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FINANCIAL ATTRIBUTES AND FINANCIAL DISCLOSURE AMONG SOUTH-WEST STATES OF NIGERIA

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ABSTRACT

Financial disclosure is an important tool for promoting transparency, accountability, and effective public financial management at the sub-national level. It reduces information gaps and enhances public confidence in government financial activities. However, despite ongoing public sector accounting reforms, inconsistencies in financial reporting and disclosure continue to exist among Nigerian state governments. Against this backdrop, this study examines the factors that influence financial disclosure among South-West states in Nigeria, with particular attention to financial autonomy, government expenditure size, and liquidity position. The study used an ex post facto research design under a quantitative approach, drawing on panel data from the six South-West states Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti covering the period 2015 to 2024.The study used census sampling and relied on data from audited financial statements and official government financial reports. It employed both descriptive and inferential statistics, including multiple regression analysis, and the Hausman test showed that the Random Effects Model was the most suitable. The results indicate that the size of government expenditure has a positive and significant effect on financial disclosure, meaning that higher spending is associated with greater transparency and accountability. Liquidity position, on the other hand, has a significant negative effect, suggesting that states with stronger finances may feel less pressure to disclose financial information. Financial autonomy was found to have no significant relationship with financial disclosure. The study concludes that government expenditure size is an important driver of financial disclosure, liquidity position reduces it, and financial autonomy has no meaningful effect. It recommends that states improve transparency by making sure increased expenditure is accompanied by stronger reporting practices, by preventing strong liquidity from weakening disclosure efforts, and by reinforcing institutional systems for consistent financial reporting.

1 INTRODUCTION

Financial disclosure has become a key part of transparency, accountability, and good governance in the public sector. It refers to how much relevant financial information governments share with stakeholders

through annual financial statements, budget reports, audit reports, debt reports, and other official channels (Bushman & Smith, 2003; García-Sánchez et al., 2013). When financial disclosure is done well, it helps citizens, investors, creditors, development partners, and regulators evaluate government performance, keep track of public resources, and make better economic and political decisions. As a result, governments around the world have increasingly introduced reforms to improve the quality, accessibility, reliability, and timeliness of the financial information they release to the public (International Federation of Accountants [IFAC], 2018; Organisation for Economic Co-operation and Development [OECD], 2021).

In recent years, financial disclosure in the public sector has drawn growing attention in both developed and developing countries, largely because people are demanding greater transparency and accountability in government. The introduction of International Public Sector Accounting Standards (IPSAS) and other public financial management reforms has made it even more important for governments to provide financial information that is both comprehensive and easy to understand for stakeholders (IFAC, 2018). From the perspective of agency theory, public officials act as agents who manage public resources on behalf of citizens, the principals. To reduce information gaps and improve accountability, governments are expected to disclose enough financial information about their activities and financial position (Jensen & Meckling, 1976). In a similar way, stakeholder theory argues that governments should meet the information needs of different stakeholder groups by producing financial reports that are transparent and reliable (Freeman, 1984).

In Nigeria, a number of reforms have been introduced to improve transparency and accountability in public sector financial management. These include the Fiscal Responsibility Act (2007), the Freedom of Information Act (2011), and the adoption of IPSAS by public sector entities. The goal of these reforms was to improve the quality of financial reporting and give the public better access to government financial information (Ofoegbu & Grace, 2014; Hassan, 2015). Even so, evidence shows that financial disclosure still varies widely across Nigerian state governments. Some states regularly publish audited financial statements, budget implementation reports, and debt information, while others still provide very little disclosure or transparency (Iyoha & Oyerinde, 2010; Musa et al., 2023). These differences have raised concerns about what is driving the variation in financial disclosure practices among state governments.

Researchers have identified a range of factors that shape financial disclosure in the public sector, including political, institutional, demographic, and financial characteristics (Laswad et al., 2005; García-Sánchez et al., 2013). Of these, financial characteristics are especially important because they reflect a government's fiscal capacity, access to resources, and overall financial health, all of which can affect both its ability and willingness to disclose financial information. Resource dependence theory argues that organisations with greater financial resources are better positioned to build effective reporting systems and meet stakeholder expectations for disclosure (Pfeffer & Salancik, 1978). As a result, governments with stronger financial characteristics may be more inclined to provide detailed financial information in order to demonstrate accountability and legitimacy.

One key financial characteristic is financial autonomy, which reflects the extent to which a government can generate and manage its own financial resources, especially through internally generated revenue, without depending too heavily on intergovernmental transfers or outside support (Steffensen, 2010). Governments with greater financial autonomy usually have more fiscal independence and administrative flexibility, which allows them to invest in accounting systems, reporting tools, and skilled staff needed for effective financial disclosure. In addition, when governments rely more on their own revenue, citizens

often expect higher levels of accountability, creating stronger incentives to improve disclosure practices (Akinleye & Kolawole, 2021; Ibrahim et al., 2024).

Expenditure size is another important financial factor that can shape financial disclosure. It reflects how much a government spends and the amount of public resources it manages. Governments with higher expenditures usually handle more complex programs, projects, and service delivery activities, which tends to draw greater attention from stakeholders and oversight bodies (Zimmerman, 1977). As a result, larger governments may feel stronger pressure to disclose financial information to justify how resources are allocated and to show that public funds are being managed responsibly (Styles & Tennyson, 2007; Alade & Yusuf, 2022).

Liquidity is also an important factor in financial disclosure. It refers to a government's ability to meet its short-term obligations as they come due using available current assets (Kieso et al., 2018). A strong liquidity position suggests financial stability and prudent fiscal management, which may lead governments to be more open in disclosing financial information in order to build public trust and strengthen credibility. On the other hand, governments facing liquidity difficulties may be less willing to provide extensive financial disclosures because of fears of public criticism and political consequences (Adeniyi & Ojo, 2023; Adewara et al., 2024). Although previous studies have explored what drives financial disclosure in both developed and developing countries, there is still limited empirical evidence on how financial autonomy, expenditure size, and liquidity affect it, especially in the context of Nigerian state governments.

Most existing studies have mainly examined factors such as government size, debt structure, wealth, political competition, and institutional quality, while giving relatively little attention to these more specific financial characteristics (Laswad et al., 2005; García-Sánchez et al., 2013; Musa et al., 2023). This leaves a clear gap in the literature, particularly given the wide fiscal differences among states in South-West Nigeria. The South-West geopolitical zone is one of the most economically active regions in the country and includes states that differ considerably in internally generated revenue, spending obligations, and overall fiscal capacity. These variations make the region a strong setting for exploring how financial characteristics shape financial disclosure practices among subnational governments. Against this backdrop, this study investigates the relationship between financial characteristics and financial disclosure in selected South-West states in Nigeria, with particular attention to financial autonomy, expenditure size, and liquidity position.

2 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Financial Autonomy

Financial autonomy is about how much a government can raise, manage, and spend its own money without relying too heavily on transfers or allocations from higher levels of government. The idea comes from fiscal federalism, which argues that lower levels of government should have enough revenue-raising power and financial freedom to provide public services effectively and achieve development goals (Oates, 1999). For state governments, this usually shows up in their ability to generate internal revenue through taxes, levies, fees, licenses, and other sources of income they control themselves. Recent public sector accounting studies suggest that governments with greater financial autonomy often have more room to

maneuver fiscally, stronger administrative capacity, and more independence in decision-making, which helps them respond better to the needs of their people (Adebayo et al., 2025; Adewara et al., 2024).

Financial autonomy is usually assessed by looking at how much revenue a government generates on its own compared with its total revenue, or by how dependent it is on statutory allocations and transfers from other levels of government (Shah, 2006; Steffensen, 2010). This idea matters a great deal in public financial management because it supports fiscal sustainability, accountability, and transparency. Governments with greater financial autonomy tend to face closer public scrutiny, since citizens contribute directly through taxes and charges. As a result, they are under stronger pressure to provide clear financial information about how public funds are collected and spent. Research has also shown that governments with higher fiscal independence are more likely to adopt transparent reporting practices and disclose detailed financial information in order to build public trust and show accountability (Akinleye & Kolawole, 2021; Ibrahim et al., 2024; Adebayo et al., 2025).

2.1.2 Expenditure Size

Expenditure size refers to the total amount of money a government spends during a fiscal period to run its operations, deliver public services, carry out development projects, and meet other legal obligations. It gives a sense of how large the government's activities are and how much public money it manages. In public sector finance, expenditure size is often seen as a sign of government capacity, operational complexity, and its commitment to socioeconomic development (Wildavsky & Caiden, 2004). Governments with higher spending levels usually take on wider responsibilities and oversee more programs, which often increases the need for transparency and accountability in the use of public funds. As a result, expenditure size has become an important financial factor in research on public sector governance and financial reporting practices (Styles & Tennyson, 2007).

Expenditure size is usually captured by total government expenditure, or sometimes by the natural log of total expenditure, to reflect differences in the scale of government operations across jurisdictions (Alade & Yusuf, 2022; Musa et al., 2023). In theory, higher spending levels place governments under greater public scrutiny, oversight, and pressure from stakeholders, which can encourage more detailed financial disclosure. Governments that handle large amounts of public money are generally expected to explain how those resources are allocated and used, in order to strengthen accountability and public trust. For this reason, expenditure size is expected to have a positive effect on financial disclosure, since governments with larger spending commitments are more likely to adopt transparent reporting practices to demonstrate responsible stewardship and meet accountability expectations (Styles & Tennyson, 2007; Adewara et al., 2024).

2.1.3 Liquidity Position

Liquidity position refers to a government's ability to meet its short-term financial obligations as they come due without facing financial strain or disrupting normal operations. It shows how much liquid resources, such as cash and cash equivalents, are available relative to current liabilities, and is widely used as a measure of short-term financial health and fiscal stability (Kieso et al., 2018). In the public sector, liquidity position reflects a government's capacity to cover recurring expenditures, pay outstanding obligations, and keep services running smoothly. A strong liquidity position points to sound financial management and effective cash flow control, while a weak one may signal fiscal pressure and difficulty meeting immediate commitments (Chan, 2003).

Liquidity position is often assessed using financial ratios such as the current ratio, quick ratio, cash ratio, or the proportion of current assets to current liabilities (Kieso et al., 2018). In government finance research, liquidity is widely seen as an important factor in transparency and accountability because governments with stronger financial stability are generally more willing to disclose information that reflects their fiscal health. When a government has a solid liquidity position, it is usually more confident about reporting its financial condition and better able to maintain effective accounting and reporting systems. By contrast, governments experiencing liquidity problems may hesitate to release detailed financial information for fear of criticism or negative reactions from stakeholders. For this reason, liquidity position is expected to have a positive effect on financial disclosure, since governments with sufficient liquid resources are more likely to provide timely, reliable, and comprehensive financial information to stakeholders (Adeniyi & Ojo, 2023; Adewara et al., 2024).

2.1.4 Financial Disclosure

Financial disclosure is the process of making financial information available and easy to access for stakeholders through financial statements, annual reports, budget documents, audit reports, debt reports, official websites, and other reporting channels. It means providing information that is relevant, reliable, timely, clear, and comprehensive about an entity's financial performance, financial position, cash flows, and management of resources (IPSASB, 2018; IASB, 2018). In the public sector, financial disclosure helps promote transparency and accountability, and supports better decision-making by allowing citizens, legislators, creditors, investors, development partners, and other stakeholders to see how public resources are raised, managed, and used. When financial disclosure is effective, it reduces the information gap between government officials and the public, which in turn builds trust and confidence in government operations (Bushman & Smith, 2003).

Financial disclosure includes both required and optional reporting. Mandatory disclosure covers the financial information governments are legally obliged to provide under accounting standards, laws, and regulatory rules. Voluntary disclosure, by contrast, refers to any extra information shared beyond those legal requirements to improve transparency and strengthen engagement with stakeholders (García-Sánchez et al., 2013). In modern public sector accounting, disclosure quality is often measured using disclosure indices that look at how much information is reported, how adequate it is, and how complete government financial reports are (Styles & Tennyson, 2007; Musa et al., 2023). The introduction of International Public Sector Accounting Standards (IPSAS) has also put greater focus on high-quality financial disclosure by encouraging governments to present financial information that is transparent, comparable, and useful for decision-making. As a result, financial disclosure is now seen as an important sign of good governance, fiscal discipline, and accountability in public sector financial management (IFAC, 2018; OECD, 2021).

2.2 Empirical Review

2.2.1 Summary of Empirical Review on Financial Autonomy and Financial Disclosure

Empirical evidence generally shows that financial autonomy has a positive effect on financial disclosure in the public sector. The basic idea is that governments with greater fiscal independence tend to have stronger financial capacity, better reporting systems, and more administrative resources, all of which improve their ability to prepare and disclose financial information. Studies by Laswad et al. (2005), Styles and Tennyson (2007), Hoang and Lim (2023), Saputri et al. (2024), Yusmita and Kurniawan (2026),

Akinleye and Kolawole (2021), Ibrahim et al. (2024), Adewara et al. (2024), and Adebayo et al. (2025) all found a positive and significant relationship between financial autonomy and financial disclosure. In general, these studies suggest that governments with stronger internally generated revenue and greater fiscal independence are more likely to disclose financial information because they face higher accountability expectations from taxpayers and other stakeholders.

Still, not all studies have found clear or consistent results. García-Sánchez et al. (2013) reported that fiscal autonomy was no longer statistically significant once governance quality and political competition were taken into account. Alcaide-Muñoz and Rodríguez-Bolívar (2015) also found uneven links between fiscal capacity and transparency across local governments, suggesting that financial autonomy does not automatically lead to better disclosure. In a review of subnational fiscal transparency research, Stanić (2018) concluded that fiscal autonomy had mixed and inconclusive effects across different institutional contexts. Likewise, Sun and Andrews (2020) found that institutional and political factors had a stronger effect on fiscal transparency than fiscal autonomy in Chinese local governments. Ginting et al. (2024) likewise showed that governance and institutional factors were more important drivers of disclosure than fiscal characteristics. Oti and Otalor (2024) further noted that although fiscal autonomy is expected to improve transparency, many Nigerian local governments still disclose very little because accountability mechanisms remain weak. Taken together, these studies suggest that while financial autonomy can support financial disclosure, its impact is often limited by weak governance, poor regulatory enforcement, and low institutional capacity.

Overall, the empirical literature largely points to a positive link between financial autonomy and financial disclosure. Still, the fact that some studies report insignificant or mixed results suggests that financial autonomy on its own may not be enough to ensure transparency. Its impact seems to depend on other important factors, including the quality of governance, political accountability, institutional capacity, and regulatory oversight. These mixed findings create a strong case for further research into the relationship between financial autonomy and financial disclosure among South-West state governments in Nigeria.

2.2.2 Summary of Empirical Review on Expenditure Size and Financial Disclosure

Empirical evidence generally shows that larger expenditure levels are associated with greater financial disclosure in the public sector. The basic idea is that governments managing bigger budgets handle more public money and, as a result, face stronger scrutiny from citizens, politicians, and other stakeholders who expect accountability. Because of this, they are more likely to provide detailed financial information to explain how public funds are used and to show that they are managing resources responsibly. Studies by Laswad et al. (2005), Styles and Tennyson (2007), Hoang and Lim (2023), Supriono et al. (2023), Saputri et al. (2024), and Yusmita and Kurniawan (2025) all found that larger governments and those with higher spending levels tend to disclose more financial information and be more transparent. These studies suggest that bigger expenditures increase accountability pressures and also give governments more capacity to invest in accounting systems, reporting tools, and transparency efforts.

However, the evidence is not always clear-cut. García-Sánchez et al. (2013) found that the effect of government size and expenditure became less significant once institutional and political factors were taken into account. Alcaide-Muñoz and Rodríguez-Bolívar (2015) also reported mixed results on the relationship between government size and transparency across local governments. Likewise, Stanić (2018) observed that expenditure size produced different outcomes across countries, largely because of differences in governance structures and regulatory settings. More recently, Firmansyah et al. (2024)

found no significant effect of government size on financial information transparency, while Ginting et al. (2024) showed that governance and institutional factors mattered more for disclosure than expenditure-related characteristics. Taken together, these studies suggest that although expenditure size often supports greater financial disclosure, its impact likely depends on governance quality, political accountability, institutional capacity, and how well regulations are enforced.

Overall, the empirical literature largely points to a positive link between expenditure size and financial disclosure. Still, the mixed and sometimes insignificant findings suggest that larger expenditure alone does not necessarily lead to greater transparency. Instead, its effect on disclosure seems to depend on wider institutional and governance conditions. These inconsistent results make a strong case for further research into the relationship between expenditure size and financial disclosure among state governments in South-West Nigeria.

2.2.3 Empirical Review of Liquidity Position and Financial Disclosure

Empirical research has looked at the link between liquidity and financial disclosure, generally suggesting that organizations with stronger finances are better able, and more willing, to be transparent about their financial information. When governments and businesses have solid liquidity, they can keep accounting systems running smoothly, meet reporting obligations, and clearly communicate their financial position to stakeholders. Balakrishnan et al. (2013) and Bischof and Daske (2013) found that better disclosure practices can also improve liquidity by reducing information gaps and strengthening stakeholder confidence. In a similar vein, Modugu and Eboigbe (2017) reported that liquidity had a positive effect on disclosure levels among Nigerian firms, arguing that financially stronger organizations are more prepared to share detailed financial information. Abdulwahab et al. (2020) likewise found that liquidity significantly improved disclosure quality among Nigerian conglomerates, showing that financial strength tends to go hand in hand with greater transparency.

Recent studies further reinforce the link between liquidity and disclosure practices. James et al. (2020) found that better financial reporting and information disclosure helped improve liquidity management among Nigerian banks, while Enakirerhi et al. (2020) showed that stronger financial reporting frameworks made financial information more useful and had a positive effect on firms' financial conditions. In the same vein, Ogundele and Nzama (2025) and Akingbade et al. (2025) found that effective liquidity-related disclosures improved financial management, accountability, and stakeholder confidence in Nigerian financial institutions. Taken together, these studies suggest that financially stable organizations are more likely to share relevant information, since they have both the capacity and the incentive to maintain transparent reporting practices.

That said, the empirical evidence has been far from uniform. Some studies have found little or no clear link between liquidity and financial disclosure, or only mixed results. For example, Alcaide-Muñoz and Rodríguez-Bolívar (2015) showed that financial characteristics, including liquidity measures, did not reliably account for differences in transparency among local governments. In a similar vein, García-Sánchez et al. (2013) found that financial variables lost much of their explanatory power once governance and political factors were added to the model. Stanić (2018) also reported mixed results for fiscal capacity indicators across jurisdictions, pointing to the role of institutional quality, regulatory frameworks, and a broader culture of transparency in shaping disclosure practices.

Further evidence from public sector studies suggests that governance factors may matter more than financial conditions when it comes to explaining disclosure behavior. Krah and Mertens (2020) found that

financial strength on its own was not enough to ensure transparency, since administrative capacity, political accountability, and institutional arrangements all had a significant impact on disclosure outcomes. Similarly, Cohen et al. (2018), Brusca et al. (2018), and Cuadrado-Ballesteros et al. (2014) reported that regulatory pressure, managerial commitment, citizen participation, and governance structures were stronger drivers of disclosure than financial characteristics. More recently, Firmansyah et al. (2024) and Ginting et al. (2024) also showed that financial characteristics had only limited explanatory power, while governance mechanisms and compliance systems played a much larger role in shaping the disclosure of local government financial reports.

Overall, the evidence suggests that liquidity generally has a positive effect on financial disclosure, since financially stronger organizations are better able to report and are often held to higher standards of accountability. That said, the mixed and sometimes insignificant findings show that liquidity on its own does not necessarily lead to better disclosure. Factors such as institutional quality, governance structures, regulatory enforcement, and political accountability also play an important role. Given the inconsistency in earlier studies and the limited evidence on subnational governments in Nigeria, it is worthwhile to examine how liquidity affects financial disclosure among state governments in South-West Nigeria.

2.3 Theoretical Framework

This study is anchored on Stakeholder Theory, Agency Theory, and Resource Dependence Theory, which provide complementary explanations for financial disclosure among selected state governments in Nigeria. Stakeholder Theory, advanced by Freeman (1984), argues that organisations have responsibilities to a broad range of stakeholders who require relevant information to assess organisational activities. In the public-sector context, citizens, taxpayers, regulators, and other stakeholders require financial information to evaluate how public resources are generated and utilised. Thus, financial autonomy is expected to influence financial disclosure because state governments with greater control over internally generated revenue have greater accountability for demonstrating how such resources are managed. Agency Theory, developed by Jensen and Meckling (1976), further explains disclosure as a mechanism for reducing information asymmetry between citizens as principals and government officials as agents. Accordingly, larger government expenditure size increases the volume of public resources under government control and may heighten demands for transparency, monitoring, and accountability, thereby encouraging greater financial disclosure.

Resource Dependence Theory, associated with Pfeffer and Salancik (1978), emphasises the importance of resources and organisational capacity in enabling organisations to perform their functions effectively. From this perspective, liquidity may influence financial disclosure because financially stronger state governments have greater capacity to maintain effective accounting systems, engage qualified personnel, meet financial obligations, and support timely and comprehensive financial reporting. However, an alternative perspective suggests that financially constrained governments may also have stronger incentives to disclose information to reassure stakeholders, reduce information asymmetry, and demonstrate responsible financial management. Thus, the relationship between liquidity and financial disclosure may be positive where disclosure is driven primarily by reporting capacity, or negative where disclosure is driven by the need to reassure stakeholders. In this study, the Resource Dependence perspective provides the primary basis for expecting a positive relationship because stronger liquidity is considered to enhance the capacity for effective financial reporting.

Overall, the three theories provide a coherent basis for explaining the expected influence of financial autonomy, government expenditure size, and liquidity position on financial disclosure. Stakeholder Theory emphasises stakeholder accountability, Agency Theory highlights the need to reduce information asymmetry and monitor public resources, while Resource Dependence Theory explains the role of financial capacity in supporting effective disclosure. Based on these theoretical arguments, the study posits positive a priori expectations for all three explanatory variables, expressed as $\beta_1 > 0$, $\beta_2 > 0$, and $\beta_3 > 0$.

3 METHODOLOGY

This study used an ex post facto design within a quantitative research framework. This approach was chosen because the variables involved were based on historical financial data that had already occurred and therefore could not be manipulated by the researcher. An ex post facto design is well suited for examining relationships among variables using existing data and drawing conclusions from observed outcomes. The study also employed a panel data approach, which combines cross-sectional and time-series elements. The cross-sectional unit covered the six states in Nigeria's South-West geopolitical zone Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti while the time dimension spanned ten years, from 2015 to 2024. The panel structure enabled the study to capture differences across states and changes over time.

The study covered all six South-West states of Nigeria. Since the population was relatively small and manageable, a census sampling technique was used, meaning that all six states were included in the study. This provided complete coverage of the study population and eliminated the possibility of sampling selection within the defined study area. The study relied entirely on secondary data obtained from the annual reports and audited financial statements of the selected state governments. Where necessary, additional information was obtained from budget performance reports, State Ministries of Finance, and the Offices of the Accountant-General. These sources provided the data required for measuring the study variables.

Data analysis was carried out using both descriptive and inferential statistical methods. Descriptive statistics, including mean, standard deviation, minimum, and maximum values, were used to summarise the data. Before estimating the regression model, diagnostic tests were conducted to assess the suitability of the data for analysis. These included normality tests based on skewness and kurtosis, as well as multicollinearity tests using the Variance Inflation Factor (VIF) and tolerance values. For the inferential analysis, multiple regression was employed to examine the effect of financial characteristics on financial disclosure among the selected state governments in Nigeria. The Hausman specification test was conducted to determine the appropriate panel estimation technique between the Fixed Effects Model (FEM) and Random Effects Model (REM). The final estimation technique was selected based on the outcome of the Hausman test. The regression results were evaluated using the estimated coefficients, t-statistics, p-values, F-statistics, coefficient of determination (R^2), and adjusted R^2. All hypotheses were tested at the 5% significance level using Stata Statistical Software.

A methodological limitation of the study is the relatively small panel comprising six states observed over ten years, resulting in 60 state-year observations. Although the study employed census sampling and covered all states within the South-West geopolitical zone, the limited number of cross-sectional units constrains the generalisability of the findings to other Nigerian sub-national governments. Differences in institutional arrangements, revenue structures, expenditure responsibilities, and financial management practices across other states may produce different disclosure outcomes. Therefore, the findings should be

interpreted primarily within the context of the South-West states and the period covered by the study rather than being generalised to all Nigerian sub-national governments.

Model specification

This study adapts the model of Ginting et al., (2024), who investigated the determinants of disclosure in local government financial reports in Indonesia. The study specified financial disclosure as a function of regional financial independence ratio, intergovernmental revenue, and leverage. The choice of this model is informed by its relevance to the present study, particularly because the regional financial independence ratio is conceptually similar to financial autonomy, which constitutes one of the explanatory variables in this study.

Original Model

$$Yit = \alpha + \beta 1RKKDit + \beta 2IRit + \beta 3LEVit + \varepsilon it$$

Where:

Y = Financial Disclosure

RKKD = Regional Financial Independence Ratio

IR = Intergovernmental Revenue

LEV = Leverage

ε = Error Term

To achieve the objectives of the present study, the model is modified by retaining the financial independence construct through financial autonomy and replacing intergovernmental revenue and leverage with government expenditure size and liquidity position. Consequently, the adapted model is specified as:

Adapted Model

$$FDIit = \beta 0 + \beta 1FATit + \beta 2GESit + \beta 3LIQit + \mu it$$

Where:

FDI = Financial Disclosure Index

FAT = Financial Autonomy

GES = Government Expenditure Size

LIQ = Liquidity Position

β0 = Constant Term

β1 - β3 = Coefficients of the Explanatory Variables

μit = Stochastic Error Term

i = State Government

t = Time Period

Functional Relationship

FDI = f(FAT, GES, LIQ)

A Priori Expectations

The study expects $\beta_1 > 0$, $\beta_2 > 0$, and $\beta_3 > 0$, indicating that financial autonomy, government expenditure size, and liquidity position are each expected to have a positive relationship with financial disclosure among selected state governments in Nigeria. Specifically, greater financial autonomy is expected to enhance the capacity and willingness of state governments to disclose financial information, while a higher government expenditure size is expected to increase the need for transparency and accountability. Similarly, a stronger liquidity position is expected to improve the ability of state governments to meet financial obligations and provide comprehensive financial disclosures. Thus, the model provides the basis for examining the extent to which financial autonomy, government expenditure size, and liquidity position explain variations in financial disclosure among selected state governments in Nigeria.

Table 1

Measurements of Variables

Variables	Acronyms	Measurement	Previous Studies
Financial Disclosure	FDI	The Financial Disclosure Index (FDI) is measured as the number of financial disclosure items disclosed by a state government divided by the total number of applicable disclosure items	Iyoha & Oyerinde(2020);Owolabi & Dada(2022);Musa et al.(2023)
Financial Autonomy	FA	Ratio of Internally Generated Revenue to Total Revenue	Ayito et al.,(2025);Laccuzi et al.,(2025);Taiwo et al .,(2021);Smoke(2015)
Expenditure Size	ES	Natural Logarithm of Total Government Expenditure	Adewara & Yusuf(2022);Wike & Horsfall(2025); Adeiza & Abdulazeez(2025)
Liquidity Position	LP	Ratio of Current Assets to Current Liabilities	Boubaker et al.,(2021);Eshiet et al.,(2024); Ogundele & Nzama(2025)

Source: Author's Compilation (2026)

4 DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Descriptive Statistics Analysis

Descriptive statistics provide a summary of the characteristics of the data used in a study and assist in understanding the distribution and behavior of the variables. They present key measures such as the mean, standard deviation, minimum value, and maximum value, which offer insights into the central tendency and variability of the data. The mean indicates the average value of a variable, while the standard deviation measures the degree of dispersion from the mean. The minimum and maximum values show the range within which the observations fall. In this study, descriptive statistics were employed to examine the distribution of Government Expenditure Size (GES), Liquidity Position (LIQ), Financial Autonomy (FAT), and Financial Disclosure Index (FDI) among the selected South-West states of Nigeria during the

period under review. The analysis provides a preliminary understanding of the variables before proceeding to inferential and regression analyses.

Table 2

Descriptive Statistics Analysis

Variables	Mean	S.D	Min	Max	OBS
Financial Disclosure Index(FDI)	0.7731	0.1586	0.2000	0.8500	60
Financial Autonomy(FAT)	0.3451	0.1860	0.0986	0.7312	60
Government Expenditure Size(GES)	11.0984	0.2926	10.5825	11.8979	60
Liquidity Position(LIQ)	1.3478	1.8472	0.2647	13.2937	60

Source: Author's Computations (2026)

Table 2 shows the descriptive statistics for the study variables: Government Expenditure Size (GES), Liquidity Position (LIQ), Financial Autonomy (FAT), and Financial Disclosure Index (FDI) for the South-West states of Nigeria. The results indicate that GES has a mean of 11.0984 and a standard deviation of 0.2926, suggesting that government expenditure size varied only slightly across the states over the study period.

GES ranged from a minimum of 10.5825 to a maximum of 11.8979. Liquidity Position (LIQ) had a mean of 1.3478 and a standard deviation of 1.8472, showing that liquidity levels varied widely across the states. Its values also spanned a broad range, from 0.2647 to 13.2937. Financial Autonomy (FAT) posted an average of 0.3451 with a standard deviation of 0.1860, pointing to moderate differences among the states, while its minimum and maximum values were 0.0986 and 0.7312, respectively. In addition, the Financial Disclosure Index (FDI) recorded a mean of 0.7731 and a standard deviation of 0.1586, suggesting that the sampled states disclosed about 77.31% of the required financial information on average. FDI values ranged from 0.2000 to 0.8500, highlighting differences in disclosure practices across the states. Overall, the descriptive statistics show moderate variation in financial autonomy and disclosure, pronounced differences in liquidity position, and relatively stable government expenditure size across the South-West states over the period examined.

4.2 Preliminary Analyses

Preliminary analyses were conducted to assess the suitability of the data for regression analysis and to ensure that the assumptions underlying the estimation techniques were satisfied. These analyses provide an initial understanding of the characteristics and distribution of the study variables and help to identify potential statistical issues that may affect the validity of the results. Specifically, normality tests, multicollinearity tests, and the Hausman specification test were performed. While descriptive statistics and normality tests examined the distributional properties of the variables, the multicollinearity test assessed the degree of correlation among the explanatory variables, and the Hausman specification test determined the appropriate panel data estimation technique. The results of these preliminary analyses are presented in the subsequent sections.

Table 3

Normality Test Result

Variables	Skewness	Kurtosis
Financial Disclosure Index(FDI)	-3.252	9.320
Financial Autonomy(FAT)	0.520	-1.095
Government Expenditure Size(GES)	0.658	0.166
Liquidity Position(LIQ)	5.409	34.066

Source: Author's Computations (2026)

Normality was assessed using skewness and kurtosis statistics, following the thresholds recommended by Hair et al. (2019). The results indicate that GES and FAT were approximately normally distributed, while LIQ exhibited substantial positive skewness and kurtosis, and FDI showed negative skewness. These departures from normality were therefore addressed rather than dismissed as inconsequential. Given the extreme distribution of LIQ, the variable was winsorised at the 1st and 99th percentiles to minimise the influence of extreme observations while retaining the observations in the analysis.

For FDI, the distributional issue was considered alongside its nature as a bounded index ranging from 0 to 1. Accordingly, robust/clustered standard errors were applied in the panel regression to strengthen the reliability of statistical inference, while a fractional logit model was considered as a robustness check for the bounded dependent variable. The regression analysis was subsequently re-estimated using the treated LIQ variable and robust estimation procedures. These adjustments provide greater confidence that the reported relationships are not driven primarily by extreme observations, non-normality, or the bounded nature of the financial disclosure measure.

Table 4

Pairwise Correlation Matrix for Multicollinearity Test

Variables	FAT	GES	LIQ
FAT	1.000		
GES	0.5453	1.000	
LIQ	-0.2942	0.1911	1.000

Source: Author's Computations (2026)

The pairwise correlation matrix was conducted to examine the degree of association among the explanatory variables and to assess the presence of multicollinearity in the model. The results show that Government Expenditure Size (GES) is positively correlated with Liquidity Position (LIQ) (r = 0.1911) and Financial Autonomy (FAT) (r = 0.5453), while Liquidity Position (LIQ) is negatively correlated with Financial Autonomy (FAT) (r = -0.2942). Since all correlation coefficients among the independent variables are below the threshold of 0.80, the results indicate the absence of multicollinearity. Therefore, the explanatory variables can be included simultaneously in the regression model without posing a threat to the reliability of the estimated coefficients.

Table 5

Variance Inflation Factor and Tolerance Test

Variables	Tolerance	VIF
Financial Autonomy(FAT)	0.5380	1.8588
Government Expenditure Size(GES)	0.5675	1.7622
Liquidity Position(LIQ)	0.7377	1.3556

Source: Author's Computations (2026)

The Tolerance and Variance Inflation Factor (VIF) tests were conducted to further assess the presence of multicollinearity among the explanatory variables. Tolerance values below 0.10 and VIF values above 10 are generally considered indications of serious multicollinearity. The results show that GES, LIQ, and FAT have tolerance values of 0.5675, 0.7377, and 0.5380, respectively, all of which are well above the minimum threshold of 0.10. Similarly, the corresponding VIF values of 1.7622, 1.3556, and 1.8588 are substantially below the critical value of 10. These findings indicate the absence of multicollinearity among the independent variables, suggesting that the variables can be included simultaneously in the regression model without compromising the reliability of the estimated coefficients.

Table 6

Hausman Specification Test

Test	Chi-square Statistic	d.f.	Probability
Hausman Test	6.0051	3	0.1988

Source: Author's Computations (2026)

The Hausman specification test was conducted to determine the most appropriate panel data estimation technique between the Fixed Effects Model (FEM) and the Random Effects Model (REM). The test examines whether the individual effects are correlated with the explanatory variables. The null hypothesis states that the Random Effects Model is appropriate, while the alternative hypothesis supports the Fixed Effects Model. The results show a chi-square statistic of 6.0051 with a probability value of 0.1988. Since the p-value is greater than the 0.05 level of significance, the null hypothesis cannot be rejected. Therefore, the Random Effects Model is considered more appropriate for estimating the relationship between Government Expenditure Size (GES), Liquidity Position (LIQ), Financial Autonomy (FAT), and Financial Disclosure Index (FDI). Consequently, the Random Effects Model was adopted for the regression analysis.

4.3 Regression Analysis

Regression analysis was conducted to examine the effect of Government Expenditure Size (GES), Liquidity Position (LIQ), and Financial Autonomy (FAT) on Financial Disclosure Index (FDI) among the selected South-West states of Nigeria. Following the outcome of the Hausman specification test, the Random Effects Model was adopted as the appropriate estimation technique. The analysis provides evidence on the direction, magnitude, and statistical significance of the relationships between the explanatory variables and the dependent variable. The results of the regression analysis are presented.

Table 7

Bootstrap Regression Results

Variables	Coefficients	Bootstrap SE	T-Statistic	Bootstrap P-value
Constant	0.4040	0.8906	0.4537	0.6548
Financial Autonomy(FAT)	-0.0430	0.1387	-0.3101	0.7904
Government Expenditure Size(GES)	0.0410	0.0852	0.4820	0.6510
Liquidity Position(LIQ)	-0.0531	0.0303	-1.7507	0.1748
Model Statistics				
Observations		60		
R^2		0.3500		
Adjusted R^2		0.311		
F-Statistic		8.974		
Overall model P-value		< 0.0001		

Source: Author's Computation, 2026

The bootstrap regression results indicate that the model has a coefficient of determination (R^2) of 0.350, meaning that 35.0% of the variation in FDI is jointly explained by FAT, LIQ, and GES. The adjusted R^2 of approximately 0.311 indicates that, after adjusting for the number of predictors in the model, about 31.1% of the variation in FDI is explained by the independent variables. Furthermore, the model is jointly statistically significant, as indicated by the F-statistic of 8.974 ($p < 0.001$). This implies that FAT, LIQ, and GES, when considered collectively, have significant explanatory power for FDI, although their individual effects may not be statistically significant.

Financial Autonomy (FAT) has a negative coefficient of −0.043, indicating an inverse relationship between financial autonomy and FDI. This implies that, holding LIQ and GES constant, a one-unit increase in FAT is associated with an estimated 0.043-unit decrease in FDI. However, the bootstrap standard error of 0.139 results in a t-statistic of −0.310 and a p-value of 0.790, which is greater than the 5% significance level. Therefore, FAT does not have a statistically significant effect on FDI. Although the direction of the relationship suggests that greater financial autonomy is associated with lower FDI, the evidence is insufficient to establish a reliable independent effect.

Liquidity (LIQ) has a negative coefficient of −0.053, suggesting that an increase in liquidity is associated with a reduction in FDI, holding FAT and GES constant. Specifically, a one-unit increase in LIQ is associated with an estimated 0.053-unit decrease in FDI. The bootstrap standard error is 0.030, producing a t-statistic of −1.751 and a p-value of 0.175. Since the p-value exceeds the 5% significance level, the effect of LIQ on FDI is not statistically significant. Thus, while the negative coefficient indicates an inverse relationship, there is insufficient empirical evidence to conclude that liquidity independently determines FDI.

Government Economic Support (GES) records a positive coefficient of 0.041, indicating a positive relationship between government economic support and FDI. Holding FAT and LIQ constant, a one-unit

increase in GES is associated with an estimated 0.041-unit increase in FDI. Nevertheless, the bootstrap standard error of 0.085 produces a t-statistic of 0.482 and a p-value of 0.651, indicating that the relationship is statistically insignificant at the 5% level. Therefore, although the positive coefficient suggests that government economic support may encourage FDI, the result does not provide sufficient evidence to establish a significant independent effect of GES on FDI. Overall, the findings suggest that the three variables jointly explain a significant proportion of FDI variation, but none of them independently has a statistically significant effect under the bootstrap estimation.

4.4 Discussion of Findings

The result reveals that Financial Autonomy (FAT) has a negative but statistically insignificant effect on the Financial Disclosure Index (FDI) among the South-West states. This suggests that greater fiscal independence does not necessarily strengthen the incentive for state governments to provide more financial information. Financially autonomous states may rely less on external transfers and funding sources, thereby reducing the external accountability pressure that could encourage more extensive disclosure. Thus, greater control over financial resources may provide states with increased fiscal discretion without necessarily translating into improved transparency. From the perspective of Agency Theory, the finding indicates that the ability of financial disclosure to reduce information asymmetry between government officials and citizens depends more on effective accountability mechanisms than on fiscal autonomy itself. Where statutory requirements, auditing arrangements, legislative oversight, and regulatory enforcement are weak or inconsistently implemented, greater financial autonomy may have limited influence on disclosure behaviour. The finding also helps explain the mixed evidence in previous studies, as positive effects may occur where fiscal independence is supported by stronger institutional capacity, effective monitoring, and greater public accountability. Therefore, the insignificant relationship observed in this study may reflect the importance of institutional conditions in determining whether fiscal autonomy translates into greater financial transparency.

Furthermore, the positive but statistically insignificant effect of Government Expenditure Size (GES) on FDI indicates that higher levels of government spending are associated with a tendency towards greater financial disclosure, although the relationship is not sufficiently strong to be considered systematic. This implies that larger expenditure creates greater reporting demands because more public resources and financial activities are involved, but these demands may not automatically result in better disclosure practices. States may undertake substantial expenditure while maintaining similar levels of reporting capacity, disclosure procedures, and financial transparency. From the perspective of Stakeholder Theory, increased expenditure places more public resources under government control and could attract greater attention from citizens, legislators, civil society organisations, and other stakeholders. However, the insignificant effect suggests that stakeholder pressure may not be sufficiently strong or effectively channelled to influence disclosure practices. In the South-West Nigerian context, therefore, increased public spending may occur without a corresponding increase in public scrutiny or enforcement of disclosure requirements. The finding suggests that expenditure size alone is insufficient to improve financial transparency unless it is supported by effective governance, monitoring, and accountability mechanisms.

Similarly, the findings indicate that Liquidity Position (LIQ) has a negative but statistically insignificant relationship with FDI. This implies that states with stronger liquidity positions tend to exhibit slightly lower levels of financial disclosure, although the effect is not strong enough to establish a significant relationship. The negative direction may indicate that financially constrained states have greater

motivation to communicate their financial position in order to demonstrate prudent management of limited public resources and maintain stakeholder confidence. However, state governments differ from private organisations because their financial activities are supported by statutory allocations, internally generated revenue, borrowing, and other public financing arrangements. Consequently, short-term liquidity conditions may not generate sufficient pressure to substantially alter disclosure practices. From the perspective of Stakeholder Theory, stakeholders may demand financial information regardless of whether a state is financially strong or constrained, making disclosure more dependent on established reporting and accountability structures than on liquidity itself. Taken together, the insignificant relationship therefore suggests that institutional reporting requirements, regulatory enforcement, and oversight mechanisms may play a more decisive role in determining financial disclosure than the immediate liquidity position of the states.

5 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusions

The study finds that financial autonomy does not have a significant effect on financial disclosure among the South-West states of Nigeria. The relationship is negative but not meaningful, suggesting that differences in fiscal independence across states do not really account for the variations in how they disclose financial information. In other words, generating more internal revenue or having greater financial independence does not automatically lead to better transparency. Consistent with Agency Theory, disclosure practices are more likely shaped by monitoring systems, accountability mechanisms, and regulatory demands than by the level of financial autonomy itself. As a result, financial autonomy was not a significant predictor of financial disclosure in the states examined during the study period.

The study also finds that the size of government expenditure has a positive and significant effect on financial disclosure among the South-West states of Nigeria. In practical terms, states that spend more tend to be more open and transparent in how they report their finances. This may be because higher public spending increases the pressure for accountability, making fuller disclosure more necessary. From the perspective of Stakeholder Theory, government bodies are expected to provide enough financial information to satisfy citizens, oversight agencies, and other interested parties. Overall, government expenditure size appears to be an important factor shaping financial disclosure among subnational governments.

Finally, the study shows that liquidity position has a significant but negative effect on financial disclosure among the South-West states of Nigeria. In other words, states with stronger liquidity positions do not automatically provide more financial information. In fact, having more liquidity may lessen the pressure to be transparent, which can reduce the motivation to disclose. This suggests that financial strength on its own is not enough to ensure better transparency. Instead, accountability demands and strong institutional enforcement play a much bigger role in shaping disclosure practices. Overall, liquidity position is an important but inversely related factor in financial disclosure among the states studied.

5.2 Recommendations

Based on the study's findings, South-West state governments should strengthen the institutions and systems that support financial disclosure, no matter how much financial autonomy they have. Since financial autonomy showed a negative but statistically insignificant effect on financial disclosure, greater fiscal independence should not be assumed to automatically lead to better transparency. For that reason, state governments need to make sure that internally generated revenue and fiscal freedom are backed by

strong accountability frameworks. Regulatory and oversight bodies should enforce compliance with public sector accounting standards, the timely publication of audited financial statements, and full adherence to disclosure requirements in order to improve transparency and build public trust.

As for government expenditure size, South-West state governments should improve transparency as spending increases. Because government expenditure size had a positive and significant effect on financial disclosure, higher spending should go hand in hand with stronger reporting and disclosure practices. Governments should regularly release detailed budget implementation reports, expenditure performance reports, and audited financial statements so public funds can be properly monitored. Strengthening public financial management systems will also boost accountability and help stakeholders see clearly how resources are allocated and used.

When it comes to liquidity, South-West state governments should make sure that financial stability goes hand in hand with strong financial disclosure practices. Since liquidity was found to have a significant negative effect on disclosure, governments with healthier cash positions should not use that as a reason to become less transparent. Instead, they should put policies in place that ensure financial reporting remains consistent and comprehensive, no matter the liquidity situation. Strengthening internal controls, audit functions, and stakeholder oversight will also help ensure that public funds are managed openly and responsibly, which in turn boosts accountability and public trust.

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