https://doi.org/10.31871/WJRR.14.6.12
World Journal of Research and Review (WJRR)
ISSN: 2455-3956, Volume-14, Issue-6, June 2022 Pages 14-27

# Determinants of Financial Reporting Quality among the Selected Listed Non-Financial Firms in Nigeria

**Lawal Quadri Adebayo**

***Abstract*— The studydetermined the factors influencing financial reporting quality of quoted non-financial firms between 2004 and 2021.**

**The study employed secondary data. The population of this study was 176 quoted non-financial firms listed on the Nigeria Stock Exchange. Fifty firms were purposively selected based on the availability of complete financial information for the sampled period. Data on cashflow accrual ratio, statements of financial position accrual ratio as proxies of financial reporting quality, firms' size, auditors' type, board size, leverage, audit committee size, age and firms' liquidity were sourced from the audited annual financial report of the firms and factbook of Nigeria Stock Exchange. Data collected were analysed using percentages fixed effect model, random effect model and pooled OLS method.**

**The results revealed that both fundamental variables of financial statements and corporate governance variables are poor determinantsof financial reporting quality of quoted non-financial firms in Nigeria.**

**The study concludes that fundamental and corporate governance variables have little effect on financial reporting quality.**

***Index Terms*— Financial Reporting Quality, Cashflow Accrual Ratio, Corporate Governance.**

## I. Introduction

The general objective of financial reporting is to make available financial information about the reporting entity that is useful to current and potential investors, financiers and other creditors in making choices about providing resources to the entity (IASB, 2005). Although it relies on the assumption that the informational need of investors is the same as other stakeholders as defined by the Revised Conceptual Framework of financial reporting, users do not have the capability to force the entity to supply them with the required information to make decisions about their investments. It is of utmost importance that the information supplied through financial reporting should not be less than being credible. Incorporation of firms which has characterized the twenty first century firms segregates management from ownership. As a result of this separation, the management of a firm owes the owners and stakeholders the responsibility to give accurate account on the resources that have been placed in their care which is done in form of financial statement. Financial Reporting is a means through which information both quantitative and qualitative is communicated to shareholders and other interested parties about the performance of an entity in form of stewardship account. Choi (1973) defined financial reporting as a "publication of economic information which relates to businesses quantitative or non-quantitative that can help users in making economic decisions". The coverage of the definition was extended by defining it as a process where firms communicate with outside stakeholders (McKinnon, 1984). It could be inferred from the definitions that consumers of financial statements are many, especially those that place their confidence and assessment on the reliability of financial statements like financial analysts, equity analysts and tax assessors. The importance of financial statement which is an output of financial reporting cannot be overemphasized. Financial Statement is an important information that (potential) investors need in making an informed decision. Although both International Accounting Standard Board (IASB) and Financial Reporting Council of Nigeria (FRCN) point out the essence of high-quality financial reporting, one of the ways of determining a financial statement with high quality is the application of and compliance with accounting standards that underlie preparation of financial statements alongside with Generally Accepted Accounting Principles (GAAPS). Wallace (1988) was the first author that pioneered a study on Nigerian financial reporting environment. The analyses were based on the perceptions of experts on financial reporting quality of listed firms. The result of the study revealed that the disclosure of items and the quality of Nigerian financial statement was weak. However, the study exhibited some deficiencies which are: usage of primary data while the variables were available in secondary form. Also, the study covered the period between 1982 and 1986 which was relatively short. World Bank (2004) did a thorough analysis of financial reporting quality of listed firms in Nigeria with a conclusion that financial reporting environment in Nigeria was deficient. In the same vein, other authors had made an attempt to evaluate the financial reporting environment like Okike (2000) and Adeyemi (2016).Their findings were quite similar that the Nigerian corporate reporting practices were weak.

Firms are different in size and characteristics. Examining their characteristics and the relationship with financial reporting quality had shed light on factors that could influence financial reporting quality. Earlier studies had revealed that most firms that engaged in financial manipulations were usually small in size (Kinney &Mcdaniel, 1989). Furthermore, Evidences have shown

**Lawal Quadri Adebayo**, Department of Management and Accounting, Obafemi Awolowo University, Nigeria

empirically direct and significant relationship between firms' size and financial reporting quality (Inchausti, 1997; Owusu-Ansah, 1998). However, Street and Grat (2001) and Malone, Fries and Jones (1993) found contrary results. The intention to boost performance and manipulate earnings has been another motivating factor that influences financial reporting quality. Defond and Jiabalvo (1991) showed that most firms that engaged in financial statement manipulation practices were less profitable. When operating performance is high, managers tend to decrease earnings and when operating performance is low, they tend to increase earnings (income smoothening).

Managers manage earnings in order to comply with the covenant struck with the bondholders who may insist on the firm maintaining a particular percentage of debt to equity capital. Callen *et al* (2002) have established that firms that engage in financial statement manipulation have leverage and growth higher than their industry average. Prior studies have shown that there is no significant association between leverage and disclosure level (Naser, 1998, Camfferman& Cooke, 2002; Archambault & Archambault, 2003; Al Saeed, 2006; Mangena *et al.,* 2007). However, Naser and Al-Khatib (2000), Naser *et al.* (2002) and Hassan *et al. (*2006) found a significant relationship between leverage and level of disclosure. The quality of financial information made available in Nigeria capital market has been unreliable (World Bank, 2004). This may be the reason for limiting the growth of equity market and the erosion of investors' confidence. Again, the usual complaint among investors in Nigeria is that financial information on company performance is either unavailable or, if provided, lacks reliability (Shehu, 2011). Hence,there is a need to assess the factors influencing financial reporting quality.

## II. Literature Review

### Theoretical Framework

### Agency Theory

This study was anchored on Agency theory that demystify how quality of information released by the management to the shareholders could bridge the effect of information asymmetry between management (agent) and shareholders (principal).The agency theory is a proposition which spells out the interaction between principal and agents in business. This proposition is interested in solving problems embedded in the agency relationships because of different goals or varying level of risk aversion. The most apparent agency relationship can be seen in shareholders and company executives relationship.

The theory tackles issues caused because the lack of goal congruence and objectives between the principal and the agent. This may be as a result of the principal's unawareness of the activities of the agent or his inability to acquire sufficient information. Agency theory also argues that the influence of principals on agent is aimed at reducing cost considering the axioms that all agents are narrowly self-interested, all agents are boundedly rational, and agents are more risk averse than principals, has earned a place of prominence (Eisenhardt, 1989). Still, empirical findings are inconclusive on the challenge to redefine the agency theory with more distinctively explanation. For instance, the logic of agency theory explains that rewarding managing directors with warranties and bonus stock will align their interests with the interest of the whole firm. This will result in a better performance, other empirical evidence suggests that theseacts will lead to more losses than better gain (Sanders & Hambrick, 2007). Managing directors who experience board's treatmentthat is far more than their expectation could produce agency benefit which will not be recognized using assumption of normal agency theory.

This is in line with the result from corporate governance (Fong *et al.*, 2010). Studies of organization (Coyle-Shapiro, Kessler, & Purcell, 2004), labour economics (e.g., Shapiro & Stiglitz, 1984; Weiss, 1991)and organizational justice (Li &Cropanzano, 2009) explain that people exert exceptional effort when they perceive fair treatment that exceeds their expectations. This explains how boards can initiate positive reciprocity with a CEO that generates agency benefits. The contribution clearly cannot explain the existing theory of agency but distinctively explains the observed extraordinary behaviour. Furthermore, the unfair treatment and the perceptions of the agent could create higher agency costs than expected than the existing agency theory. Ignoring fairness and principle of reciprocity could create a greater cost because self-interested executives may be willing to incur extra costs in order to effect the value of justice (Fehr &Gächter, 2000; Hoff, 2010). The logic bridges the gap in the agency theory as articulated by Dalton *et al*. (2007) that some agency driven interventions have actually exacerbated the fundamental agency problem.

Furthermore, an explanation that is far above the comprehension of the agency cost which is borne by the society when organization and directors have divergent goal. Furthermore, it is a fact of human behavior that fairness and reciprocity are social values which are undermined by narrow self-interest in most important management theories.

Agency Theory states the relationship between a party known as principal who hires another person referred to as agent when the former party believes this will result in value creation. It is impossible for the principal to determine earlier, how much value will result from such an agreement because of uncertainty regarding the agent's degree of effort and external factors. However, the foundation for the contract is that the principal assumes the relationship to end in the creation of a specific amount of value in the nearest future.

The theory has thus been simplified to its important core and focus on the main instruments for counteracting two major sides of the agency issue: divergent interests and information asymmetry (Cohen, Holder-Webb, Sharp & Pant, 2007). To offset a percentage of the agency costs that arise from the

divergent interests of the principal and agent, the principal can make the contract in such a way that more meticulously bring into line the interest of both parties. (Fama& Jensen, 1983; Jensen &Meckling, 1976).

**Empirical Review**

Majiyebo, Okpanachi, Nyor and Yahaya (2018) assessed the effects of audit committee independence and size on financial reporting quality of quoted deposit money banks (DMB) in Nigeria. Cross Sectional Data were applied in obtaining data from a sample of fifteen (15) quoted deposit money banks for a period between 2007 to 2016. Modified Jones (1991) model was used to measure financial reporting quality. The result showed an inverse relationship between quality of financial reporting and firms' size.

Arieftiara and Utama (2018) investigated the effects of corporate governance mechanism on quality of financial reporting. Earnings timeliness was used as a measure of financial reporting quality.Proportion of independent directors on the board and size of the boardwere proxied by corporate governance mechanism. Samples were taken from manufacturing companies quoted on Indonesian Stock Exchange (ISE) in 2015. Two stage Linear Regression (TSLS) was adopted as the statistical techniques for data analysis. The study found an inverse association between growth and quality of financial reporting.

Majiyebo,Okpanachi, Nyorand Yahaya (2018) assessed the effects of audit committee independenceon financial reporting quality of quoted deposit money banks in Nigeria. Data were obtained from a sample of fifteen (15) quoted deposit money banks for a period between 2007 to 2016. Modified Jones (1991) model was used to measure the quality of financial reporting. The results of the study established a direct affinity between growth and quality of financial reporting.

Mahboub (2017) examined the potential determinant that may affect the financial reporting quality of eighty-eight financial reports and accounts of a sample of twenty-two banks from the period 2012 to 2015. Bank especial characteristics of gearing, size, and profitability as well as corporate governance characteristics of independence of the board, ownership structure and size of the board were used as proxies. Multivariate Ordinary Least Square (OLS) model was adopted in analysing the data used in the course of this study. The result found a direct affinity between quality of financial reporting and firms' size.

Echobu, OkikaandMailafia (2017) examined the determinant of financial reporting quality in quoted Agriculture & Natural Resources firms in Nigeria. A sample of seven (7) companieswas drawn from the population of nine (9) quoted Agriculture & Natural Resources Firms in the Nigeria Stock Exchange (NSE), made up of five (5) Agriculture and four (4) Natural Resources firms using their annual financial report for the period of 2008 to 2015 as the sources of data. Regression was adopted and also ex-post factor research design for the analysis of the data. Findingsshowed a positive association between financial reporting quality and leverage.

Mahboub (2017) examined the potential determinant that may affect the quality of financial reporting of 88 financial reports and accounts of a selectedtwenty-two Lebanese banks from 2012 to 2015. Bank specific characteristics of leverage, size, and profitability as well as corporate governance characteristics of board independence, ownership structure and board size were used as proxies. Multivariate Ordinary Least Square (OLS) model was adopted in the data analysis. The study showed that there is a positive relationship between financial reporting quality and leverage.

Onuorah and Imene (2016) evaluated the relationship between corporate governance quality and firms' quality of financial reporting in Nigeria. A total of 5 selected companies were used considering data ranging for the period of 2006 to 2015. Econometric analysis using correlation among the corporate governance measures indicators (such as size of the board independence of the board, board experience, audit committee size and the quality of financial reporting). The correlation result was 93.47%; they concluded there was a positive impact on the quality of financial reporting by the corporate governance indicators except board independence and audit committee size that has negative effect on the quality of financial reporting.

Uwalomwa, Olubukunola and Okorie (2015) evaluated the impact of firms' attributes on earnings management of quoted firms in Nigeria. 20 listed companies in the Nigeria Stock Exchange was used and analysed for this research in total adopting judgemental sampling technique. The study adopted the descriptive statistics method and pooled ordinary least square regression for the sample firms listed. They discovered that there is a genuine direct impact of discretionary accruals on earnings management. Also, they discovered that the association between firms' financial gearing and discretionary accruals was insignificant

## III. METHODOLOGY

### RESEARCH DESIGN

The study used the ex-post facto research design and content analysis. The choice of design is based on the fact that dependent variable which is share value already exists. The research nature was longitudinal because it combined the samples of the time series dimension with the cross sectional dimension. Subjects were not randomly assigned, that is, they were grouped based on a particular characteristic or trait such as listed on Nigeria Stock Exchange. It entails the collection of the secondary data to study the phenomenon of interest because the event has occurred previously and the researcher is capable of collecting the data in retrospection. However, others have collected the data and it is available for researcher to mine and use.

### POPULATION, SAMPLE SIZE AND SAMPLING TECHNIQUES

The population of the study consisted of 176 non-financial firms listed on Nigeria Stock Exchange (2021). The companies were categorized into the area of production which includes; automobiles and tyres, building materials, breweries, chemical and paint, conglomerate construction, computer and office equipment, food/beverages and tobacco, healthcare, industrial/domestic products, packaging, textile, printing and publishing, petroleum (marketing), footwear and accessories.

The sample size of 50 firms was purposively selected based on the availability of data. The sampling was done in such that each group represented the total population size from 2004 to 2021.

### SOURCES OF DATA

The data for this study were collected basically from the secondary source. Specifically, the data were sourced from the Audited Annual Reports and Statement of Accounts of the selected firms. Also, sources such as websites of the sample firms were used to gather relevant information for the study and Bloomberg Terminal was very helpful in generating the required data.

**Model Specification**

### FACTORSINFLUENCING FINANCIAL REPORTING QUALITY

The Model of Usman and Bello (2013) and Miko and Kamardin (2015) was adapted. This has also been used by Bako (2018), Achobu, Okika and Mailafia (2017) and Evenubo, Mohamed and Ali (2017)as stated below:

**Model 1: Financial Reporting Quality and Corporate Governance Characteristics**

$$CAR_{it} = \beta_o + \beta_1 AUDCIND_{it} + \beta_2 AUDCSIZE_{it} + \beta_3 AUDTYP_{it} + \beta_4 BOARDIND_{it} + \beta_5 BS_{it} + \mu_{it} \quad (3.2)$$

Where:

CAR = Cashflow Accrual Ratio

**Model 2: Financial Reporting Quality and Fundamental Variables of Firms**

The Model of Klai and Omri (2011) and Mishari and Abdullah (2014) was adapted. This was also used by Ishak, Amran and Abdul Manaf (2018) and Ghasem, Saeid and Motavassel (2015) as stated below:

$$CAR_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 LEV_{it} + \beta_3 DIV_{it} + \beta_4 FS_{it} + \beta_5 GROWTH_{it} + \beta_6 AGE_{it} + \beta_7 LIQ_{it} + \beta_8 TIME_{it} + \beta_9 TAN_{it} + \mu_{it} \quad (3.3)$$

$$CAR_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 LEV_{it} + \beta_3 AUDTYP_{it} + \beta_4 AUDCIND_{it} + \beta_5 AUDCSIZE_{it} + \beta_6 BOARDIND_{it} + \beta_7 BS_{it} + \beta_8 DIV_{it} + \beta_9 FS_{it} + \beta_{10} GROWTH_{it} + \beta_{11} AGE_{it} + \beta_{12} LIQ_{it} + \beta_{13} TIME_{it} + \beta_{14} TAN_{it} + \mu_{it}$$

(3.4)

*FS*= Firm Size, *LEV* = Leverage, AUDCIND=Audit Committee Independence, AUDCSIZE=Audit Committee Size, BOARDIND=Board independence, *BS*= Board Size, *ROA*= Return on Asset,*CAR*= CashFlow Accrual Ratio, FS= Firm Size,*LIQ* = Liquidity, *GROWTH* = Growth, AUDTYP= Audit type, TAN=Tangibility, DIV= Dividend, T=Time, AGE= Age. *U*= error term, i = firm and t = year.

Appriori expectation; $\beta_1 - \beta_{14} < 0$

## IV. RESULTS AND DISCUSSION OF FINDINGS

### DESCRIPTIVE STATISTICS ANALYSIS

Descriptive Statistics provided information about sample statistics. Mean, Medium, Maximum and Minimum and the distribution of the sample measured by the skewness, Kurtosis, and Jarque-Bera statistics for 50 companies. The mean being a measure of central tendency was used to determine the average of the data for each variable. The maximum and the minimum values helped in determining the peak and the least figures for the variables while the standard deviation was used to measure the degree of dispersion from the centres of the variables.

As presented in Table 1, it is seen that cashflow accrual ratio (CAR) has a minimum value of -38.0339 and a maximum of 53.67 having a Mean value of 0.2151. It is important to know that CAR is interpreted in an inverse form i.e. the lower the ratio, the higher the quality of financial reporting. It is important to note that balance sheet accrual ratio (BAR) is another method of measuring financial reporting quality but not considered in this study because CAR is considered superior to BAR in terms of measurement and simplicity (CFA 2013). The mean of 0.2151 for CAR among the 50 firms shows that financial reporting quality of the sampled firms on average is fair.

Return of Asset (ROA) has a mean of 10.55% with maximum value of 74.10% and a minimum value of -41.03%. It could be inferred from this information that average non-financial firms in Nigeria is generating return on assets of 10.55%.

Sampled Firms are highly geared; this could be inferred from the information about Leverage (LEV) which shows average of 78.64%, minimum of 4.08%, and maximum of 239%.

Audit type (AUDTYP) is a binary variable where 1 is allocated when the firm is audited by big four while 2 is allocated when the firm is audited by firms other than big

four. The mean of 1.2461 showed that the majority of the firms use big four as the auditor of their financial statement.

Audit committee size (AUDCSIZE) is in accordance with the provision of corporate governance code of best practice that stipulates that the maximum number of audit committee should not be more than six. From Table 4.3, the highest number of audit committee size is 7 and the average of 5.2253 means that audit committee size revolves around 6. Also, audit committee independence with average of 0.5397 means that majority of the committee are representative of the shareholders.

According to corporate governance code of best practice, it stipulates that the maximum number that makes up the board should not be more than 15 and not lower than 5. Table 4.3, the maximum value of board size (BS) is 15 and the minimum is 5 which means that the non-financial firms in Nigeria strictly abide by the code of corporate governance. Board independence (BOARDIND) with average value of 42.38% means that 42.38% of the board is represented by the independent non-executive directors.

Dividend (DIV) in relation with book value shows that on average, 10.09% if the book value is paid to the ordinary shareholders. The minimum value indicates that the worst form of payment of dividend represents 0.65% of book value.

Firm size (FS) has a maximum log value of 6.2216 and a minimum of 2.4236. The average of 4.2206 in log form which the anti-log value will provide 16,618 million in absolute value based on market capitalization.

The growth (GROWTH) of non-financial firm is on average of 0.2030 which means the total asset of the current compared to the preceding period is increasing at the rate of 20.30% and the minimum value has negative 45%.

The number of years since the firms have been listed on Nigeria Stock Exchange (AGE) indicated from Table 4.3 that the oldest firm of the sampled firms had been listed 43 years ago while the average number of years since listing for non-financial firms is 20 years.

The number of days between the accounting year ends when the financial statement is authorized for issue to the public is represented by timeliness (TIME). It could be inferred from Table 4.3 that the earliest day to release financial statement is 45 days while the average number of days is 91 days.

Table 1: Descriptive Statistics

| | CAR | ROA | LEV | AUDTYP | AUDCIND | AUDC SIZE | BOARDIND | BS | DIV | FS | GROWTH | AGE | LIQ | TIME | TAN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mean | 0.2151 | 0.1055 | 0.7864 | 1.2461 | 0.5397 | 5.2253 | 0.4238 | 9.2012 | 0.1009 | 4.2206 | 0.2030 | 20.1914 | 1.4176 | 91.9192 | 0.4793 |
| Median | 0.0988 | 0.0936 | 0.6781 | 1.0000 | 0.5282 | 5.6810 | 0.3906 | 9.0000 | 0.0570 | 4.2942 | 0.1290 | 22.0000 | 1.2402 | 79.0000 | 0.4904 |
| Maximum | 53.6700 | 0.7410 | 2.3933 | 2.0000 | 1.5000 | 7.0000 | 0.8000 | 15.0000 | 1.7960 | 6.2216 | 3.2440 | 43.0000 | 5.7678 | 323.0000 | 0.9520 |
| Minimum | -38.0339 | -0.4103 | 0.0408 | 1.0000 | 0.0000 | 0.0000 | 0.0000 | 5.0000 | 0.0065 | 2.4236 | -0.4504 | 1.0000 | 0.0681 | 45.0000 | 0.0603 |
| Std. Dev. | 4.8371 | 0.1327 | 0.5449 | 0.4316 | 0.2325 | 1.4871 | 0.2386 | 2.0764 | 0.1570 | 0.7134 | 0.3692 | 11.8599 | 0.8273 | 41.6767 | 0.2073 |
| Skewness | 2.4958 | 1.0599 | 0.5976 | 1.1789 | 0.1281 | -2.6888 | 0.2535 | -0.1670 | 6.3497 | 0.0191 | 3.6689 | -0.1286 | 2.0277 | 3.3245 | -0.0650 |
| Kurtosis | 78.8906 | 8.6869 | 2.3833 | 2.3899 | 5.1424 | 9.7817 | 2.4575 | 2.7410 | 59.3639 | 3.0503 | 24.2217 | 1.7993 | 9.5564 | 15.5387 | 2.3159 |
| Jarque-Bera | 61699.24 | 392.89 | 19.29 | 63.27 | 49.66 | 799.03 | 5.88 | 1.91 | 35607.04 | 0.04 | 5378.18 | 16.08 | 633.96 | 2148.57 | 5.17 |
| Probability | 0.00000 | 0.00000 | 0.00007 | 0.00000 | 0.00000 | 0.00000 | 0.05283 | 0.38567 | 0.00000 | 0.97896 | 0.00000 | 0.00032 | 0.00000 | 0.00000 | 0.07529 |
| Sum | 55.07 | 27.01 | 201.32 | 319.00 | 138.17 | 1337.68 | 108.49 | 2355.50 | 25.83 | 1080.48 | 51.97 | 5169.00 | 362.90 | 23531.30 | 122.69 |
| Sum Sq. Dev. | 5966.35 | 4.49 | 75.70 | 47.50 | 13.79 | 563.92 | 14.52 | 1099.39 | 6.28 | 129.80 | 34.76 | 35867.62 | 174.51 | 442922.50 | 10.96 |

Source: Secondary data, 2021

Multicollinearity Test

A basic assumption of the ordinary least square (OLS) method of estimation is that the explanatory variables must be independent of each other. Before proceeding to multiple regression technique, a multicollinearity test was conducted on the explanatory variables of the model. This is to ensure that none of the variables was collinear and to a large extent, to understand the relationship of one variable to the others. The pairwise correlation method was employed and the results were presented in Table 2 with a commonly used rule of thumb that a correlation coefficient greater than 0.8 in absolute value indicates a strong linear association and potentially harmful collinear relationship.

The data in the Table showed the results of all possible bivariate combinations of the variables, namely CAR, ROA, LEV, AUDTYP, AUDCIND, AUDCSIZE, BOARDIND, BS, DIV, FS, GROWTH, AGE, LIQ, TIME, and TAN.

The results showed that all variables had correlation coefficients that were very low, less than 0.8 both positive and negative. This showed that the factors determining

financial reporting quality were independent of one another. This is therefore implied that all the 14 variables could be included in the regression analysis as independent variables using OLS method of estimation without obtaining spurious results.

Table 2: Correlation Table

| | CAR | ROA | LEV | AUDTYP | AUDCIND | AUDCSIZE | BOARDIND | BS | DIV | FS | GROWTH | AGE | LIQ | TIME | TAN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CAR** | 1.0000 | | | | | | | | | | | | | | |
| **ROA** | -0.1254 | 1.0000 | | | | | | | | | | | | | |
| **LEV** | 0.0362 | -0.1728 | 1.0000 | | | | | | | | | | | | |
| **AUDTYP** | -0.0061 | 0.0394 | 0.2889 | 1.0000 | | | | | | | | | | | |
| **AUDCIND** | -0.0400 | 0.0152 | 0.1224 | -0.1374 | 1.0000 | | | | | | | | | | |
| **AUDCSIZE** | -0.0462 | -0.0569 | -0.0424 | -0.3482 | 0.5007 | 1.0000 | | | | | | | | | |
| **BOARDIND** | 0.0289 | 0.1257 | 0.0873 | -0.1757 | 0.5289 | 0.4872 | 1.0000 | | | | | | | | |
| **BS** | 0.0539 | -0.2154 | -0.2361 | -0.3662 | -0.1014 | 0.0691 | -0.2034 | 1.0000 | | | | | | | |
| **DIV** | 0.0038 | 0.0702 | -0.0081 | 0.2294 | -0.1822 | -0.1949 | -0.2069 | -0.0193 | 1.0000 | | | | | | |
| **FS** | 0.0174 | -0.0543 | 0.3313 | 0.2150 | -0.0553 | -0.2157 | -0.1266 | 0.0720 | 0.1021 | 1.0000 | | | | | |
| **GROWTH** | -0.0240 | -0.0366 | 0.1100 | 0.0791 | 0.1116 | 0.0611 | 0.0427 | -0.0917 | -0.0409 | 0.0405 | 1.0000 | | | | |
| **AGE** | -0.0921 | -0.2960 | -0.2622 | -0.2123 | -0.0239 | 0.2233 | -0.0140 | 0.2295 | 0.0372 | -0.0159 | -0.1059 | 1.0000 | | | |
| **LIQ** | -0.0546 | 0.1783 | -0.4255 | -0.1228 | -0.1044 | -0.0385 | -0.2168 | 0.2276 | -0.0177 | -0.0690 | -0.1272 | 0.1435 | 1.0000 | | |
| **TIME** | 0.0985 | 0.0457 | 0.1366 | -0.0281 | -0.0813 | -0.1700 | 0.1668 | -0.0733 | -0.0259 | 0.1223 | -0.0284 | -0.3152 | -0.1288 | 1.0000 | |
| **TAN** | 0.0806 | -0.4407 | 0.3795 | -0.0494 | -0.0305 | -0.0058 | -0.0367 | 0.1525 | -0.1096 | 0.1693 | 0.0530 | -0.0449 | -0.2582 | 0.0474 | 1.0000 |

Source: Secondary data, 2021

### TEST OF MULTICOLLINEARITY

In addition to pair wise correlation which measures the degree of dependence among variables, in Table 3, the highest correlation is 0.5289 and is between BOARDIND and AUDCIND. This led to the conclusion that there is no multicollinearity issue. The Variance Inflation Factor was used to test for the presence or otherwise of multicollinearity. Table 3 showed the result of the analyses. It was shown that none of the independent variables has variance inflation factors greater than 10 or tolerance value less than 10%. Therefore, it could be inferred that there is no presence of multicollinearity and the result of the regression is not spurious.

Table 3:Variance Inflation Factor (VIF)

| Independent Variables | Tolerance | VIF |
|---|---|---|
| ROA | .906 | 1.103 |
| LEV | .537 | 1.863 |
| FS | .724 | 1.381 |
| LIQ | .736 | 1.360 |
| TAN | .690 | 1.449 |
| GROWTH | .983 | 1.018 |
| AGE | .757 | 1.321 |
| DIV | .636 | 1.571 |
| BS | .654 | 1.528 |
| AUDTYP | .690 | 1.450 |
| AUDCIND | .544 | 1.837 |
| BOARDIND | .650 | 1.539 |
| AUDCSIZE | .670 | 1.494 |
| TIME | .875 | 1.142 |

Source: Author's Computation (2021)

### Panel Unit Root Test

The variables used in the regression were subjected to unit root test using ADF-Fischer Chi-Square and PP-Fisher Chi Square test. This was to reinforce and ensure robustness in the reliability of the results. Unit root tests were carried out to determine whether the data series for all the independent variables (ROA, LIQ, DIV, TAN, AUDCSIZE, AUDCIND, AGE, BOARDIND, BS, FS, GROWTH, LEV, TIME) were stationary or non-stationary. The unit root test therefore helped to ensure that the estimate of the parameters obtained from regression models, using ordinary least square are reliable, efficient and consistent.

The tested null hypothesis for the unit root test was the presence of a unit root and the result of the test for the factors that influence financial reporting quality was presented in the Table 4. The data in the Table showed that all the independent variables that influence financial reporting quality were stationary at level.

**Table 4: Panel Unit Root Test**

| Variables | | ADF- Fisher Chi Square | | PP- Fisher Chi Square | | Order of Integration |
|---|---|---|---|---|---|---|
| | | Statistics | Probability | Statistics | Probability | |
| ROA | | 52.4121 | 0.0129 | 47.4499 | 0.0386 | I (0) |
| LIQ | | 71.0834 | 0.0001 | 76.7754 | 0.0000 | I (0) |
| DIV | | 81.5042 | 0.0000 | 84.2052 | 0.0000 | I (0) |
| TAN | | 162.996 | 0.0000 | 170.769 | 0.0000 | I (0) |
| AUDCSIZE | | 79.5590 | 0.0000 | 64.4561 | 0.0000 | I (0) |
| AUDCIND | | 89.3663 | 0.0000 | 93.1825 | 0.0000 | I (0) |
| AGE | | 14.9499 | 0.0048 | 14.9462 | 0.0048 | I (0) |
| BOARDIND | | 81.3680 | 0.0000 | 55.7806 | 0.0057 | I (0) |
| BS | | 50.8010 | 0.0186 | 46.6469 | 0.0456 | I (0) |
| FS | | 104.310 | 0.0000 | 115.28 | 0.0000 | I (0) |
| GROWTH | | 140.136 | 0.0000 | 155.234 | 0.0000 | I (0) |
| LEV | | 128.378 | 0.0000 | 139.377 | 0.0000 | I (0) |
| TIME | | 77.0856 | 0.0000 | 78.9171 | 0.0000 | I (0) |

Source: Author's Computation (2021)

**FACTORS INFLUENCING FINANCIAL REPORTING QUALITY**

The results of the regression analysis of the factors determining financial reporting quality using pooled, fixed and random effect panel methods were as presented in Table 1 respectively. The Hausman (1978) test in Table 6 showed that random effect had a better result based on the result in Table 5 which showed that the null-hypothesis that Random effect is the most appropriate model was not rejected (Chi-sq. = 9.482866; Prob. = 0.7989) hence, concluded that the random effect was the more appropriate model.

As presented in Table 5, the included independent variables were seen to explain variations in financial reporting quality measured using cashflow accrual ratio (CAR) to the tune of 5% as shown in the $R^2$.

Results in Table 4.7 showed that 9 factors determining the financial reporting quality as listed i.e. LEV, ROA, AUDTYP, AUDCIND, AUDCSIZE, AGE, GROWTH, TAN and LIQ had negative relationship with cashflow accrual ratio (CAR). Since CAR is inversely related to the financial reporting quality, it means CAR coefficient with negative sign would return a positive value. The implication is that all the above-mentioned factors have a positive relationship with cashflow accrual ratio (CAR). In addition, variables like BS, BOARDIND, FS, DIV, and TIME reflect positive relationship with the dependent variable which means the higher the above -mentioned variables the higher would be the value of CAR i.e. the lower the financial reporting quality.

From Table 5, leverage has a negative insignificant effect on financial reporting quality of non-financial firms in Nigeria. This shows that a unit increase in Leverage will lead to a decrease of 0.2545 in cashflow accrual ratio. This means that the higher the use of borrowed fund (leverage) by non-financial firms in Nigeria the higher the financial reporting quality. This is in line with the covenant that the bond issuers normally enter with the bondholders when issuing additional debt that would dictate some constraints like transparency on financial statement presentation. Results regarding the leverage and financial reporting quality has been broadly categorized into two according to the literature. The first category of researchers that have found the significant relationship between leverage and financial reporting quality include Naser and Al-Khatib (2000), Bujaki and McConomy (2002), Camfferman and Cooke (2002), Ferguson, Lam and Lee (2002), Naser etal (2002) and Precipe

(2004). The second category of the researchers whose results showed the insignificant relationship between leverage and financial reporting quality are; Wallace and Naser (1995), Raffournier (1995), Inchausti (1997), Onwusu-Ansah (1998), Ali etal (2004), Collett and Hrasky (2005).The result of this study is consistent with the second category of researchers.

**Table 5: Result of the Factors Influencing Financial Reporting Quality**

| CAR Variable | Fixed Effect Model | Random Effect Model | Pool OLS |
|---|---|---|---|
| C | 2.337927<br>(0.395565)<br>(0.7105) | 1.003761<br>(0.256527)<br>(0.6602) | (-0.523740)<br>(-0.328163)<br>(0.7429) |
| LEV | -1.304427<br>(-1.254367)<br>(0.3176) | -0.254506<br>(-0.341232)<br>(0.7021) | 0.044283<br>(0.134348)<br>(0.8932) |
| ROA | -8.933807<br>(-2.715353)<br>(0.0129) | -6.639324<br>(-2.296601)<br>(0.0183) | -0.449330<br>(-0.654065)<br>(0.5133) |
| AUDTYP | -0.763359<br>(-0.602686)<br>(0.4941) | -0.107469<br>(-0.121049)<br>(0.9187) | 0.000652<br>(0.001580)<br>(0.9987) |
| AUDCIND | -1.719810<br>(-0.776569)<br>(0.4180) | -1.306777<br>(-0.762851)<br>(0.4253) | -0.222711<br>(-0.398004)<br>(0.6908) |
| AUDCSIZE | -0.164296<br>(-0.459866)<br>(0.6378) | -0.138281<br>(-0.492905)<br>(0.6190) | -0.103361<br>(-0.728003)<br>(0.4669) |
| BS | 0.268138<br>(1.091262)<br>(0.3270) | 0.145989<br>(0.820630)<br>(0.4016) | 0.105948<br>(1.348300)<br>(0.1780) |
| AGE | -0.052440<br>(-0.728619)<br>(0.3016) | -0.062527<br>(-1.946768)<br>(0.2791) | -0.009609<br>(-0.804070)<br>(0.4216) |
| BOARDIND | 2.799371<br>(1.085149)<br>(0.3892) | 2.387994<br>(1.333568)<br>(0.1639) | 0.786179<br>(1.009016)<br>(0.3133) |
| FS | -0.503245<br>(-0.132585)<br>(0.9825) | 0.263422<br>(0.132506)<br>(0.8971) | -0.118687<br>(-0.572026)<br>(0.5675) |
| GROWTH | -0.371501<br>(-0.413006) | -0.419146<br>(-0.491278) | 0.027947<br>(0.209266) |

| | | | |
|---|---|---|---|
| | (0.6869) | (0.6291) | (0.8343) |
| DIV | -0.143161<br>(-0.062811)<br>(0.9732) | 0.864588<br>(0.414494)<br>(0.6291) | 0.012927<br>(0.017829)<br>(0.9858) |
| TAN | 1.926986<br>(0.747900)<br>(0.4218) | -0.109563<br>(-0.059444)<br>(0.9818) | 0.555526<br>(0.766187)<br>(0.4438) |
| LIQ | -0.019707<br>(-0.034089)<br>(0.9903) | -0.061941<br>(-0.141750)<br>(0.9048) | -0.075807<br>(-0.413221)<br>(0.6796) |
| TIME | -0.001693<br>(-0.179736)<br>(0.8278) | 0.003739<br>(0.441996)<br>(0.6194) | 0.006167<br>(1.519700)<br>(0.1291) |
| $R^2$ | 0.089928 | 0.051665 | 0.051665 |
| Adjusted $R^2$ | -0.026851 | -0.003425 | -0.003425 |
| F. Statistics | 0.770073 | 0.937823 | 0.937882 |
| Prob (F statistics) | 0.796949 | 0..51870 | 0..51870 |
| Dubin-Watson | 2.820036 | 2.757563 | 2.757563 |

**Source: Author's Computation (2021)**

**Table *6:*Hausman Test**

Correlated Random Effects - Hausman Test

Test cross-section random effects

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|---|---|---|---|
| Cross-section random | 9.482866 | 14 | 0.7989 |

Source: Author Computation (2021)

ROA has a negative significant effect on financial reporting quality of non-financial firms in Nigeria. The result showed that a unit increase in Return on Asset will lead to a decrease of 6.6393 in cashflow accrual ratio.This means that the higher the ROA of financial firms in Nigeria the higher the financial reporting quality. Thus, firms with higher profitability have less incentives to manipulate earnings. One of the explanations for the positive relation is that for a firm to continue trading, the company must be generating enough profit so that the potential investors will consider the firm profitable and be willing to invest in it. The result is consistent with the findings of Singhvi and Desai (1971), Raffournier (1995), Wallace and Naser (1995), Owusu-Ansah (1998), Camfferman and Cooke (2002), Prencipe (2004), Chen and Yuan (2004), Akhtaruddin (2005), Barako (2007) and Adelopo (2010).

AUDTYP has a negative insignificant effect on financial reporting quality of non-financial firms in Nigeria. The result showed that firms that engage big 4 firms will have a reduction of .1075 in cashflow accrual ratio. This implies that non-financial firms in Nigeria that make use of BIG 4 firms as auditors have higher financial reporting quality. It is not surprising because of the process and quality control embedded in service rendering of Big 4 firms which could eliminate any presentation of financial statements not in line with International Financial Reporting Standards and International Audit Standards and Guidelines. Therefore, the findings showed that this study is in contrary with the findings of Ishak, Amran and Abdul Manaf (2018), Klai and Omri (2011) and Ghasem, Saeid and Motavassel (2015).

Audit Committee Independence (AUDCIND) is extremely important because the committee is responsible for the appointment and determination of the remuneration of external auditor. The Code of Best Practice (2005) and Corporate Governance Code (2019) released by the Financial Reporting Council of Nigeria (FRCN) require that the

chairman of the audit committee should be an independent director and the number of executive directors should not be more than the number of independent directors. The committee has the responsibility to ensure that the audit quality and financial reporting is in line with the standard. The result showed that AUDCIND has a negative insignificant effect on financial reporting quality. This states that a unit increase in Audit Committee Independence will lead to the decrease of 1.3067 in cashflow accrual ratio. This implies that the relationship between the variables is positive. It could therefore be concluded that if higher quality financial reporting is intended, the audit committee should be structured in such a way that it will be independent as prescribed by corporate governance code. Therefore, the result of this study is in line with the findings of Waweru and Riro (2013) and Majiyebo, Okpanachi, Nvor and Yahaya (2018). But, contrary to the findings of Bako (2018), Achobu, Okika and Mailafia (2017), Miko and Kamardin (2015), Wirakestari and Tanzil (2015) and Evenubo, Mohamed and Ali (2017).

AUDCSIZE has a negative insignificant effect on financial reporting quality of non-financial firms in Nigeria. The result showed that a unit increase in Audit Committee Size will lead to a decrease of 0.1382 in cashflow accrual ratio. This shows that the higher the AUDCSIZE of non-financial firms in Nigeria the higher the financial reporting quality. This shows that the higher the AUDCIND of non-financial firms in Nigeria, the higher the financial reporting quality. The audit committee is structured to ensure reliable and high-quality financial report as it oversees the financial reporting process as well as auditing the financial statements. Rezaee(2008), and Rezaee and Riley (2010) stated thatthe roles and functions of the internal audit committee are crucial in the practical aspect of corporate governance,especially their drive towards ensuring quality in financial reporting as revealed in their result. While the findings ofFarber (2005), Kent and Stewart (2008) and Erena and Tehulu (2012) revealed that the presence of audit committee andtheir frequent meetings can reduce the incidence of financial reporting problems,the results of Parwit, Smith and Wood(2009) and Greco (2012) revealed that companies with good internal audit quality function will not encourage earningsmanipulations; as such, companies will have decreased accrual values. The audit committee size drives the financial reporting quality, effort should be made at firm having vibrant size structure and the accurate audit commit size. There should be greater focus on corporate governancemeasures so as to bring about global standard financial reporting in the Nigerian emerging market.

AGE has a negative significant effect on financial reporting quality of non-financial firms in Nigeria. This shows that a year increase since listing will lead to a decrease of 0.06252 in cashflow accrual ratio. This means that the higher the AGE of listing of non-financial firms in Nigeria, the higher the financial reporting quality. As time passes, firms discover what they are good at and learn how to do things better as they specialize more and new techniques are found to standardize, coordinate, and speed uptheir production processes, as well as to minimize costs and improve quality (Arrow, 1962, Ericson &Pakes, 1995). Based on prior research, firms that have been in the market for long times tend to have low level of earnings management than beginners as they are well known companies that have a great value in the market and they have a reputation to protect, also they are aware of the rules and codes that govern their practices. Moreover, old firms might have improved their financial reporting practices over time (Alsaeed, 2006) and secondly, they try to enhance their reputationand image in the market (Akhtaruddin, 2005) so the older the firm have the less tendency to perform financial statements' manipulation.

In a business life cycle, any firm at its growing stage is known for higher profit than the peers in the industry. This type of firm is characterized with huge investment in form property, plant and equipment as a result of profit potential. Firms in this category has less incentive to manipulate the financial statement. GROWTH has a negative insignificant effect on financial reporting quality. The negative coefficient means that a unit increase in growth will lower the cashflow accrual ratio. This reinforces the fact that firms with GROWTH produce better quality financial reporting. This result is consistent with the findings of Souha and Anis (2016) and Arieftiara and Utama (2018) and contrary to the findings of Zulfiati and Fadhillah (2018), Majiyebo, Okpanachi, Nyor and Yahaya (2018) and Hassan and Bello (2013).

The ability of firms to incur liability is normally measured by tangibility (TAN). The reason is that in extreme circumstances where a company is liquidated as a result of its inability to pay the creditors. The only thing to fall back on will be the non-current assets of the firms which will be disposed to settle the liability. The result showed that TAN has a negative insignificant effect on financial reporting quality of non-financial firms in Nigeria. This shows that a unit increase will lead to 0.1096 decrease in cashflow accrual ratio. This means that firms with higher tangibility produce higher financial reporting quality. The incentive to manipulate financial statement is less when the proportion of tangible asset is higher.

LIQ has a negative insignificant effect on financial reporting quality of non-financial firms in Nigeria, the result showed that a unit increase in Liquidity will lead to 0.0619 decrease in cashflow accrual ratio. This shows that the higher the LIQ of financial firms in Nigeria the higher the financial reporting quality. The result showed that liquidity is positively related to financial reporting quality and insignificant at 5% level of significance. This result revealed that the higher the investment in short-term liquid asset the higher the financial reporting quality. It can also be argued that an optimal level of liquidity is not advantageous since managers would be tempted to have access to the excess liquid and exercise discretionally behaviour. Therefore, the risk arises only when excess liquidity is maintained by the firms. This suggests that

there will be a limited association between financial reporting quality and liquidity. Since excess liquidity is the source of important agency problems as found by Jensen (1986) and management opportunistic behaviour or discretion is part and parcel of agency problem. Therefore, excess liquidity will be expected to negatively affect financial reporting quality. The empirical findings, illustrating a significant relationship between financial reporting quality and liquidity, include among others Diamond and Verrecchia (1991), Laveren, Durinck, De Ceuster and Lybart (1997), Easley and O"Hara (2004),Catagna andMatoksy (2008) and while Healy *et al*. (1999), Leuz and Verrecchia (2000), and Oyelere*et al* (2000) found contrary evidence to the result.

The codes of corporate governance maintain that board of corporate organizations must be diverse. The diversity comes with number which means board is expected to be relatively large. Although, the code of best practice stipulates that size of the board should not be more than fifteen with minimum size of five. However, Corporate Governance Code (2019) by the FRCN recommends that the board should be of a sufficient size to effectively undertake and fulfill its business; to oversee, monitor, direct and control the Company's activities and be relative to the scale and complexity of its operations. It states further that the effective discharge of the responsibilities of the Board and its committees is assured by an appropriate balance of skills and diversity (including experience and gender) without compromising competence, independence and integrity.BS has a positive insignificant effect on financial reporting quality of non-financial firms in Nigeria. The result shows a unit increase in the size of the board will lead to an increase of 0.146 in cashflow accrual ratio. This implies the BS cannot effectively influence financial reporting quality of the firms. The result supports the notion that the purpose of the board whose decision is always strategic in nature may not influence the quality of financial reporting which purely operational.

BOARDIND has a positive insignificant effect on financial reporting quality of non-financial firms in Nigeria. This result shows that unit increase in the board independence will lead to 2.388 increase in cashflow accrual ratio. This shows that the higher the BOARDIND of financial firms in Nigeria, the lower the financial reporting quality. This implies that the independent directors are free from managerial influence and capable of monitoring them efficiently which improves the quality of financial statement conveyed to the users of financial statement in non-financial firms. Thus, the increase of the percentage of independent directors in the board has a positive role in determining financial reporting quality. It is a known fact that outside members do not play a direct role in the management of the company, their existence may provide an effective monitoring tool to the board and hence, produces high quality financial statement. The finding is in support with the existing studies like Beasley (1996), Bushman etal (2004), Jaggi and Leung (2009), Karamanou and Vafeas (2005), Piot and Janin (2007), Davi and Aishah (2009), Ahmad and Mansor (2009) and Dimitropoulos and Asteriou (2010).

FS has a positive insignificant effect on financial reporting quality of non-financial firms in Nigeria. The result shows that 1% change in firms' size will lead to 26% change in Cashflow accrual ratio. This shows that the higher the FS of financial firms in Nigeria the lower the financial reporting quality. This implies that that the bigger the firm, the less transparent it becomes presenting their financial statements. Majority of the big firms especially those that are quoted on Nigeria Stock Exchange Market are mandated to produce the financial statement to both investors and potential investors. In order to do this, there is a need that performance not only is on the positive trend but must also be consistent year over year. This finding is consistent with those of Lau (1992), Malone *et al.* (1993), Ahmed and Nicholls (1994), Ahmed (1996), Naser *et al* (2002), Street and Glaum (2003), Akhtaruddin (2005), Ahmad and Mansor (2009) and Kamaruzaman*et al.*(2009), although there are a number of notable exceptions such as Wallace *et al.*(1994), Raffournier (1995), Wallace and Naser (1995), Inchausti (1997), Marston and Robson (1997), Patton and Zelenka (1997), Owusu-Ansah (1998), Oyelere*et al* (2000), Adelopo (2010) and Cristini (2010).

Having invested in a firm as a shareholder, the available return to the investor is in form of dividend. Whenever dividend is paid, it must be paid out of the profit. This is the source of conflict of interest where firms manipulate financial statement in order to pay dividend so as to signal to the investors that profit is being made. DIV has a positive insignificant effect on financial reporting quality of non-financial firms in Nigeria. This implies that a unit increase in dividend per book value will lead to 0.865 increase in cashflow accrual ratio. This shows that the higher the DIV of financial firms in Nigeria the lower the financial reporting quality. This implies that firms that pay dividends consistently have motive to manipulate financial statement.

TIME has a positive insignificant effect on financial reporting quality of non-financial firms in Nigeria. This means that a-day delay in financial statement issuance will decrease financial reporting quality with 0.0037. This shows that the higher the TIME of financial firms in Nigeria the lower the financial reporting quality. The result is in line with the provision of Conceptual framework as published by the International Accounting Standard Board, which states that the timeliness of financial statements will increase decision usefulness of the financial statements. The earlier the information is released the better the quality of the financial reporting.

## V. Conclusion and Recommendations

The result of combining both the fundamental variables with corporate governance variables has shown that fundamental and corporate governance variables have little effect on

financial reporting quality. As a result of this the following recommendations are made:

The management of quoted non-financial firms whose responsibility is to prepare the financial statements of the firms should ensure that financial reporting quality of the financial statement is of utmost importance.

Investors and potential investors should be very observant while analyzing the financial statements of firms. They should analyze financial statement in the context of financial reporting quality.

The stiffer penalties should be imposed on any firm that releases the financial statements late by both the Security and Exchange Commission and Nigeria Stock Exchange.

Financial Reporting Council of Nigeria (FRCN) should elongate their effort in enforcing compliance of firms with International Financial Reporting Standards (IFRS) as recommended by the standards in their disclosure requirements.

## REFERENCES

[1] Adelopo, I. (2010). Voluntary disclosure practices among listed coompanies in Nigeria. *Pacific Account Reviews, 3*(1), 37 - 62.
[2] Adeyemi, A. (2016). International Financial Reporting Standards and Financial Reporting Quality in Nigeria. *Journal of Science and Technology, 35*(3), 73-85.
[3] Ahmed, K. (1996). Disclosure policy choice and corporate characteristics: A study of Bangladesh. *Asia-Pacific Journal of Accounting, 6*, 182 - 200.
[4] Ahmed, K., & Nicholls, D. (1994). The impact of non-financial company charateristics on mandatory disclosure compliance in developing countries: A case of Bangladesh. *The International Journal of Accounting, 29*(1), 62 - 77.
[5] Aishah, H. H., & Devi, S. S. (2009). Board independence, CEO duality and Accrual management: Malaysian Evidence. *Asian Journal of Business and Accounting, 1*(1), 27-46.
[6] Akhtaruddin, M. (2005). Corporate mandatory disclosure in Bangladesh. *Intenational Journal of Accounting, 40*, 399 - 422.
[7] Alsaeed, K. (2006). The association between firm-specific characteristics and disclosure. *Managerial Auditing Journal, 21*(5), 476 - 496.
[8] Archambault, J. J., & Archambault, M. E. (2003). A Multinational Test of Determinant of Coperate Disclosure. *The International Journal of Accounting, 38*(2), 173 - 194.
[9] Arieftiara, D., & Utama, S. (2018). Do financial reporting quality and corporate governance have recursive simultaneous effect? Evidence from Indonesian manufacturing companies. *Journal Akuntansi, 9*(2), 168 - 185.
[10] Bako, A. M. (2018). The impact of corporate governance on the quality of financial reporting in the Nigerian chemical and paint industry. *Research Journal of Finance and Accounting, 9*(7), 90 - 112.
[11] Barako, D. (2007). Determinants of voluntary disclosures in kenyan companies' annual reports. *African Journal of Business Management, 1*, 113 - 128.
[12] Beasley, M. S. (1996). An empirical relation between the board of director composition and financial statement fraud. *Accounting Review, 7*(10), 443 - 465.
[13] Bujaki, M., & McConomy, B. J. (2002). Corporate Governance: factors influencing voluntary disclosures by publicly traded Canadian firms. *Canadian Accounting Perspectives, 1*(2), 105 - 139.
[14] Bushman, R., Chen, Q., Engel, E., & Smith, A. (2004). Financial accounting information, organizational complexity annd corporate governance systems. *Journal of Accounting and Economics, 14*(1), 167-201.
[15] Callen, J. L., & Morel, M. (2002). The Enron_Anderson Debacle: Do Equity Markets React to Auditor Reputations? *International Review of Financial Analysis, 1*(3), 1 - 27.
[16] Camfferman, K., & Cooke, T. E. (2002). An Analysis of disclosure in Annual Reports of U.K. and Dutch Companies. *Journal of International Accounting Research, 1*, 3 - 30.
[17] Catagna, A. D., & Matoksy, Z. P. (2008). The relationship between accounting variables and earnings quality and the prediction of systematic risk. *Australian Journal of Management, 5*(4), 13 - 26.
[18] Chen, K. C., & Yuan, H. (2004). Earnings management and capital resource allocation: Evidence from china's accounting-based regulation of rights issues. *The Accounting Review, 79*(3), 645 - 665.
[19] Choi, F. D. (1973). Financial Disclosure and Entry to the European Capital Market. *Journal of Accounting Research, Autumn*, 159-175.
[20] Collett, P., & Hrasky, S. (2005). Voluntary disclosure of corporate governance practices by listed Australian Companies. Corporate Governance. *An International Review, 13*, 188 - 196.
[21] Coyle-Shapiro, J. A., Kessler, I., & Purecell, J. (2004). Exploring organizationally directed citizenship behaviour: Reciprocity or its my job. *Journal of Management Studies, 41*, 85-106.
[22] CristinI, G. G. (2010). Financial Reporting Quality and Corporate Governance. The Portuguese Companies Evidence. *2*(1), 118 - 164.
[23] Dalton, D. R., Michael, A. H., Frevis, S. C., & Dalton, C. M. (2007). The fundamental agency problem and its mitigation independence, equity and the market for corporate control. *The Academy of Management Annuals, 1*(1), 1-64.
[24] DeFond, M. L., & Jiambawo, J. (1991). Incidences and circumstances of accounting errors. *Accounting Review*, 643-655.
[25] Devi, S. S., & Aishah, H. H. (2009). Internal-monitoring mechanism and financial reporting quality. *Asian Journal of Business, 3*(5), 121-137.
[26] Diamond, D. W., & Verrecchia, R. E. (1991). Disclosure, Liquidity and the Cost of Capital. *The Journal of Finance, 46*, 1325-1359.
[27] Dimitropoulos, P., & Asteriou, D. (2010). The effect of board composition on the informativenesss and quality annual earnings: Empirical Evidence from Greece. *Research in International Business and Finance, 24*, 190-205.
[28] Easley, D., & O"Hara, M. (2004). Information and Cost of Capital. *Journal of Finance, 59*, 1553-1583.
[29] Echobu, J., Okika, N., & Mailafia, L. (2017). Determinant of financial reporting quality: Evidence from listed Agriculture and Natural resoures in Nigeria. *International Journal of Accounting Research, 3*, 20 - 31.
[30] Eisenhardt, K. M. (1989). Review, Agency Theory: An Assessment and; Review, The Academy of Management. *14*, 57-74.
[31] Erena, O. T., & Techulu, T. A. (2012). The impact of corporate governance mechanisms on earnings management: Evidence from banks in Ethiopia. *Internal Journal of Research in Commerce, Economics and Management, 2*(8), 425 - 433.
[32] Ericson, R., & Pakes, A. (1995). Markov perfect industry dynamics: A framework for empirical work. *Review of Economic Studies, 62*, 53-82.
[33] Eyenubo, S. A., Mohamed, M., & Ali, M. (2017). An empirical analysis on the financial reporting quality of the quoted firms in Nigeria: Does audit committee size matter. *International Journal of Academic Research in Business and Social Sciences, 7*(9), 50 - 63.
[34] Fama, E., & Jensen, M. (1983). Agency Problems and Residual Claims. *Journal of Law and Economics, 26*, 327–349.
[35] Farber, D. B. (2005). Restoring trust after fraud: Does corporate governance matter? *The Accounting Review, 80*(2), 539-561.
[36] Fehr, E., & Gachter, S. (2000). Corporation and punishment in public goods experiment. *American Economic Review, 90*(4), 980-994.
[37] Ferguson, M. J., & Lam, K. C. (2002). Voluntary disclosure by state owned enterprise listed on the stock exchange of Hong Kong. *Journal of International Financial Management and Accounting, 9*(3), 216-245.
[38] Fong, E., Misangyi, V., & Tosi, H. (2010.). The effect of CEO pay deviations on CEO withdrawal, firm size, and firm profits. *Strategic Management Journal, 31(6)*, 629-651.
[39] Ghasem, H., Saeid, J. K., & Morteza, M. (2013). Firms Characteristics and Firms Disclosure Quality in Firms Listed in Tehran Stock Exchange. *International Journal of Marketing and Business Communication, 3*(2), 95 - 117.
[40] Greco, G. (2012). Ownership structure, corporate governance and earnings management in European oil industry. *Thirteenth General Activity Report* (pp. 1-27). Europe: Council of Europe.
[41] Hassan, O. A., Giorgioni, G., & Romily, P. (2006). The Extent of Financial Disclosure and its Determinants in an Emerging Capital Market: The Case of Egypt. *Accounting, Auditing and Performance Evaluation, 3*(1), 41-67.
[42] Hassan, S. U., & Bello, A. (2013). Firm characteristics and financial reporting quality of listed manufacturing firms in Nigeria.

*International Journal of Accounting, Banking and Management, 1*(6), 47 - 63.
[43] Hausman, J. A. (1978). Specification test in econometrics. *Journal of Econometrics, 46*(6), 1251-1271.
[44] Healy, P., & Wahlen, J. (1999). A Review of the Earnings Managment Literature and its Implications for Standard Settings. *Accounting Horizons, 13*(4), 365-383.
[45] Hoff, K., & Joseph, E. S. (2010). Equilibrum factors. *American Economic Review, 100*, 141-146.
[46] Inchausti, B. G. (1997). The Influence of Company Characteristics and Accounting Regulation on Information disclosed by Spanish Firms. *European Accounting Review, 6*(1), 45-68.
[47] Ishak, R., Amran, N. A., & Abdul Manaf, K. B. (2018). Firm characteristics and financial reporting quality: The moderating role of Malaysian corporate governance index. *The Journal of Social Science Research, 4*(6), 924 - 933.
[48] Jaggi, B. S., & Leung, F. A. (2009). Family control board independence and earnings management: Evidence based on Hong Kong firms. *Journal of Accounting and Public Policy, 28*(4), 281 - 300.
[49] Kamaruzaman, A. J., Mazlifa, M. D., & Maisarah, A. R. (2009). The association between firm characteristics and financial statements transparency the case of Egypt. *International Journal of Accounting, 18*(2), 211 - 223.
[50] Karamanou, I., & Vafeas, N. (2005). The association between corporate boards, audit committee and management earnings forecasts: An empirical analysis. *Journal of Accounting Research, 43*(3), 453-486.
[51] Kent, P., & Stewart, J. (2008). Corporate governance and disclosure on the transition to International Financial Reporting Standards (IFRS). *Accounting and Finance, 48*(4), 649-671.
[52] Klai, N., & Omri, A. (International Business research). Corporate governance and financial reporting quality: The case of the Tunisian firms. *2010, 4*(1), 158 - 170.
[53] Lau, A. (1992). Voluntary financial disclosure by Hong Kong listed firms. *Journal of Hong Kong Manager, May/June*, 10 - 19.
[54] Lavreen, E., Durinck, E., De Ceuster, M., & Lybaert, N. (1997). Can accounting variables explain and Beta? *Journal of Accounting Research, 5*(9), 23 - 39.
[55] Leuz, C., & Verrecchia, R. (2000). The economic consequences of increased disclosure. *Journal of Accounting Research, 38*, 101 - 117.
[56] Mahboub, R. (2017). Main determinants of the financial reporting quality in the Lebanesse Banking Sector. *European Research Studies Journal, 20*(4), 706-726.
[57] Majiyeb, O. J., Okpanachi, J., Nyor, T., Yahaya, O. A., & Mohammed, A. (2018). Audit committee independence, size and financial reporting quality of listed deposit money Banks in Nigeria. *Journal of Business and Management, 20*(2), 44-47.
[58] Malone, D., Fries, C., & Jones, T. (1993). An empirical investigation of the extent of corporate financial disclosures in the Oil and Gas industry. *Journal of Accounting, Auditing and Finance, 8*(3), 249 - 273.
[59] Mangena, M., & Tawnigana, V. (2007). Disclosure, corporate disclosure quality evidence from Chine. *Managerial Finance, 36*(5), 452-467.
[60] Marston, C. L., & Robson, P. (1997). Financial reporting in India: Changes in disclosure over the period 1982 - 1990. *Asia Pacific Journal of Accounting, 4*(1), 109 - 139.
[61] Mcdaniel, W. K. (1989). Characteristics of Firms Correcting Previously Reported Quarterly Earnings. *Journal of Accounting and Economics, 11*(1), 71-93.
[62] McKinnon, S. M. (1984). A Cost Benefit Study of Disclosure Requirements for Multinational Corporations. *Journal of Business and Accounting, Winter*.
[63] Miko, N. U., & Kamardin, H. (2015). Corporate governance and financial reporting quality in Nigeria: Evidence of pre-post - code 2011. *Internationl Journal of Emerging Science and Engineering, 4*(2), 1 - 7.
[64] Mishari, M. A., & Abdullah, M. A. (2014). Firm-Specific Charateristics and Corporate Financial Discloure: Evidence from an Emerging Market. *International Journal of Accounting and Taxation, 2*(3), 55 - 78.
[65] Naser, K. (1998). Comprehensive of Disclosure of Non-Financial Companies Listed on the Amman Financial Market. *International Journal of Commerce and Management, 8*(1), 88 - 119.
[66] Naser, K., & Al-Khatib , K. (2000). Determinants of the Depth of Voluntary Disclosure in the Board of Directors Statement in a Sample of Jordanian Listed Companies. *Advances in International Accounting, 13*(1), 99 - 118.
[67] Okike, E. (2000). The State of Corporate Gorvernance in Nigeria. Nairobi: Annual Confrence for the Commonwealth Associaton for Corporate Governance.
[68] Onuorah, A. C., & Imene, O. F. (2016). Corporate governance and financial reporting quality in selected Nigerian Firms. *International Journal of Management Science and Business Administration, 2*(3), 7-16.
[69] Onwusu-Ansah, S. (1998). The Impact of Corporate Attributes on the Extent of Mandatory Disclosure and Reporting by Listed Companies in Zimbabwe. *The International Journal of Accounting, 33*(5), 605-631.
[70] Owusu-Ansah, S. (1998). The impact of corporate sttributes on the extent of mandatory disclosure and reporting by listed companies in Zimbabwe. *The International Journal of Accounting, 33*, 605 - 631.
[71] Oyelere, P. B., Fawzi, L., & Richard, F. (2000). Corporate financial reporting: Firm attributes and the use of the internet as a medium of communiction. *Journal of Business Finance and Accounting, 15*(7), 219 - 236.
[72] Patton, J., & Zelenka, I. (1997). An empirical analysis of the determinants of the extent of disclosure in annual reports of joint stock firms in the Czech Republic. *The European Journal of Accounting Review, 6*(4), 605 - 631.
[73] Piot, C., & Janin, R. (2007). External auditors, audit committees and earnings management in France. *European Accounting Review, 16*(2), 429 - 454.
[74] Prawit, D. F., Smith, J. L., & Wood, D. A. (2009). Internal audit quality and earnings management. *The Accounting Review, 84*(4), 1255 - 1280.
[75] Raffournier, B. (1995). The determinants of voluntary financial disclosure by Swiss listed companies. *The European Accounting Review, 4*(2), 261 - 280.
[76] Rezaee, Z., & Riley, R. (2010). *Financial statement fraud: Prevention and detection* (2nd Edition ed.). New York: John Wiley.
[77] Sanders, W., & Hambrick, D. (2007.). Swinging for the fences: The effects of CEO stock options on company risk taking and performance. *Academy of Management Journal, 50(5)*, 1055-1078.
[78] Shapiro, C., & Stiglitz, J. E. (1984). Equilibrium Unemployment as a Worker Discipline Device. *The American Economic Review, 74*(3), 433-444.
[79] Shehu, E. (2011). Leveraging Human Resource Management. *Thunderbird International Business Review, 50*(3), 415 - 417.
[80] Singhvi, S. S., & Desai, H. B. (1971). An Empirical Analysis of the Quality of Corporate Financial Disclosure. *The Accounting Review, January*, 129-138.
[81] Souha, S. B., & Anis, J. (2016). Corporate governance and firm characteristics as explanatory factors of shareholder activism: Validation through the French context. *Cogent Economics and Finance, 4*(2), 1 - 19.
[82] Street, D., & Grat, S. (2001). Observance of inernational accounting standards: Factors explaining non-compliance. *ACCA Reerach Report, 75*, 1-50.
[83] Uwalomwa, U., Olubukola, R. U., & Okorie, B. (2015). Assessment of the Effects of Firms' Characteristics on Earnings Management of Listed Firms in Nigeria. *Asian Economic and Financial Review, 5*(2), 218 - 228.
[84] Wallace, R. S. (1988). Corporate Financial Reporting in Nigeria. *Accounting and Business Research, 18*(72), 352-362.
[85] Wallace, R. S., Naser, K., & Mora, A. (1994). The relationship between the comprehensiveness of corporate annual reports and firm attributes in Spain. *Accounting and Business Research, 25*(97), 41 - 53.
[86] Waweru, N., & Riro, G. (2013). Corporate governance, firm characteristics and earnings management in an emerging economy. *Journal of Applied Management and Accounting Research, 11*(1), 43 - 64.
[87] Weiss, A. (1991). Offerings, Venture Capitalist Certification in Initial Public; Association,. *The Journal of American Finance, 46*, 879-903.
[88] Wiralestari, & Nanny, D. T. (2015). The Effectiveness of Audit Committee Toward Financial Reporting Quality. *Research Journal of Finance and Accounting, 6*(10), 2222 - 2847.
[89] World Bank. (2004). *World Bank Annual Report.* Washington DC.
[90] Zulfiati, L., & Fadhillah, I. S. (2018). Effect of corporate governance and financial reporting quality on asymmetry information. *Advances kin Economics, Business and Management Research, 73*(5), 126-128.