ICFB-UCB-2026-064

Effect of Ethical Leadership on the Financial System Transformation of Niger Mills Company Limited, Calabar

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ABSTRACT

The financial system transformation is marred by a lack of ethical leadership initiatives that could contribute to firm competitiveness. This study examined transparency and financial reporting quality, access to capital and investors' trust, and mitigation of financial risk and fraud in Niger Mills Company Limited, Calabar. A Stewardship Theory was to explain how stewardship is prioritized for sustainability to drive transformation in the financial system. The sample size of the study was 143 workers, and a structured questionnaire was used to facilitate data collection. Content and face validity, along with Cronbach's alpha, were used to assess the reliability of the data. Descriptive statistics and multicollinearity test using the variance inflation factor (VIF) were used to assess the accuracy of the data set. The hypotheses was tested using Multiple Regression Analysis and the finding revealed that transparency and financial reporting quality (Beta = 0.662, $P<0.05$), increased access to capital and investor trust (Beta = 0.654, $P<0.05$), and mitigation of financial risk and fraud (Beta = 0.621, $P<0.05$) significantly affect the financial system transformation in Niger Mills Company Limited, Calabar. The study concluded that the practice of ethical leadership drives organizational decisions based on honesty and integrity, which improve the transformation of the financial system for economic health. It is recommended that the management prioritize reliable and accurate reporting to foster a corporate culture of integrity and safeguards against fraud. The management should commit to increased access to capital and investor trust to help secure market stability and lower the cost of capital to promote socially responsible investment and good governance for business growth. The management should commit to addressing vulnerability proactively to help protect stakeholder trust and prevent loss of revenue that threatens the viability of a firm.

***Keyword*:** Transparency in financial reporting, access to capital and investors' trust, and mitigation of financial risk

Introduction

The practice of ethical leadership in the 21st century has redefined the corporate success of firms with a paradigm shift from short-term profit to sustainable value creation, which requires the need to prioritize transparency, accountability, and shareholder trust to foster responsible innovation and mitigate risk for equitable growth and stability of industries (Zahari et al., 2024). This has made ethical leaders align financial operations with environmental and social well-being to sustain the practice of systematic transformation for responsible governance, sustainable finance, and digital inclusion. Therefore, the changing business environment in ethical leadership is faced with profound transformation to maximize shareholder value for sustainable business operations. The growing evolution of financial success is influenced by sustainable performance in various industries (Ughulu, 2024)

The comprehensive evolution of the financial system has determined the generation, allocation, and management of capital through technological innovation, reshaping the global economy. Today, technological and digital evolution has improved operational efficiency and customer satisfaction. The transformation in sustainable finance has rebalanced the priorities of environmental and social impact, while the regulatory framework has made the financial system digitalized as regulatory bodies are established to prevent crises and stabilize the financial network (Sunyang & Yifeng, 2023).

The implementation of ethical leadership through transparency and financial reporting quality increased access to capital and investor trust and mitigated financial risk and fraud to enhance the financial system transformation in manufacturing. In the financial system, transparency and high-quality reporting are strategic pillars that drive accountability, and this fosters public trust (Ritter, 2024). Ethical leadership drives an increase in access to capital and stronger investor trust (Zournatzidou, 2024). Mitigating financial risk and fraud through ethical leadership enhances transparency and integrity, which ensures that internal control is effectively managed and implemented to have an environment where employees can report unethical behaviour (Hussein et al., 2024).

In manufacturing firms, leadership is ethically driven to impact human society, the global supply chain, and operational decisions. Hence, leaders are involved in prioritizing long-term profitability, integrity to protect workers, building organizational trust for sustainability, reducing legal liability, and ensuring regulatory compliance. With this recognition, this study is a resource to identify the effect of ethical leadership on financial system transformation in a manufacturing firm

Statement of the problem

The poor alignment of the profit-driven structure undermines the collective effort to allocate resources to ethical initiatives that could contribute to firm competitiveness. This undermines the return on investment for a manufacturing firm, as ethical leaders lack the initiative to harness available resources to achieve set goals.

In a manufacturing firm, the issues of financial system transformation are marred by ineffective ethical leadership in the areas of lack of transparency and financial reporting quality, lack of increased access to capital and investor trust, and poor mitigation of financial risk and fraud. The lack of transparency and financial reporting quality causes investment risk to shareholders, distorts economic decisions, and misallocates capital without adherence to financial guidelines. The lack of increased access to capital and declining investor trust are caused by the inability to build transparency and demonstrate consistent implementation of tasks ethically. The poor mitigation of financial risk and fraud is caused by failure to identify, prevent, and manage vulnerability, which causes damage to investors' trust. Against this backdrop, this present study seeks to fill the gap on how ethical leadership affects the financial system transformation in Niger Mills Company Limited, Calabar

Objectives of the study

The specific objectives of the study are:

1. To examine the effect of transparency and financial reporting quality on financial system transformation in Niger Mills Company Limited, Calabar
2. To ascertain the effect of increased access to capital and investor trust on financial system transformation in Niger Mills Company Limited, Calabar
3. To investigate the effect of mitigation of financial risk and fraud on financial system transformation in Niger Mills Company Limited, Calabar

Theoretical framework

Stewardship theory

This study is anchored on the Stewardship Theory developed by Lex Donaldson and James H. Davis in 1991. The theory stressed that a manager is motivated to act in the best interests of the shareholders and organization to enhance high-level corporate performance rather than personal gains. In ethical leadership, stewardship is prioritized for sustainability to drive transformation in the financial system (Caldwell et al., 2008)

The theory assumes managers are not self-serving agents but stewards driven by responsibility, achievement, and reputation to improve organizational growth rather than personal gain.

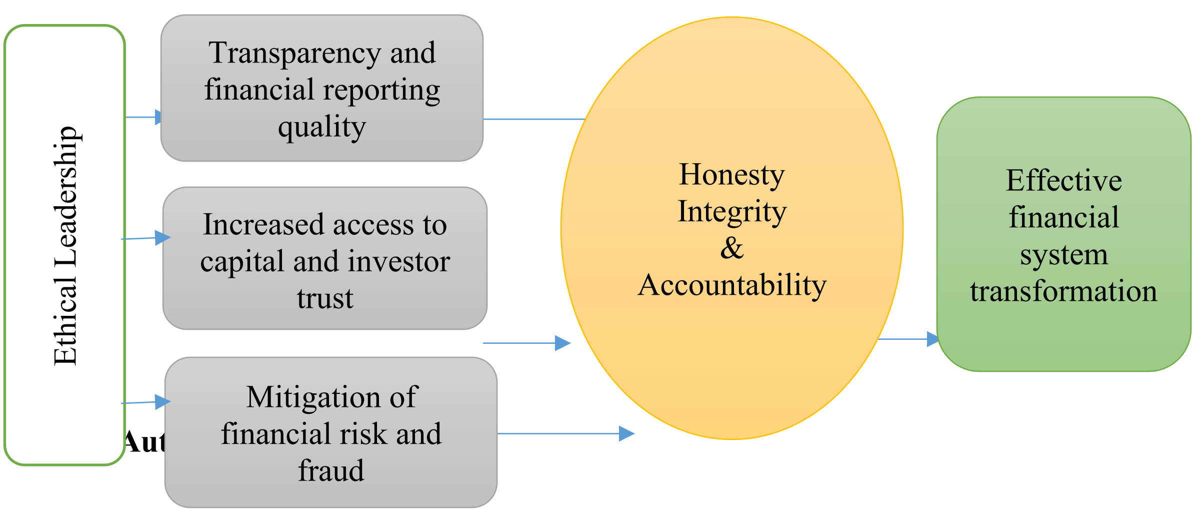
High alignment is assumed to exist between the principals and the stewards, which helps to reduce the need to control behaviour. The relationship is assumed to build trust and empowerment in decision-making and autonomy, rather than being controlled and monitored. In addition, the long-term sustainability and growth is assumed in the stewardship behaviour rather than profit maximization in the short term (Davis et al., 2008)

The justification of the stewardship theory for the study is that it supports the use of transparency and financial reporting quality, increased access to capital and investor trust, and mitigation of financial risk and fraud on financial system transformation. The theory is important because the long-term goals of an organization are protected against personal gains, and it fosters accountability, trust, and sustainability in achieving profit maximization

Conceptual framework

The conceptual framework on the effect of ethical leadership on the financial system transformation was based on the researcher's idea and conception. The framework consists of transparency and financial reporting quality, increased access to capital and investor trust, mitigation of financial risk and fraud, and financial system transformation, as shown below:

Figure 1: Ethical Leadership in a Manufacturing Firm



Concept of ethical leadership

The practice of leading with commitment, integrity, and fairness is attributed to ethical leadership, which involves doing the right thing. According to Ughulu (2024), ethical leadership creates an ethical culture among the work team in the organization. It combines a moral person who has value and integrity to make ethical decisions, and a moral manager who is a leader with the ability to shape the ethical behaviour of workers through accountability, reward system, and communication (Brown et al., 2025). This indicates that ethical leadership demonstrates fairness, honesty, and integrity in doing the right thing to promote good and profitability when dealing with stakeholders, communities, and employees. Through ethical leadership, the common goals are achieved by managers and leaders when making decisions on the right to do and not what is best for them

Ethical leadership is characterized by a strategic advantage of driving greater organizational success, higher employee engagement, and stronger team performance to improve firm profitability. Ethical leadership experience in the workplace brings about unethical misconduct and behaviour, an increase in productivity and loyalty, and high trust from stakeholders and employees. In various firms, it builds sustainability and long-term brand reputation that improves the financial performance of the firms (Detert & Burris, 2017). In team leadership, an ethical leader creates a culture of transparency and trust, encourages psychological safety and open communication, aligns team values with the goals of the organization, and develops future leaders through role modelling and mentorship. Hence, teams that are innovative, engaged, and committed are derived from leaders with an ethical mindset for excellence.

Financial system transformation

With an evolving financial system, complex web transactions in financial institutions have emerged to support seamless financial services. The rapid evolution in banking and finance has brought about a transformation of the financial system, with a digital drive across operations to enhance efficiency, competitive advantage, and sustainability. Today, financial system transformation has reshaped and overhauled payment infrastructure, risk management, and customer engagement (Guo, 2024).

The use of the Internet of Things, artificial Intelligence, big data, and financial technology has strategic support for the growth of fintech operations through automated innovation services. In the banking sector, the financial technology improvement provides long-term financing, provides investment opportunities, and offers payment services. The use of blockchain technology has supported the financial system aimed at enhancing bank operations. For instance, digital mobile transaction solutions and online credit card applications support the effectiveness of the financial system (Liu et al., 2023). Therefore, the functionality of an economy is influenced by the financial system for the safe and quick transfer of money as payment for goods and services. Through the transformation of the financial system, managing and mitigating risk is done to protect customers from losses. This facilitates growth and drives investment and delivery of goods and services

Magnani (2024) supports that the effect of financial transformation in fintech is that in the 21st century, it lowers the transaction costs, enhances automation processes, and improves users' experience. In the area of financial access and inclusion, access to digital payments and credit for businesses and individuals has accelerated significantly. Diversification in financial options has helped to expand the activities of the capital market and reduce the continuous reliance on loans. In the area of volatility, digital connectivity has created susceptibility in the financial system with cross-border shocks on wealth inequality. The success of financial system transformation is associated with regulatory focus on security (Sunyang & Yifeng, 2023). For instance, with a new regulatory framework, the management of risk, data security, and cybersecurity is reformed for higher efficiency

In a volatile business environment, corporate investment and business activities require effective financial reforms. This ensures that the growth and survival of financial institutions are aligned with the stability of the reforms, which bring profound changes in financing behaviour (Guo, 2024). The importance of driving economic development requires effective financing behavior and corporate investment decisions aimed at enhancing transparency and efficiency in the capital market

Transparency and financial reporting quality

In the financial system, transparency and high-quality reporting are strategic pillars that drive accountability, and this fosters public trust. This is because high-quality reporting requires accurate financial data, reliable, relevant, and accurate data to ascertain economic shift and market stability (Ritter, 2024). Financial system transformation uses digital technology to reduce information asymmetry and improve the accuracy and speed of financial data between stakeholders and managers. To achieve corporate governance, reducing fraudulent reporting and mitigating the agency cost are the responsibilities of the audit committee to address oversight using independent auditors

Reliable and relevant information is provided by a high-quality financial statement for investors, stakeholders, and regulators to make informed decisions. Today, the credible reporting system exposes the systematic risk and regulatory pressure in financial institutions. As the business environment is digitally driven, it demands integrity and transparency in financial information (Thornhill et al., 2018). The demand for integrity and transparency in a complex business environment has grown significantly in the banking sector. This is because financial stability is derived from systematic responsibility, as banks are challenged in delivering high-quality financial statements

The growing need to harmonize the reporting standards has facilitated investor confidence in the internal governance that ensures accountability in financial institutions. Garrett-Mayer et al. (2020) stressed that assessing the bank performance through financial statements has been a strategic tool. Therefore, insufficient disclosure could lead to financial reporting quality in an organization. Promoting the culture of honesty drives ethical leaders to accuracy in creating reliable financial statements, and this minimizes the risk of financial fraud.

In the financial market, the quality of financial reporting is essential to foster accountability, transparency, and trust. This is because stakeholders are enabled by the quality of the financial report to make informed decisions. The high-quality financial report supports the organization in facilitating capital allocation and maintaining market stability. An effective evaluation of the quality of financial reports is determined by the usefulness and reliability of information for comprehensive analysis. Ionascu et al. (2018) suggested that the accuracy of financial data is influenced by adherence to relevant accounting standards. This is because the consistency of reporting practice requires transparency to enhance investors' decisions

Hence, in a financial institution, the success of transparency and financial reporting quality is driven by adherence to the regulatory framework, accounting standards, ethical practice of auditors and management

Increased access to capital and investor trust

Ethical leadership drives an increase in access to capital and stronger investor trust. This is influenced by ESG compliance for business resilience, as the practice of ethical leadership makes a firm a low-risk investment with sustainable long-term growth. For instance, firms that prioritize ethical behaviour are attractive to investors with increased reliance on economic, social, and governance (ESG) on the corporate responsibility of a firm. This enhances long-term valuation improvement of the firm with access to capital (Zournatzidou, 2024).

The influence of ethical leadership on capital access and investor confidence is that it helps to attract responsible investment with a lower cost of capital. The investor trust and confidence are certain through risk mitigation linked to legal liability and damages associated with reputation. Huang et al. (2023) stressed that the continuous promotion of honesty, transparency, and accountability helps to build a credible brand that attracts investors' trust. The need for long-term focus ensures that the firm prioritizes ethical behavior to sustain competitiveness and stability over the long term.

Cultural accountability has been found to attract capital through ethical leadership. This involves the use of a whistleblower with adequate protection, a transparent reporting system, and a code of conduct, ensuring that ESG is used for ethical governance and business strategy. In addition, the use of integrity-linked compensation requires executive pay that is aligned with integrity instead of short-term goal achievement

In manufacturing firms, increasing access to capital is driven by advances in technology, where payment is made easier and automated. The alternative financing helps in providing venture capital and private equity for business growth. Access to capital through a strategic partnership is essential in fostering economic development

A study by Zhu et al. (2022) stressed that building investor trust through the practice of ethical leadership consists of credibility and reputation, which enable a firm to build investor trust in the long term, particularly in a volatile economic situation. Open communication with transparency fosters loyalty in sustaining investment and makes investors feel secured on the investment. Sequel to this, Huang et al. (2023) add that proper cash monitoring contributes to investor trust, which protects investors' investment

Mitigation of financial risk and fraud

Mitigating financial risk and fraud through ethical leadership enhances transparency and integrity, which ensures that internal control is effectively managed and implemented to have an environment where employees can report unethical behaviour (Hussein et al., 2024). The continuous need to strengthen internal control and promote the culture of transparency makes an ethical leader ensure financial stability and guide against fraudulent activities, which protects the financial assets of the organization. Demonstrating ethical consistency in mitigating financial risk and fraud drives the tone that prioritizes accountability for financial gains. This is by reporting unethical behaviour to reduce fraud incidents.

According to Shad et al. (2019) the impact of ethical leadership on risk and fraud mitigation is that: one, it reduces fraud opportunity through clear communication. Based on this, rationalizing dishonesty is reduced with emphasis on critical standards for financial goals. Through ethical leadership, the effectiveness of internal control is strengthened with the use of a whistleblowing mechanism to detect potential financial crimes. Zahari et a. (2024) support that the reliability and accuracy of financial reports are positively influenced by a leader prioritizing ethics to reduce the likelihood of financial fraud.

A check against excessive risk-taking is a strategic task in ethical leadership that acts as an incentive for performance bonuses, and this protects the firm from reputational damages and also aligns the organization with long-term sustainability. Organizational norms are influenced by leaders who create a culture of responsibility and honesty, and this discourages corrupt practices Better management of fraud risks is linked to prioritizing ethics and compliance as a foundation for controlling fraud risk (Yang et al, 2017). This is because it helps to eliminate the disruptive risks of fraud and allows organizations to achieve the expected objective. Hence, fraud is prevented from being normalized, which affects effective reporting and control mechanisms in an organization.

Methodology

The study on the effect of ethical leadership on the financial system transformation of Niger Mills Company Limited adopted a survey research design with a population of 280. A Taro Yamane sampling formular was used to determine the sample size of 165. A random sampling technique was used to select the sample for the study. An ELFST-structured questionnaire was adopted to elicit relevant information for the study. With the administered questionnaire, 143 copies were retrieved with a response rate of 86 percent. The collected data were analyzed using descriptive statistics and multicollinearity tests to assess data adequacy, while multiple regression analysis was employed to test the hypotheses. The study on ethical leadership and financial system transformation was validated with the use of content and face validity, while the Cronbach Alpha Coefficient was used to ascertain the reliability, which was found reliable and fit for the collection of data, as shown below:

Table 1

Coefficient reliability with Cronbach's Alpha

S/n	Variables	No. of items	Reliability
1	Transparency and financial reporting quality	5	0.723
2	Increased access to capital and investor trust	5	0.781
3	Mitigation of financial risk and fraud	5	0.742

4	Financial system transformation	5	0.711

Source: Author's analysis 2026

The hypotheses were tested with the use multiple regression analysis as shown below: The model for this study is specified as:

FST = f(EL)…………………………….…………………………..................(i)

FST = f(TFRQ, IACIT, MFRF) ..……….……………………...........................(ii)

The econometric forms of the models are as follows:

FST = $\beta_0 + \beta_1$TFRQ $+ \beta_2$IACIT $+ \beta_3$MFRF………….. ……………(iii)

Where = (β_1, β_2 - - - - $\beta_4 \neq 0$) are regression coefficients.

FST = Financial system transformation

$TFRQ_1$ = Transparency and Financial Reporting Quality

$IACIT_2$ = Increased Access to Capital and Investor Trust

$MFRF_3$ = Mitigation of Financial Risk and Fraud

ε = error

β_0 = slope

α = Constant

Descriptive Statistics of Variables of the Study

Table 2

Descriptive statistics on ethical leadership and financial system transformation

Items	N	Mean	Std. Deviation	Variance
Transparency and financial reporting quality	143	3.69	.784	.539
Increased access to capital and investor trust	143	3.77	.619	.669
Mitigation of financial risk and fraud	143	3.54	.859	.559
Financial system transformation	143	4.15	.750	.738

Source: Author's analysis using SPSS, 2026

This table provides descriptive statistics on ethical leadership and financial system transformation based on the mean, standard deviation, and variance shown below:

Descriptive analysis of transparency and financial reporting quality:

Transparency and financial reporting quality as a construct, with a mean of 3.69, was measured; the construct revealed a positive response to all the questions. With a standard deviation of less than 1 it indicates that 69 percent of the variance was derived from the mean, which affirms that the spread of data was adequate

Descriptive analysis of increased access to capital and investor trust:

Increased access to capital and investor trust as a construct, with a mean of 3.77, was measured; the construct revealed a positive response to all the questions. With a standard deviation of less than 1, it indicates that 69 percent of the variance was derived from the mean, which affirms that the spread of data was adequate

Descriptive analysis of mitigation of financial risk and fraud:

Mitigation of financial risk and fraud as a construct, with a mean of 3.54, was measured; the construct revealed a positive response to all the questions. With a standard deviation of less than 1, it indicates that 69 percent of the variance was derived from the mean, which affirms that the spread of data was adequate

Descriptive analysis of financial system transformation

Financial system transformation as a construct, with a mean of 4.15, was measured; the construct revealed a positive response to all the questions. With a standard deviation of less than 1, it indicates that 96 percent of the variance was derived from the mean, which affirms that the spread of data was adequate

Multicollinearity Test

Table 3

Multicollinearity Test Result

Variables	Tolerance	Collinearity Statistic VIF
Transparency and financial reporting quality	.845	1.462
Increased access to capital and investor trust	.773	1.558
Mitigation of financial risk and fraud	.723	1.641

Source: SPSS Analysis 2026

The strength and correlation of the variables were ascertained with the use of multicollinearity test for prediction. In line with this, the study adopted a tolerance inflation factor (VIF) to affirm the dimension of the variation unexplained among other factors. Hence, with the multicollinearity of 0, it means that the regression coefficient was overestimated. Based on the rules, the tolerance must not be less than 0.1, and the VIF must not be greater than 5. Hence, the above table sows that the value of tolerance is greater than 0.1 while the permissive value is lower than 5 for VIF.

Analysis and Test of Hypotheses

The null hypotheses for the study are:

H0$_1$: Transparency and financial reporting quality significantly affect the financial system transformation in Niger Mills Company Limited, Calabar

H0$_2$: Increased access to capital and investor trust significantly affect the financial system transformation in Niger Mills Company Limited, Calabar

H0$_3$: Mitigation of financial risk and fraud significantly affects the financial system transformation in Niger Mills Company Limited, Calabar

Table 4

Multiple regression results on the effect of ethical leadership on financial system transformation in Niger Mills Company Limited, Calabar

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.796[a]	.637	.612	.361

a. Predictors: (Constant), TFRQ, IACIT, MFRF
b. Dependent Variable: FST
Source: SPSS output, 2026

TABLE 5

ıalysis of variance (ANOVA) on the effect of on the effect of ethical leadership on financial system transformation in Niger Mills Company Limited, Calabar

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	196.989	3	22.437	167.846	.000[b]
	Residual	91.999	140	5.48		
	Total	288.988	143			

a. Dependent Variable: FST
b. Predictors: (Constant), TFRQ, IACIT, MFRF
Source: SPSS output, 2026

TABLE 6

Coefficients on the effect of on the effect of ethical leadership on financial system transformation in Niger Mills Company Limited, Calabar

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.

1	(Constant)	-.889	.273		-3.428	.001
	TFRQ	.624	.057	.662	18.629	.000
	IACIT	.593	.082	.654	13.636	.004
	MFRF	.638	.068	.621	9.764	.000

a. Dependent Variable: FST

Source: SPSS output, 2026

The study was performed with the use of multiple regression analysis on the effect of ethical leadership on financial system transformation in Niger Mills Company Limited, Calabar. The multiple regression analysis in Tables 4, 5, and 6 revealed an R-value of .796, an R-square of .637, and an adjusted R-square of 612, showing that the data is a good fit of the model. The value of adjusted R-square (.612) implied that the variables (transparency and financial reporting quality, increased access to capital and investor trust, and mitigation of financial risk and fraud) account for 61.2 percent of ethical leadership, while 38.8 percent of financial system transformation in Niger Mills Company Limited, Calabar was not accounted for by the variables. The three variables-transparency and financial reporting quality, increased access to capital and investor trust, and mitigation of financial risk and fraud affect financial system transformation as seen from their p-value, which is less than 0.05. Therefore, transparency and financial reporting quality, increased access to capital and investor trust, and mitigation of financial risk and fraud have a positive slope (β), respectively showing that they have a positive effect on financial system transformation.

Hence, the null hypothesis was rejected, and the alternative was accepted. This implies that transparency and financial reporting quality, increased access to capital and investor trust, and mitigation of financial risk and fraud positively affect financial system transformation in Niger Mills Company Limited, Calabar

Discussion of findings

The finding on the first hypothesis reveals that transparency and financial reporting quality significantly affect the financial system transformation in Niger Mills Company Limited, Calabar (Beta = 0.662, $P<0.05$). In agreement, Ritter (2024) stressed that to achieve corporate governance, reducing fraudulent reporting and mitigating the agency cost are the responsibilities of the audit committee to address oversight using independent auditors. This is confirmed with a positive outcome of the descriptive statistics of 3.69 on transparency and financial reporting quality. This is a fact because the credible reporting system exposes the systematic risk and regulatory pressure in financial institutions. Hence, in Niger Mills Company Limited, Calabar, prioritizing integrity creates a workplace environment for financial data to be accurately reported; transparency reduces the risk of fraudulent accounting and helps stakeholders to maintain confidence; financial statements that are without bias are prepared by accounting professionals based on honesty and responsibility; and ethical leaders improve resource allocations and build stakeholders' trust, which minimizes the gap in information with investors. The finding implies that prioritizing reliable and accurate reporting fosters a corporate culture of integrity and safeguards against fraud. This aligns with the work of Garrett-Mayer et al. (2020)

The finding on the second hypothesis reveals that increased access to capital and investor trust significantly affect the financial system transformation in Niger Mills Company Limited, Calabar (Beta = 0.654, $P<0.05$). In line with this finding, Zournatzidou (2024), stressed that the influence of ethical leadership on capital access and investor confidence is that it helps to attract responsible investment with a lower cost of capital. This is confirmed with a positive outcome of the descriptive statistics of 3.77 on increased access to capital and investor trust. This is true because the continuous promotion of honesty, transparency, and accountability helps to build a credible brand that attracts investors' trust. Hence, in Niger Mills Company Limited, Calabar, the institutional lenders and venture capital use strict high ethical standards to deploy funds; a firm with an ethical management structure and transparency can secure better lending terms and a lower interest rate; maintaining high investor trust prioritizes transparent communication to provide honest and consists update for financial health; and prioritizing robust corporate governance provides long-term goals of the shareholders. The finding implies that increased access to capital and investor trust helps secure market stability and lower the cost of capital to promote social responsible investment and good governance for business growth. This affirms the work of Zhu et al. (2022).

The finding on the third hypothesis revealed that mitigation of financial risk and fraud significantly affects the financial system transformation in Niger Mills Company Limited, Calabar (Beta = 0.621, $P<0.05$). In consensus with this finding, Hussein et al. (2024) stressed that mitigating financial risk and fraud through ethical leadership enhances transparency and integrity, which ensures that internal control is effectively managed and implemented to have an environment where employees can report unethical behaviour. This is confirmed with a positive outcome of the descriptive statistics of 3.54 on mitigation of financial risk and fraud. This is a fact because the impact of ethical leadership on risk and fraud mitigation is that it reduces fraud opportunities through clear communication. Hence, in Niger Mills Company Limited, Calabar, mitigating the risks of internal fraud, human error, and money laundering requires robust ethical control; the use of ethical risk mitigation helps ethical leaders to prevent market vulnerabilities and financial crises; aligning organizational moral values and incentives prevents fraud in the organization; and a robust reporting frameworks that protect whistleblowers is implemented through transparent communication and implementation. The finding implies that addressing vulnerability proactively helps to protect stakeholder trust and prevent loss of revenue that threatens the viability of a firm. This justifies the work of Zahari et al. (2024)

Conclusion and recommendation

The practice of ethical leadership drives organizational decisions based on honesty and integrity, which improve the transformation of the financial system for economic health. This study reviewed the effect of transparency and financial reporting quality, increased access to capital and investor trust, and mitigation of financial risk and fraud on financial system transformation in Niger Mills Company Limited, Calabar. Hence, integrating ethical practices is a strategic practice that addresses internal auditing of the organization and risk management to build systematic credibility in business. Based on the findings, the study recommended the following:

1. The management should prioritize reliable and accurate reporting to foster a corporate culture of integrity and safeguards against fraud. This will ensure that transparency reduces the risk of fraudulent accounting and helps stakeholders to maintain confidence
2 The management should commit to increased access to capital and investor trust to help secure market stability and lower the cost of capital to promote socially responsible investment and good governance for business growth. This will involve prioritizing robust corporate governance to provide long-term goals for the shareholders.
3 The management should commit to addressing vulnerability proactively to help protect stakeholder trust and prevent loss of revenue that threatens the viability of a firm. This will require the use of ethical risk mitigation to help ethical leaders prevent market vulnerabilities and financial crises

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