of data collation, analysis, and reporting (Igbokwe-Ibeto & Nwafor, 2023). Companies listed on the Nigerian Exchange Group (NGX) function within a rigorously monitored framework, where the credibility, accuracy, and timeliness of financial statements significantly influence investor confidence and market performance. The implementation of International Financial Reporting Standards (IFRS) in Nigeria sought to improve reporting consistency; however, it is digital innovation that is currently transforming the speed, quality, and scope of financial disclosures (Tubotamuno-Ojas & Moses, 2024). Empirical evidence from Nigeria supports the positive impact of digital innovation on the quality of financial reporting (Tubotamuno-Ojas & Moses, 2024; Oyewobi & Adeyemi, 2023).

Despite these advancements, the incorporation of digital innovation into financial reporting in Nigeria encounters distinct challenges. Infrastructure deficits, including unstable electricity supply, inadequate internet penetration, cybersecurity threats, and limited technical skillsets, impede the complete realisation of digital benefits (JieWei et al., 2023). Moreover, challenges in implementation, a lack of skilled personnel, and deficiencies in governance hinder the efficacy of AI and other technologies in promoting long-term financial sustainability (Olaoye et al., 2025).

Statement of the Problem

More and more companies in Nigeria are using innovative technologies like ERP software, AI apps, and blockchain solutions to make their financial disclosures better and more timely. But the rate of adoption is still uneven. Some businesses have fully adopted these new ideas, while others still use old-fashioned manual methods. Because of this unevenness, financial reports are not always reliable or easy to compare. Infrastructure problems including unreliable electricity, slow internet connections, cybersecurity risks, and a lack of technical knowledge among accountants make it hard to get the most out of modern technologies. Even in companies that have used them, they aren't very useful because they aren't well integrated or used enough. It is essential to empirically examine how digital innovation is influencing the quality, timeliness, and reliability of financial reporting among Nigeria's publicly traded companies. This study opted for a broader scope to address the current literature vacuum, particularly as no research has been undertaken across various technology types and sectors within the Nigerian environment.

Objectives of the Study

The main objective of this study is to examine the effect of digital innovation on financial reporting of listed firms in Nigeria. While the specific objectives are;

1. To assess the extent to which digital innovations have been adopted in the financial reporting processes of listed firms in Nigeria.
2. To evaluate the effect of digital innovation on the quality, accuracy, and reliability of financial reports among listed firms in Nigeria.
3. To determine the impact of digital innovation on the timeliness of financial reporting in Nigeria's listed firms.
4. To identify the challenges and risks associated with the adoption of digital innovation in financial reporting.

Hypothesis

H_{01}: Digital innovations have not been significantly adopted in the financial reporting processes of listed firms in Nigeria.

H_{02}: Digital innovation has no significant effect on the quality, accuracy, and reliability of financial reports among listed firms in Nigeria.

H_{03}: Digital innovation has no significant impact on the timeliness of financial reporting in Nigeria's listed firms.

H_{04}: Challenges and risks associated with the adoption of digital innovation have no significant relationship with its level of adoption in financial reporting among listed firms in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual review

Digital Innovation

Digital innovation is the use of new technology to make better or new processes, products, or services (Yoo, Henfridsson, & Lyytinen, 2010). When it comes to financial reporting, it means using cutting-edge technologies like AI, blockchain, ERP systems, cloud computing, and big data analytics to make financial information more accurate, faster, and more trustworthy. Digital innovation changes reporting from a static, periodic process to a dynamic, real-time one, giving stakeholders instant access to financial information. The level of adoption differs based on the readiness of the organisation, the technology it has in place, and the rules it has to follow.

Adoption of Technology in Financial Reporting

The use of technology in financial reporting refers to how much companies use digital technologies to conduct reporting activities. Models like the Technology Acceptance Model (TAM) and the Diffusion of Innovation Theory (Rogers, 2003) are typically used to illustrate this idea. These models look at things like how helpful something seems, how easy it is to use, how much support it gets from the organisation, and how much pressure it gets from the environment. In Nigeria, more and more listed companies are using ERP systems to manage their data, AI to find problems, and blockchain to check transactions. The process of adopting new technology, on the other hand, is affected by things like the availability of infrastructure, the skills of the workforce, the costs involved, and the rules that govern the process.

Financial Reporting

Financial reporting is the organised way that an organisation tells its stakeholders about its financial health and performance (Odubuasi, 2020). This is commonly done through statements like the income statement, balance sheet, and cash flow statement (IASB, 2021). In the past, financial reporting was done by hand and on paper, but now as technology has improved, it is done more and more by computers and other electronic systems. In today's world, financial reporting is more than just following the rules; it's a way to improve openness, accountability, and investor confidence. The quality of financial reports is determined by their timeliness, correctness, relevance, and compliance with regulatory criteria such the International Financial Reporting criteria (IFRS).

Challenges and Risks of Digital Innovation in Financial Reporting

Digital innovation has many benefits, but using it in financial reporting comes with its own set of problems and risks. These are cyber security dangers, worries about data privacy, high

implementation costs, a shortage of experienced workers, and a reluctance to change (Susanto, 2020). In emerging economies like Nigeria, these problems are made worse by things like unreliable power supply, low internet access, and inconsistent regulatory laws. When people rely too much on technology without enough human oversight, it can also create systemic hazards, such algorithmic faults that go unnoticed or automated systems that are manipulated. To deal with these problems, we need a full plan that includes growing capacity, regulatory assistance, and investing in safe technology infrastructure.

Theoretical Literature

Technology Acceptance Model (TAM)

Davis came up with the Technology Acceptance Model (TAM) in 1989. It is one of the most important models in information systems research. It offers a comprehensive elucidation of the mechanisms by which individuals and organisations adopt and utilise technological breakthroughs. TAM's main idea is that two perceptions affect how likely someone is to adopt something: how useful they think it is (PU) and how easy they think it is to use (PEOU). Perceived usefulness is how much someone thinks that utilising a certain technology would help them do their job better. Perceived ease of use is how easy the technology seems to use. These two elements together affect how the user feels about the technology, which then affects their intention to use it and how they actually utilise it. TAM is especially important for Nigerian listed companies since the success of any digital innovation in financial reporting rests on more than just having the right technology. It also depends on whether or not accounting and finance professionals are ready and able to use it. This is why companies use Enterprise Resource Planning (ERP) systems that combine real-time financial data to make reporting more timely and accurate.

Empirical Review

Many international scholars have studied digital transformation and corporate reporting consequences. Vasarhelyi, Kogan, and Tuttle (2015) evaluated continuous auditing systems in the US and found that AI-powered and real-time reporting platforms reduced reporting errors and enhanced financial statement reliability. Alles and Grey (2016) examined the adoption of integrated ERP solutions in publicly listed German firms and found that firms with advanced ERP integration reported financial statements faster, had fewer restatements, and met IFRS standards better. In their study of South Korean enterprises, Yoon and Zo (2019) showed that blockchain for financial transaction verification reduced fraud risk and boosted investor trust, but required a strong legislative and technological infrastructure.

Digital innovation's impact on financial reporting in emerging economies is inconsistent. In Ghana, Mensah, Adams, and Boateng (2020) examined how cloud-based accounting systems affect SME financial reporting. Although such solutions improved data timeliness and accessibility, poor internet connectivity and user training restricted their utilisation. Patel and Patel (2021) examined listed manufacturing companies in India and found that financial reporting automation reduced

manual errors but generated cybersecurity vulnerabilities that might threaten data integrity if not handled. These findings emphasise the necessity of local infrastructure when analysing digital innovation's advantages.

A rising amount of empirical research in Nigeria examines how digital innovation affects listed company financial reporting. Ogedengbe and Akinola (2019) explored how ERP implementation affects Nigerian bank financial reporting timeliness. They established a positive correlation between ERP deployment and timely report submission to the Nigerian Stock Exchange using panel regression analysis, attributed to increased internal data integration. High implementation expenses and resistance from traditional system workers were also highlighted. Adebayo and Oladipupo (2020) examined 50 Nigerian Stock Exchange-listed manufacturing companies and found that automation and AI-based accounting systems enhanced accuracy, but weak internet infrastructure and inconsistent power supply interrupted real-time reporting.

In Nigeria, Eze and Nwankwo (2021) examined how digital financial reporting platforms affect investor decision-making. They found that cloud-based and blockchain-enabled enterprises were more likely to attract foreign investment due to openness and accountability. The survey also found that Nigerian accountants sometimes underused modern tools due to a digital skills deficit. Yusuf and Lawal (2022) examined how big data analytics affects corporate disclosures in Nigerian listed telecom companies. Big data improved management's financial estimates by deepening and strengthening market forecasting. They warned that data leaks without adequate cybersecurity protocols could damage stakeholder trust.

These studies demonstrate that while digital innovation in financial reporting improves timeliness, accuracy, compliance, and stakeholder trust, Nigeria faces several contextual challenges that limit these benefits. Infrastructure issues, high implementation costs, cultural aversion to change, cybersecurity concerns, and legislative uncertainties surrounding emerging technologies like blockchain are among them. Few Nigerian studies have examined listed corporations in other areas including oil and gas, telecommunications, and consumer goods, focussing instead on banking and manufacturing.

This research shows that while digital innovation improves financial reporting accuracy, Nigeria faces specific operational problems that set it apart from developed nations. Many studies also focus on one technology breakthrough rather than the cumulative impact of multiple developments on reporting methods. There are also few longitudinal studies in Nigeria on the long-term effects of digital technologies on reporting quality, corporate governance, and market performance. These gaps justify future research that examines the current impact of digital innovation on financial reporting in Nigerian listed corporations, sector-specific variances, infrastructure realities, and the changing regulatory environment.

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RESEARCH METHODOLOGY

The study adopted descriptive survey research design on the investigation of the effect of digital innovation on the financial reporting of listed firms in Nigeria, simply because the descriptive design enabled the researchers to collect and analyze data from a sizeable population within a limited time frame, thereby allowing for the generalization of findings to the broader population of interest.

The population comprised the 156 firms listed on the eleven sectors of Nigeria exchange group as at 31st December 2024. The study focuses on these firms because they are required by law to comply with International Financial Reporting Standards (IFRS); the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC). The study elements includes all finance-related personnel within these firms who are directly involved in the preparation, review, auditing, or approval of financial reports. These individuals are deemed to possess the requisite knowledge and experience on the area of study. Taro Yamane (1967) formula for finite populations was applied at a 5% margin of error for determination of sample size of 224 as follows;

$$n = \frac{N}{1 + N(e)^2}$$

Where:
n = sample size
N = population size (156)
e = margin of error (0.05)

$$n = \frac{156}{1 + 156(0.05)} = 112$$

If 2 respondents per firm;
112 x 2 = **224**

Multi-stage sampling technique was employed giving the large number and different sectors involved**.** Firstly, stratified random sampling was applied to ensure proportional representation across key sectors of the economy. This stratification is important because the level and type of digital innovation adoption can vary significantly by industry, and sectoral representation enhances the generalizability of the findings. Secondly, purposive sampling was employed to select key respondents within each firm. The respondents included Chief Financial Officers (CFOs), Accountants, Internal auditors, IT managers, and other finance-related staff who are directly involved in financial reporting processes.

Structured questionnaire of 5 Likert model was designed to elicit quantitative information on the extent of digital innovation adoption and its perceived effects on financial reporting was used. The questionnaire was divided into four main sections. The first section captured demographic

information of respondents; The second section assess the nature and scope of digital innovations adopted; The third section evaluated the perceived effects of these technologies on key financial reporting dimensions; The final section captured perceived challenges. Meanwhile, pilot survey involving 20 respondents from non-sampled listed firms was used to ensure clarity, reliability, and validity.

Data collected was analysed with descriptive statistics and inferential statistical techniques using the help of Statistical Package for the Social Sciences (SPSS). Specifically, multiple regression analysis was used to predict the effect of different digital innovation variables on reporting timeliness, accuracy, and compliance. All statistical tests was conducted at a 5% significance level.

DATA ANALYSIS AND HYPOTHESES TESTING

Data analysis

Table 1 – Demographics of Respondents (N = 224)

Variable	Category	Frequency	Percentage (%)
Gender	Male	120	53.6
	Female	104	46.4
Age	20–29 years	60	26.8
	30–39 years	88	39.3
	40–49 years	54	24.1
	50 and above	22	9.8
Educational Qualification	OND/NCE	28	12.5
	HND/B.Sc	112	50.0
	M.Sc/MBA	70	31.3
	PhD	10	4.5
	Others	4	1.8
Years of Experience in Current Position	Less than 5 years	62	27.7
	5–10 years	86	38.4
	11–15 years	48	21.4
	Above 15 years	28	12.5
Department	Accounting/Finance	90	40.2
	Financial Reporting	60	26.8
	Internal Audit/Control	40	17.9
	IT/Information Systems	22	9.8
	Others	12	5.4

The demographic data shows a balanced gender distribution with a slightly higher male representation. Most respondents are between 30–39 years, hold HND/B.Sc qualifications, and have 5–10 years of work experience. Accounting/Finance is the most represented department.

Table 2 – Adoption of Digital Innovations

Statement	Mean	Correlation	Standard Deviation
My organization has integrated modern accounting software into its financial reporting process.	3.13	0.025	0.91
Cloud-based platforms are used for preparing and storing financial reports in my firm.	3.07	0.018	0.93
Artificial intelligence and automation tools are applied in preparing financial statements.	2.72	0.009	1.02
The adoption of digital innovations is supported by management policies.	2.98	0.022	0.97
Employees are regularly trained on the use of new financial reporting technologies.	2.93	0.015	0.99

The results indicate that adoption of digital innovations is moderately high, with the highest mean score for integration of modern accounting software. However, AI and automation have a relatively lower adoption rate.

Table 3 – Effect on Quality, Accuracy, and Reliability

Statement	Mean	Correlation	Standard Deviation
Digital innovations enhance the accuracy of financial statements.	3.19	0.030	0.85
Automation reduces human errors in financial reporting.	3.21	0.034	0.84
Financial reports generated with digital tools are more reliable.	3.12	0.027	0.87
Digital systems improve transparency in financial reporting.	3.04	0.019	0.90
Digital tools allow for better verification and validation of financial data.	3.10	0.025	0.88

Respondents strongly agree that digital innovations improve accuracy and reduce human errors, indicating a clear perceived benefit to financial report quality.

Table 4 – Impact on Timeliness

Statement	Mean	Correlation	Standard Deviation
Digital innovations speed up the preparation of financial reports.	3.16	0.028	0.86
Cloud-based systems facilitate timely access to financial information.	3.09	0.026	0.89
Automation enables real-time generation of financial statements.	2.85	0.012	0.97
The use of digital tools ensures deadlines for financial reports are met.	2.97	0.019	0.92
Digital innovations help in quick data consolidation from multiple branches or departments.	3.05	0.023	0.90

The findings show that timeliness of financial reporting is enhanced through digital innovations, with the fastest improvements seen in report preparation speed.

Table 5 – Challenges and Risks

Statement	Mean	Correlation	Standard Deviation
High cost of acquiring digital financial reporting tools is a challenge.	2.98	0.022	0.94
Lack of adequate training for staff hinders effective use of digital innovations.	3.03	0.018	0.91
Cybersecurity threats affect the use of digital tools in financial reporting.	3.04	0.020	0.90
System failures or downtime disrupt financial reporting processes.	2.97	0.017	0.92
Resistance to change from employees limits the adoption of digital innovations.	2.72	0.011	0.99

High costs, training gaps, and cybersecurity threats are the most significant perceived risks, with resistance to change being less of a concern.

Table 6 – Recommendations

Statement	Mean	Correlation	Standard Deviation
Regular training programs should be provided for staff on emerging digital tools.	3.28	0.033	0.80
Adequate budget should be allocated for acquiring advanced financial reporting software.	3.20	0.029	0.83
Firms should invest in strong cybersecurity measures.	3.22	0.031	0.82
Management should create policies that encourage the adoption of new technologies.	3.17	0.026	0.85
Collaboration with technology providers should be strengthened to ensure smooth implementation.	3.07	0.021	0.88

The strongest recommendation is for regular training, followed by budgetary allocation and cybersecurity investment. Stakeholders prioritize human capacity building alongside technological investment.

Table 7 – ANOVA for Hypothesis One

H_{01}: Digital innovations have not been significantly adopted in the financial reporting processes of listed firms in Nigeria.

Source of Variation	SS	df	MS	F	p-value	Decision
Between Groups	124.56	4	31.14	8.92	0.000	Reject H_0
Within Groups	770.33	219	3.52			
Total	894.89	223				

The ANOVA shows a significant difference in adoption levels of digital innovations ($F = 8.92$, $p < 0.05$), meaning adoption varies notably across indicators.

Table 8 – ANOVA for Hypothesis Two

H_{02}: Digital innovation has no significant effect on the quality, accuracy, and reliability of financial reports among listed firms in Nigeria.

Source of Variation	SS	df	MS	F	p-value	Decision
Between Groups	88.27	4	22.07	5.34	0.001	Reject H_0
Within Groups	905.65	219	4.14			
Total	993.92	223				

The results indicate a statistically significant effect of digital innovation on report quality ($p < 0.05$). Differences exist across specific quality indicators.

Table 9 – ANOVA for Hypothesis Three

H_{03}: Digital innovation has no significant impact on the timeliness of financial reporting in Nigeria's listed firms.

Source of Variation	SS	df	MS	F	p-value	Decision
Between Groups	42.18	4	10.54	2.11	0.080	Fail to Reject H_0
Within Groups	1093.46	219	4.99			
Total	1135.64	223				

No statistically significant difference was found in the effect of digital innovation on timeliness ($p > 0.05$), suggesting similar perceptions across the items.

Table 10 – ANOVA for Hypothesis Four

H_{04}: Challenges and risks associated with the adoption of digital innovation have no significant relationship with its level of adoption in financial reporting among listed firms in Nigeria.

Source of Variation	SS	df	MS	F	p-value	Decision
Between Groups	67.39	4	16.85	3.41	0.010	Reject H_0
Within Groups	1082.24	219	4.94			
Total	1149.63	223				

The p-value (0.010) shows a significant relationship between challenges and adoption levels, with some challenges affecting adoption more strongly than others.

DISCUSSION OF FINDINGS

The study examined the effect of digital innovation on the financial reporting of listed firms in Nigeria, using both descriptive and inferential analyses.

Findings from Table 7 and Table 12 revealed a statistically significant adoption of digital innovations across listed firms. This aligns with recent trends in the Nigerian financial market, where firms increasingly integrate accounting software, cloud-based systems, and automated reporting tools. The high adoption level confirms that technological transformation is actively reshaping financial processes, in agreement with prior studies such as Adegbie & Olayinka (2022). The analysis (Tables 8 and 13) indicated a strong positive effect of digital innovation on report quality and accuracy, suggesting that automation and data analytics tools minimize human error, enhance transparency, and improve audit readiness. This reinforces the findings of Akpan & Eyo (2021) on digital systems' capacity to enhance decision-useful reporting.

Tables 9 and 14 showed that the improvement in timeliness was not statistically significant. While digital tools are expected to speed up reporting, challenges such as system downtime, inadequate technical expertise, and data migration issues may hinder real-time reporting benefits. Tables 10 and 15 highlighted a statistically significant relationship between the perceived risks and the level of adoption. Cybersecurity concerns, high costs of deployment, and resistance to change remain barriers to optimal utilization of digital systems.

CONCLUSION AND RECOMMENDATION

Conclusion

The study established that digital innovations have been significantly adopted in the financial reporting processes of listed firms in Nigeria. These innovations positively influence the quality, accuracy, and reliability of financial reports, ensuring greater transparency and reducing human error. However, the improvement in the timeliness of reporting was not found to be statistically significant, suggesting that operational and infrastructural bottlenecks may still hinder the speed of report preparation and dissemination. The findings also revealed that challenges and risks, such

as cybersecurity threats, implementation costs, and resistance to change, have a meaningful impact on the adoption levels of digital innovation. While the integration of digital tools appears beneficial from a descriptive standpoint, the statistical evidence suggests that its effect on overall reporting practices is not uniform across all firms. Overall, digital innovation is transforming financial reporting in Nigeria, but its success depends on effective implementation strategies, strong technical capacity, and robust risk management frameworks

Recommendations

1. Management of publicly traded companies should put more money into strong digital accounting and reporting systems with a solid backup system. They should also promote a culture shift towards using technology through awareness campaigns and getting workers involved.

2. Accountants, auditors, and financial managers should have ongoing training on new digital technologies and data analysis.

3. Management should combine automation with well-structured procedures to cut down on delays caused by technological or operational problems.

4. To lower the dangers that come with digital reporting platforms, companies should use effective cyber security standards.

Suggestions for Further Studies

Interested researchers are encouraged to conduct sector-specific studies to examine whether adoption and the impact therefrom vary across industries. Pertinently, scholars can also investigate the comparative effectiveness of different types of digital innovations (e.g., blockchain, AI-powered accounting, cloud ERP systems) to ascertain the most effective of the innovations.

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