e-ISSN 2795-3257
p-ISSN 2795-3236

Check for updates

10.5281/zenodo.8130949 Vol. 06 Issue 07 July- 2023 Manuscript ID: #0920

CORPORATE GOVERNANCE ATTRIBUTES AND FINANCIAL REPORTING QUALITY IN NIGERIA

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ABSTRACT

This study evaluated the effect of corporate governance attributes on financial reporting quality of listed manufacturing firms in Nigeria. The research design adopted for this study was the ex-post facto research design. Secondary data were taken from audited annual reports and accounts of sampled listed manufacturing firms on the Nigerian Exchange Group (NEG) 2021. The study adopted non-probability sampling filtering technique, using a sample of forty-two (42) manufacturing firms listed on the NEG. These listed manufacturing firms included selections from: four - agriculture; sixteen - consumer goods; seven- industrial goods; six-healthcare; four - natural resources and five - conglomerates. Data extracted from the annual reports and accounts of these companies and were analyzed with the aid of Panel Regression using Stata version 14. From the Hierarchical Regression results, the variables of board size (Coef. = 6.2313; t = 2.88 and P-value = 0.004) and ownership concentration (Coef. = 70.2144; t = 2.22 and P-value = 0.027) have significant positive effects on timeliness of financial reporting of listed manufacturing firms in Nigeria from 2012 to 2021. These results are in line with prior expectations but are inconsistent with the stated null hypotheses, hence the null hypotheses which states that board size and ownership concentration have no significant effects on timeliness of financial reporting of listed manufacturing firms in Nigeria during the period under study are rejected. It implies that an increase in the number of board size and ownership concentration will improve the financial reporting timeliness of listed manufacturing firms in Nigeria during the period under study. The variables of board gender diversity (Coef. = .04463; t = 0.11 and P-value = 0.912) and board diligence (Coef. = -2.0632; t = -0.47 and P-value = 0.638) have no significant effects on timeliness of financial reporting of listed manufacturing firms in Nigeria from 2012 to 2021. These results are not in line with prior expectations but are consistent with the stated null hypotheses, hence the null hypotheses which states that board gender diversity and board diligence have no significant effects on timeliness of financial reporting of listed manufacturing firms in Nigeria during the period under study are retained. It also implies that an increase in the number of female members on the board and an increase in the number of board meetings will have no effect on the financial reporting timeliness of listed manufacturing firms in Nigeria during the period under study. The manufacturing sector is extremely crucial for a developing country such as Nigeria since they promote the enlargement and expansion of Nigeria's economic growth. It is therefore recommended that the number of directors on the board should be between seven (7) or eight (8) board members in order to foster faster communication, coordination and ultimately timeliness of financial reporting among listed manufacturing firms in Nigerian.

KEYWORDS

Corporate Governance, Financial Reporting Quality, IFRS, Hierarchical Regression Analysis.

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1.0 Introduction

Poor financial disclosure has created the need to improve financial reporting quality, and this requires good governance structure (Brown & Caylor, 2006; Beekes & Brown, 2006; Firth Fung, & Rui 2007). The weakness of corporate governance is perhaps the most important factor blamed for corporate failure and corporate crises. However, there is much that can be done to improve the integrity of financial reporting; greater accountability, restoration of resources devoted to audit function, and better corporate governance policies. According to Bushman and Smith, (2001; 2003) quality financial reports is helpful for regulators, creditors, owners and firm partners, because it does not only show past performance of firm but also determine firm's future profitability.

Furthermore, it has been noted that inadequate, or misleading financial statement are almost always involved in virtually any corporation (Fortune, 2016) all of which have changed the perception of users on the quality of their report. However, the relationship between corporate governance and financial reporting quality has been explored in developed countries like USA, UK, Germany, Japan, France, where specific emphasis has been on governance factors such as board independence, concerted shareholding, director shareholding and audit performance (Ballesta & Meca, 2007; Bradbury, Mak & Tan, 2006; Petra, 2007). But similar studies have not gained prominence in the African continent (Awolowo & Clark 2019). Particularly, related studies in Nigeria such as those of Yahaya and Ibrahim (2007), Miko and Karmadin (2015), Akeju and Babatunde (2017) revealed that corporate governance improves financial reporting quality in Nigeria. But the outcome from the study of Bako (2018) suggested that corporate governance factors such as board size and board independence have no significant influence on financial reporting quality in Nigeria. Aifuwa and Embele (2019) found that quality financial report is due to more expertise of board members while board independence and board diversity showed no significant improvement on financial reporting. Further, the study of Garba (2014) revealed a positive impact of corporate governance on financial reporting quality.

However, this study observed that most related studies such as those of Aifuwa and Embele (2019) in Nigeria focused on governance attributes such as board size and board gender diversity hence failed to examine some other vital corporate governance characteristics such as board diligence and board ownership in the context of financial reporting quality. More than this, it was observed that financial reporting quality have been mostly measured using discretionary accruals (quantitative proxy) as can be seen in similar studies of Garba, (2014); Daniel, (2006); Dabor and Adeyemi (2009); Miko and Karmadin (2015); Akeju and Babatunde (2017), but none of these studies employed the proxy of timeliness (IFRS standard qualitative characteristic) as a measure of financial reporting quality. The enhancing qualitative characteristics (understandability, comparability, verifiability and timeliness) can improve decision usefulness when the fundamental qualitative characteristics are (relevance and faithful representation) established (IFRS, 2015). However, relevance and faithful representation cannot determine financial reporting quality on their own. Therefore, this study took a step beyond the boundaries of previous related studies to trim the literature gap and employed one vital enhancing qualitative characteristics "timeliness" due to its universal applicability and ease of measurement, as a measure of financial reporting quality in a quest to explore the effect of governance structure on financial reporting quality of listed manufacturing firms in Nigeria.

1.1 Objective of the study

The broad objective of the study was:
1. To evaluate the effect of corporate governance attributes on financial reporting quality of listed manufacturing firms in Nigeria.

1.2 Research question

Based on the study objective, the following research question was proffered:
1.To what extent do corporate governance attributes determine income smoothing practices among listed non-financial firms in Nigeria?

1.3 Research hypothesis

To answer the research question above, the following hypothesis was tested:
H_{01} The likelihood that corporate governance attributes will determine income smoothing practices among listed non-financial firms in Nigeria is statistically insignificant.

2.0 Review of related literature
2.1 Conceptual review
2.1.1 Financial reporting quality:

Financial reporting quality refers to the extent to which accounting information is free from errors, misstatements and other unethical accounting and managerial practices.The value of financial reporting is generally determined by its quality (Pounder, 2013). A quality financial report is a useful method for performing financial reporting, practicability analysis, and interpretation (Nmesirionye, Egbe & Egwu, 2021). The concept of financial reporting quality is that some accounting information are better and more reliable than other accounting information in relation to communicating what it purports to communicate. Financial reporting quality can be seen as the precision with which the financial reports convey information to equity investors about the firms expected cash flows (Briddle, Gilles & Verdi, 2009). Reporting quality therefore refers to the extent to which financial report of a company communicates its underlying economic state and its performance during the period under measurement (Elbannan, 2021). Corporate reporting is a critical element of a firm's value and an important factor in improving efficiency (Egbe, Nmesirionye & Eshiet, 2021).

Jonas and Blanchet (2000), argued that the quality of financial reporting is full and transparent financial information that is not designed to mislead users. The concept of financial reporting quality is broad and includes financial information, disclosures, and non-financial information useful for decision making (Tasios & Bekiaris, 2012). Some researchers have shown that the key determinant of financial reporting quality includes legal system, source of financing, characteristics of the tax system, involvement of the accounting professionals, economic development, and accounting literacy.

Financial reporting quality is a broad concept which has series of diverse measurable attributes. One property of accounting which is frequently mentioned in support of harmonization is comparability. It cannot be clearly concluded if harmonization results in significantly greater comparability across countries. That is why this aspect is intensively studied and the results are still very different, causing diverse point of view upon this subject (Achim & Chis, 2014). To have a certain degree of quality, financial statements should meet certain qualitative criteria. These criteria are stated by both Financial Accounting Standards Board (FASB) and the IFRS in their conceptual frameworks, where they concluded that high quality is achieved by adherence to the objective and the qualitative

characteristics of financial reporting information. Financial reporting quality is a key requirement for the effective functioning of the accounting system and its usefulness.

2.2 Traditional measures of financial reporting quality:

Although both the FASB and IFRS stress the importance of high-quality financial reports, one of the key problems found in prior literature is how to operationalize and measure this quality. Many researchers measure the quality of financial reporting indirectly by focusing on attributes that are believed to influence quality of financial reports, such as earnings management, financial restatements, and timeliness (Schipper & Vincent, 2003). The traditional measures of financial reporting quality include accrual based and value relevance models. Accrual and value relevance model focus on earnings quality measurement, information disclosed in financial statements to assess the financial reporting quality (Healy & Wahlen, 1999; Dechow, Sloan, & Sweene, 1995; Barth, Beaver, & Landsman, 2001; Nichols & Wahlen, 2004; Leuz, 2003).

2.1.2 Timeliness:

Timeliness means having information available to decision-makers in time to enable them to make timely decisions, (IASB, 2010). Generally, the older the information, the less useful it is. Timeliness means the amount of time it takes to make information known to others. Yurisandi and Puspitasari (2015) found that timeliness of financial reports decreased after IFRS adoption, though not significant. This they attributed to increased mandatory disclosure in IFRS, and as such companies may need longer time to prepare the financial reports. Timeliness is measured as the number of days it takes the auditor to sign after the reporting date.

Timely reporting in emerging markets is of particular importance since information in these markets is relatively scarce and takes a longer time lag (Errunza & Losq, 1985). Timely reporting enhances decision-making and reduces information asymmetry. Hence, research on the determinants of timely reporting could help regulators in emerging capital markets to formulate better policies to enhance financial reporting practices. The number of days mandated by regulatory bodies for financial statements to be released to the public varies across countries. For the short-term signal effects of timeliness, Givoly and Palmon (1982) and Leventis and Weetman (2004) suggested that the price reaction to the disclosure of early earnings announcements is significantly more pronounced than the reaction to late announcements suggesting a decrease in the information content as the reporting lag increases. Kross and Schroeder (1984) indicated that the timeliness of annual reports is related to the abnormal returns around the report release date.

Companies that release their annual reports earlier generate higher cumulative abnormal returns than companies that engage in later releases. One factor that can affect the information content of the release of information is the capital market’s expectation (Foster, 1986). Theoretically, there will be uncertainty as to either the content or timing of company financial information releases. The larger the extent of uncertainty, the greater is the potential for any release of information to cause a reversion in security prices. High degree of market reaction towards earnings announcements is indicated by the high degree of cumulative abnormal returns around the announcements date meaning that there is high information content of the earnings announcements: Hence, companies that release their annual reports earlier have higher information content than those that release annual reports later (Givolvy & Palmon, 1982; Chambers & Penmann, 1984).

2.3 Corporate governance:

There is a wide range of definitions of the concept of corporate governance. The term corporate governance was first used more commonly in the North America legal literature of the 1970s. Adam Smith pointed out in 1776 that "the directors of companies, however, being the manager rather of other people's money than of their own. It cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private company frequently watch over their own negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company" (Smerdon 2004). The Australian Standard (2003) defined corporate governance as the process by which organizations are directed, controlled and held to account. This implies that corporate governance encompasses the authority, accountability, stewardship, leadership, direction and control exercised in the process of managing organizations.

Moreover, it is similar to the definitions provided by the Audit Commission (2009) and CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives 2007) which emphasizes on the core aspects of accountability and control in the governance of organizations. Organization for Economic Corporation and Development (OECD) (2016) also defined corporate governance as "a system on the basis of which companies are directed and managed". In another prospective, Arun and Turner (2002) viewed the subject as the mechanism through which shareholders are assured that managers will act in their interest. However, Oman (2001) observed that there is a broader approach which views the subject as the methods by which suppliers of finance, control managers to ensure that their capital cannot be expropriated and that they earn a return on their investment. Cadbury (2000) defined corporate governance as "being concern with holding the balance between economic and social goals and between individuals and communal goals. Gonzalez and Garcia-Meca (2014) defined corporate governance as a mechanism of defending the interests of shareholders.

The corporate governance framework is there to encourage efficient use of resources and equally to report accountability for the stewardship of those resources" the aim is to align as near as possible the interest of individual, corporation and society. O'Donovan (2003) defined corporate governance as "an internal system encompassing policies, process and people, which serves, the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy objectivity, accountability and integrity". Still, corporate governance is defined as a system of checks and balances both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity (Solomon, 2013). In Nigeria, emphasis on the need for corporate governance reforms began with the incidence of fraudulent financial reporting concerning Cadbury Nigeria Plc, in 2002, Afribank Nigeria Plc, in 2006 and other financial failures caused by poor management (Eshiet, Nmesirionye, Okezie & Ekwe, 2021). The first structure of corporate governance in Nigeria is the Companies and Allied Matters Act 2020 though it can be referred to as government legislation bordering on corporate activities. This Act distinguishes between various interest groups among corporate activities and the dealings between each recognized group. In this study, corporate governance mechanism under study included board size, ownership concentration board gender diversity and board diligence upon which the objectives of the study were built.

2.5 Board size:

Board size is the total number of people chosen by the shareholders of the company through an election to run the company and are bound by certain duties such as the duty to act within the scope of their authority and to exercise due care in the performance of their corporate tasks (Peasnell, Pope &

Young 2015). Board Size is total number of internal and external directors on the board of directors, (Doğan & Yildiz 2013). Closely associated to the above definition, Dalton et al., (1998) described corporate board size as the sum of directors on the board. Board size of an organization is the number of directors on board of the organization which includes executive and non-executive directors (Gambo, Bello & Rimamshung 2018). From the agency problem perspective, large boards are not recommended while small boards are preferred to improve performance (Lipton & Lorsch, 1992; Yermark, 1996) which ultimately reduces poor financial reporting quality. Similarly, Parkinson, (2018) argued that small boards are better than large ones as they avoid the free-rider problem that might appear among board members, meaning that each board member may feel inclined to exert more effort than he/she would have otherwise. The contrary view to the agency and resource-based perspective is that larger boards are associated with diversity in skills, business contacts and experience (Haniffa & Haudaib, 2006). Specifically, larger boards secure access to critical resources such as finance and raw materials (Li, Crook, Andreeva & Tang 2020).

2.6 Ownership concentration:

In the view of Waseem & Nailar (2011) ownership concentration is the sum of squares of the fraction of total equity held by each large shareholder. Kamran, Sehrish, Saleem, Yasir & Shehzad (2012) defined ownership concentration as the portion of shares held by top shareholders of the firm. Genc & Angelo (2012) defined ownership concentration as the percentage of ownership shares of the largest shareholders. Warrad, Almahamid, Slihat, & Alnimer (2013) posited that ownership concentration is the percentage of the largest and the second largest managerial block holders who owns at least 10% of the total shares in a firm. Andrei, Rostislav and Natalya (2006) described ownership concentration as the percentage of share held by the largest shareholder. Javid & Robina (2016) asserted that ownership concentration is the percentage of top five shareholders of the firm. The central premise of arguments regarding the ownership concentration and firm performance association is the potential trade-off between two effects: the monitoring (alignment) and the expropriation (entrenchment) effect of ownership concentration (Filatotchev, Jackson, & Nakajima, 2013). In fact, dispersion of ownership makes controlling difficult and also contributes to creating potential free-riding problems.

Predictions of the positive effect of ownership concentration on quality of financial report are based on the monitoring effect. Accordingly, ownership concentration has a disciplinary effect on managers because it is easier for large shareholders to monitor managers (Shleifer & Vishny, 1986). On the other hand, predictions of the negative impact of concentrated ownership on financial statement quality are based on the expropriation or entrenchment effect (Young, Peng, Ahlstrom, Bruton, & Jiang, 2008).

2.7 Board gender diversity:

Diversity could be defined as broad (Pelled, 1996) with respect to demographic attributes, or as narrow (Carter, Simkins & Simpson 2003) with respect to the percentage of women or minorities on the board of directors. Board diversity represents a significant corporate governance mechanism needed to realize efficient management and monitoring within companies (Boone, Field, Karpogg & Tsjrks, 2007) therefore, the consideration of diversity when selecting the board of directors is essential. A large number of empirical corporate governance studies consider board diversity as an indicator of success for international corporate practice. (Kiel & Nicholson, 2003; Rose, 2007). Out of several dimension of demographic diversity, gender is studied heavily. Gender diversity in corporate board research is described based on three broad perspectives: theoretical perspective,

ethical perspective and business case perspective. Scholars have indicated positive effects of gender diversity while using the theoretical lenses of the resource dependence theory (Salancik, & Pfeffer, 1978), signaling theory (Connelly et al., 2011), resource-based view (Richard, 2000), stewardship theory (Gaur et al., 2015) and upper echelon theory (Post & Byron, 2015). These theories broadly argue that gender diversity improves board functioning which will likely reduce the possibility of poor financial reporting quality. In contrast, researchers have found negative effects of gender diversity while using the theoretical lenses of social identity (Abdullah, Aziz, Najid, & Mohamed 2019) and social categorization (Baklouti, Gautier & Affes 2016). These theories found that gender diversity can lead to more monitoring (Adams & Ferreira, 2009) and lower share value (Dobbin & Jung, 2011).

2.8 Board diligence:

Board diligence has been represented as the number of all formal meetings of the board of directors of an organization held usually at definite intervals to consider policy issues and major problems. Presided over by a chairperson (chairman or chairwoman) of the organization or his or her appointee, it must meet the quorum requirements and its deliberations must be recorded in the minutes. Under the doctrine of collective responsibility, all directors (even if absent) are bound by its resolutions. According to KNKG (2006), the Board of Directors is a corporate organ that is collectively responsible for supervising and advising the management and ensuring that the company implements good corporate governance. One way to carry out the task is to have meetings. Increased meetings / meetings of the board of directors indicate that oversight of management is high; this is because during such meetings deliberations on company's growth are carried out. Good corporate governance implementation guidelines require the company to provide reports on the number of meetings conducted by the board of directors and the attendance of each member of the board is recorded.

2.9 Theoretical framework

2.9.1 Agency theory:

Agency theory was first independently proposed by Mitnick, (1973) and Ross, (1973) but with enormous influence in the literature by Jensen and Meckling (1976). A simple agency theory suggests that, due to information asymmetries and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behaviour. (ICAEW, 2005). According to agency theory, audit is a monitoring mechanism that provides reasonable assurance that financial statements prepared by managers are free from material misstatement and therefore protects the interest of stakeholders. Further, in cases where interests of management conflicts with the interests of stockholders and the fact that management compensation often is based on reported earnings and in order to maximize their wealth, managers have incentives to manage reported earnings and they often have the ability to do so (Dang, 2004). This agency problem between stockholders and managers gives rise to the hiring of an auditor who provides independent assurance to corporate stakeholders. Thus, auditing plays a significant role in enforcing and protecting stakeholders' right by detecting misstatements and expropriation by managements.

In order for external auditors to successfully discharge this responsibility, they need to be independent: that is the state of being objective and just. Therefore, the higher their independence, the more chances that they will detect management's manipulations in the financial statements. The essence of the Agency Theory (Mitnick, 1973) and (Ross, 1973) is the divergence/ information asymmetry in the relationship between the principal (stakeholders) and agents (managers). Key

in this relationship is the monitoring role of the auditor. In this system, the purpose of the independent external auditor is to limit the divergence/information asymmetry between both the principal and the agent. Higher quality auditors are better equipped to reducing the divergence/information asymmetry.

2.10 Empirical review of literature:

Eshiet, Nmesirionye, Okezie and Ekwe (2021) investigated the effect of corporate governance attributes on tax sheltering of sampled non-financial listed firms in Nigeria for the period 2010 to 2019. Variables of interest used in the study included board independence, board ownership, firm and non-debt tax shield. Robust standard error regression was used to analyze the data. Sample size of the study was 74 listed non-financial firms listed on the Nigerian Stock Exchange. The study found that board ownership is a strong and significant indicator necessary to drive down tax sheltering activities among listed non-financial firms in Nigeria.

Nmesirionye, Egbe and Egwu (2021) examined effect of corporate reporting quality on financial performance of listed manufacturing firms in Nigeria. Vocal variables included earnings quality, return on equity and return on capital. Sample size of 106 listed manufacturing firms was used for the study and data were tested using simple regression. The study found that earnings quality has no significant effect on return on equity but has significant effect on return of capital employed.

Egbe, Nmesirionye and Eshiet (2021) examined the effect of corporate reporting quality on financial performance of listed manufacturing firms in Nigeria. Sample size was 40 listed manufacturing firms listed on the floor of Nigerian Stock Exchange for the period 2014 to 2018. Vocal variables used in the study were return on assets, profit after tax and earnings quality. Data were analyzed using simple regression analysis techniques. The study found that earnings quality has no significant effect on ROA bus has significant effect on PAT.

Almaqtari, Hashed, Shamim, and Al-ahdal (2020) examined the impact of corporate governance mechanisms on financial reporting quality under Indian GAAP and Indian Accounting Standards. A sample of 97 companies listed on the Bombay Stock Exchange is selected. Corporate governance mechanisms have been considered as independent variables, and financial reporting quality is the dependent variable. Corporate governance is measured by board effectiveness (board size, independence, diligence, and expertise), audit committee attributes (size, independence, diligence, and expertise), foreign ownership, and audit quality. Descriptive statistics, correlation, and OLS regression are conducted to estimate the results. The study results revealed that board characteristics and audit committee attributes, except for audit committee diligence, have a significant effect on financial reporting quality. However, the impact of board diligence and audit committee attributes was negative. Foreign ownership had no contribution to financial reporting quality, but audit quality had a significant effect.

Amrah and Obaid (2019) examined the relationship between corporate governance effectiveness and financial reporting quality of family and non-family-owned companies in the Sultanate of Oman. This study used a panel dataset of 68 companies listed on the Muscat Securities Market for 6 years starting from 2013 to 2018. The empirical results indicated that the association between corporate governance effectiveness and its financial reporting quality was positive and significant for both, the full sample as well as the non-family firms. However, this relationship appeared to be weaker for family-owned firms

Bajra and Cadez (2018) examined the incremental value of audit committee monitoring effectiveness and audit committee competencies over the mere existence of an audit committee. The authors found that audit committee monitoring effectiveness and competencies are positively associated with financial reporting quality, whereas, somewhat surprisingly, the effect of the existence of an audit committee was negative. This finding showed that the existence of audit committee was necessary but not a sufficient condition for enhancing financial report quality.

Lin, Wang and Lin (2018) examined the impact of changes in the global financial environment on corporate governance effectiveness and financial reporting quality in Taiwan. The authors follow the model of the Financial Statement Deviation (FSD) score, using the digit of holistic data to identify whether the distribution of the whole firm-year financial statement numbers deviates from Benford's Law. The FSD score overcomes the insufficient explanatory power for detecting financial reporting quality in accrual models. The results showed that the quality of corporate governance improved significantly for sound firms but did not improve - and may even have worsened - for poor firms.

Mahboub (2017) investigated the potential determinants that may influence the quality of financial reporting of 88 annual reports of a sample of 22 Lebanese banks for the period 2012-2015. Financial reporting quality index with 40 items was employed as the dependent variable, while bank specific characteristics of leverage, size, and profitability as well as corporate governance features of board independence, ownership structure, and board size constitute the independent variables. Using multivariate OLS model, the results indicated that financial leverage, ownership structure and board size had significant positive relationship with financial reporting quality. On the other hand, bank size, profitability and board independence were seen to be insignificant in explaining the quality of financial reporting of banking sector in Lebanon. The results revealed that better financial reporting quality of the annual reports in banking sector can be achieved by having higher proportion of debts, higher ownership by the shareholders, and higher board size.

Herath and Albarqi (2017) reviewed articles and research papers in relation to influences on and measures of financial reporting quality. The study reviewed existing literature from some accounting journals, official accounting associations, and published papers for the period 2009 to 2015. The study recognized some instances of insufficient information and some gaps in the existing literature. For example, the size of some study samples is not big enough to draw reasonable conclusions. It identified some gaps in the literature and calls for additional research. Further, the study offered some object lessons, and exposes the reader to different aspects of financial reporting quality.

Paulinus, Oluchukwu, Somtochukwu (2017) conducted an empirical investigation of corporate governance and financial reporting quality of quoted companies in Nigeria. To achieve the objectives of the study, a total of fifteen firms quoted on the Nigerian stock exchange market under the consumer goods sector with updated financial information for the period under study were selected and analyzed for the study. Data for the study were extracted from corporate annual reports and accounts of selected firms for the period 2012-2016. Data for corporate governance proxied as board size and audit committee independence were extracted from the notes from annual reports and financial reporting quality was represented by audit delay. In testing the research hypothesis, the study adopted simple regression techniques for the quoted sampled firms analyzed. The findings revealed that audit committee independence does not exert significant effect on audit delay of corporate firms. Board size had a significant negative relationship with audit delay of corporate firms in Nigeria.

Onuorah and Friday (2016) evaluated the level of performance of some selected companies ranging from commodities, brewery, banking, oil and gas and beverages in terms of corporate governance measure indictors on the firm quality of financial reporting in Nigeria. The data were collected from 2006 to 2015. Econometric analysis was conducted and the result suggested that the correlation among corporate governance indicators of board structure (size and independence), audit quality (audit committee size), the quality of external audit measured as the presence of an auditor among the big-4), board experience and financial reporting quality was 93.47%. The authors recommended that greater focus on corporate governance indicators which will bring about global standard financial reporting in the Nigerian emerging market for investment opportunity.

Abdulmalik and Ahmad (2016) sought to identify those factors that were peculiar to Nigeria which are likely to challenge the beneficial impact of the new accounting and corporate governance regulatory initiative in the country by using available anecdotal and empirical evidence. Based on their review, they found out that poor monitoring and compliance mechanisms arising from conflicting regulatory laws and the impairment of board of directors and auditor independence arising from the nature of firm ownership structure in Nigeria contributed to the failure in accounting and corporate governance practice of which if not address, the ongoing effort by the Nigerian government to strengthen financial reporting atmosphere in Nigeria might not be realizable. The study recommended that future accounting and corporate governance regulatory reforms in Nigeria should take into account the country institutional setting.

Hashim and Rahman (2014) examined the association between corporate governance mechanisms and audit report lag among 288 companies listed at Bursa Malaysia for a three-year period from 2007 to 2009. Three characteristics of board of directors were examined namely, board independence, board diligence and board expertise. These characteristics were used to examine their effectiveness in assuring timeliness of audit report. In this study, audit report lag referred to the number of days from the company's year-end (financial year) to the date of auditor's report. Based on the analysis, the results of this study showed that audit report lag for the listed companies in Malaysia ranged from 36 days to 184 days for the three-year period. The results of this study showed that there were significant negative relationships between board diligence with audit report lag. This study found that the number of meetings held by the board of directors in a company is able to reduce audit report lag. A higher number of meetings being held indicated the board is discharging their roles towards the company. This study however could not provide any evidence on the link between board independence and board expertise on audit report lag.

Oladipupo and Izedomi (2013) examined global demand for timely financial reporting: investigating how prepared are Nigerian companies. Data were obtained from the annual reports and accounts of Seventy-Five (75) companies quoted on the Nigerian Stock Exchange from 2000 to 2010. The trends in delay in corporate financial reporting were analyzed using three-year moving average method and simple ordinary least square regression. The results showed that on the average the audit delay was about 163 days while management delay and total delay were 92 days and 255 days respectively. These appeared comparatively higher than in most countries of the world. The trend analysis by three-year moving average and simple regression showed that delays in corporate financial reporting had been on the decline over time but audit delay declined faster than the management and total delays during the period under study.

Oladipupo and Izedomi (2013) assessed the relative contributions of audit delay and management delay to the total delay in corporate financial reporting in Nigeria. Three types of delay in corporate

financial reporting were identified: audit, management and total delays. Data were obtained from the annual reports and accounts of Seventy-Five (75) companies quoted on the Nigerian Stock Exchange from 2000 to 2010. The contributions of audit delay and management delay to the total delay in corporate financial reporting were analyzed using relative frequency distribution method and test of significance difference in means. The results showed that on the average audit delay was about 163 days while management delay and total delay were 92 days and 255 days respectively. The difference in the means of audit and management delays, which was 71 days, was statistically significant at 5%.

Osuala, Ugwumba and Osuji (2012) empirically investigated the effect of information content of financial statements on shareholders' investment decisions.Vocal variables used included profitability, dividend per share, earnings per share, leverage, and liquidity while shareholders' investment decisions are represented by change in number of shares. With a sample of 50 listed firms listed on Nigerian Stock Exchange (NSE), regression model was employed analyze the data. Study results found that shareholders in the Nigerian capital market do not rely much on financial statements as a major determining factor for their investment decisions. It was observed that other variables such as regularity of dividend payment and market price of shares are vital to shareholders and their investment decisions.

Akle (2011) empirically investigated the relationship between the timeliness of corporate financial reporting and Corporate Governance for companies listed on Egyptian stock exchange during the period from 1998 to 2007. It investigated the role of corporate governance level on the timeliness of corporate financial reporting; it also investigated the relationship between industry type, company size, gearing, leverage, earnings quality, earnings management, electronic disclosure, audit opinion and the timeliness of corporate financial reporting. The results showed that Egyptian publicly listed firms have taken less timeliness to publish their annual financial reporting since application corporate governance principals, the average of days lag between the end of the financial year and the publication of annual reporting had decreased from 134 days in 1998 to 72 days in 2007.

Feng, Ghosh, He and Sirmans (2010) investigated the relationship between institutional ownership and CEO compensation structure of REITs based on data on institutional ownership, performance, CEO and board characteristics over the 10-year period 1998- 2007 using 67 REITs sampled firms. Regression model was used to analyze the data and study results found significant evidence that large institutions influence governance through CEO compensation, greater institutional ownership is associated with greater emphasis on incentive-based compensation (higher pay-performance sensitivity of CEO compensation), and higher cash and total compensation for CEOs. Also, it was found that institutions are less active when managers are performing in a superior fashion.

Karim, Ahmed and Islam (2006) examined whether timeliness of corporate financial reporting has improved in Bangladesh following the creation of the Securities and Exchange Commission (SEC) in 1993, the enactment of the Companies Act in 1994 and the amendment of the SEC Rules in 1997. Using more than 1200 firm-year observations over a period of 10 years, the authors found that regulatory changes have not improved timeliness in reporting, as measured by audit lag, issue lag and total lag. Although the authors find that large firms take shorter time to publish their annual reports compared with small firms, the lags, on average, had deteriorated significantly following the passage of legislation in Bangladesh.

3.0 Methodology

The research design adopted for this study was the ex-post facto research design because the data used were already in existence and therefore the researcher had no control over the data set of the study. The source of the data was therefore secondary sources taken from audited annual reports and accounts of the related listed manufacturing firms as listed on the Nigerian Exchange Group (2021). The population of this study consisted of all listed manufacturing firms in Nigeria. As at 31st December, 2021 the total number of listed manufacturing firms were:

Agriculture (5); Conglomerates (5); Consumer Goods (19); Industrial Goods (15); Natural Resources (4); Healthcare (11) for a total population of 59 for the present study.

Using the non-probability sampling filtering technique, the study used a sample of forty-two (42) manufacturing firms listed on the NEG 2021. These listed manufacturing firms included four (4) from agriculture; sixteen (16) from consumer goods; seven (7) from industrial goods; six (6) from healthcare; four (4) from natural resources and five (5) from conglomerates.

3.1 Model specification

The empirical models for Amrah and Obaid (2019) were stated as:

$$FRQ_{it} = \alpha O + \beta_{1CGEFFit} + \beta_{2FSit} + \beta_{3LEVit} + \beta_{4ROA\,it} + \varepsilon_{it} \quad \text{.............................(1)}$$

$$FRQ_{it} = \alpha O + \beta_{1CGEFFit} + \beta_{2FSit} + \beta_{3LEVit} + \beta_{4ROA\,it} + (ui + \varepsilon_{it} \quad \text{.............................(2)}$$

Where:

i represents company;
t = time period;
FRG = Financial reporting quality;
CGEFF = corporate governance effectiveness;
FS = Firm size;
LEV = Leverage;
ROA = Return on assets
ε = the error term

The model for this study was modified from the study of Amrah and Obaid (2019) to express the econometric equation as:

$$FRQuality_{it} = \beta_0 + \beta_1(Bsize)_{it} + \beta_2(Owncon)_{it} + \beta_3(Bgendiv)_{it} + \beta_4(Bmeet)_{it} + \beta_5(Fsize)_{it} + \beta_6(Leverage)_{it} + e_{it}$$

Where:

FRQuality	=	Financial Reporting Quality
Bsize	=	Board Size
Owncon	=	Ownership Concentration
Bgendiv	=	Board Gender Diversity
Bmeet	=	Board Diligence
Fsize	=	Firm Size
Leverage	=	Leverage
"{i}"	=	Cross Section (Sample Companies)
"t"	=	Time Frame (2011 to 2020)
e_{it}	=	Stochastic error Term

3.2 Operationalization of Variables

These are the operational definitions (tabulated) of the independent and dependent variables used in the study.

Table 1 Operationalization of Variables

Variables	Measurement	Source	Apriori Sign
Financial Reporting Quality (Dependent Variable)	Financial reporting quality is measured using IASB Timeliness enhancing qualitative characteristic. Financial Statement Timeliness in Days is the difference in the date between when a company external auditor signs a company annual audited report and the company accounting year end date.	Osuala, Ugwumba, & Osuji (2012)	
Ownership Concentration (Independent Variable)	Ownership concentration in percentage is the shares ownership concentration of all block shareholders with 5% and above controlling interest.	Feng, Ghosh, He, & Sirmans (2010)	-
Board Size (Independent Variable)	Board Size in numbers is computed as the total numbers of all directors on the board	Amrah and Obaid (2019)	+
Board Gender Diversity (Independent Variable)	Board Gender Diversity in percentage is computed as the ratio of female directors to total board size.	Amrah and Obaid (2019)	+
Board Meeting (Independent Variable)	The number of board meeting held by the board of directors in a year.	Amrah and Obaid (2019)	+
Firm Size (Control variable)	Natural log of Total Asset	Amrah and Obaid (2019)	
Leverage (Control variable)	Debt to Total Asset in percentage is computed as total liabilities divided by Total asset	Amrah and Obaid (2019)	

***Source*: Author's Compilation 2023**

4.0 Data presentation and results/analysis and discussion

4.1 Descriptive statistics

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
frquality	282	108.4433	91.25058	33	909
bsize	284	9.838028	3.321708	2	20
bgendiv	284	12.96285	13.44844	0	120
bmeet	283	4.586572	1.232867	1	10
owncon	286	.618007	.1788714	0	1
leverage	286	59.32136	25.91179	-4.29	224.11
fsize	286	7.220559	.9708414	5.09	9.28

***Source*: Authors Computation 2023**

The table 2 shows a summary of the descriptive statistics of the study. From table 2 it is observed that on average, financial reporting quality proxied by audit report timeliness is 108 days with a minimum and maximum of 33 days and 909 days respectively. Board size on average is 9 members with the smallest board having 2 members and the largest board having 20 members. The descriptive statistics reveals that the variable of board gender diversity on average is 13% corresponding to a maximum value of 120% and a minimum value of 0 indicating that some corporate boards had no female representative during the period under review. The variable of board diligence is seen to be 5 times suggesting that most firms under review met for official deliberations at least 5 times during the period under review. Ownership concentration on average is 62% with a standard deviation of 0.179. The table shows that on average, the control variable of leverage was 59.32 while firm size was 7.22.

Table 3: Presentation of regression results:

Table 6 Panel Least Square Regression Estimation Result

frquality	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
bsize	6.231339	2.162918	2.88	0.004	1.973081	10.4896
bgendiv	.0446343	.4033779	0.11	0.912	-.7495185	.838787
bmeet	-2.063262	4.376963	-0.47	0.638	-10.68044	6.553911
owncon	70.21446	31.67761	2.22	0.027	7.84897	132.58
leverage	.6372306	.2283087	2.79	0.006	.1877463	1.086715
fsize	-11.39335	8.026003	-1.42	0.157	-27.19459	4.407894
_cons	56.28655	50.55371	1.11	0.267	-43.24139	155.8145

No of Observations = 252 Probability F- Statistics = 0.0034 $R^2 = 0.0689$

***Source*: Authors Computation 2023**

Table 4 Fixed & Random Effect Regression Results

Variables	Board Size	Board Gender	Board diligence	Ownership Con.	Leverage	Firm Size
Fixed Effect Model						
Coefficient **t_ Statistics** **Probability_t**	-0.299 (-0.11) {0.912}	-0.240 (-0.56) {0.574}	0.264 (0.06) {0.949}	41.895 (0.78) {0.437}	0.400 (1.54) {0.125}	28.441 (1.50) {0.135}
No. of Obs = 252	**Prob. F statistics = 0.5001**			**R^2 = 0.0213**		
Random Effect Model						
Coefficient **z_ Statistics** **Probability_z**	1.814 (0.75) {0.454}	-0.118 (-0.30) {0.765}	-0.022 (-0.01) {0.996}	46.589 (1.04) {0.298}	0.474 (1.96) {0.050}	7.105 (0.57) {0.571}
No. of Obs = 252	**Prob. Wald Chi^2 = 0.4377**			**R^2 = 0.0159**		

Hausman = 0.6958

Note: t & z -statistics and respective probabilities are represented in () and {}
Where: ** represents 5% & * represent 1% level of significance
***Source*: Authors' Computations 2023**

From table 4, a careful examination of the results provided by the effects the models show that both models of interest suggest appropriateness as it relates to the dependent variable of financial reporting quality for the period under investigation.However, a look at the p-value of the Hausman test (0.6958)

implies that the researcher should accept the null hypothesis since the p-values of the Hausman test is insignificant at 5% or 1% level. This suggests that the random effect results tend to be more appealing statistically when compared to the fixed effect results. However, to account for the random effect error present in the model, the researcher adopted the hierarchical regression estimator presented in table 5.

Table 5. Hierarchical Regression Result

frquality	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
bsize	6.231339	2.162918	2.88	0.004	1.973081	10.4896
bgendiv	.0446343	.4033779	0.11	0.912	-.7495185	.838787
bmeet	-2.063262	4.376963	-0.47	0.638	-10.68044	6.553911
owncon	70.21446	31.67761	2.22	0.027	7.84897	132.58
fsize	-11.39335	8.026003	-1.42	0.157	-27.19459	4.407894
leverage	.6372306	.2283087	2.79	0.006	.1877463	1.086715
_cons	56.28655	50.55371	1.11	0.267	-43.24139	155.8145

No of Observations = 252 Probability F- Statistics = 0.0034 R^2 = 0.0689

***Source*: Author's Computation 2023**

Specifically, the researcher provided interpretation for the hierarchical regression estimator as recommended by Cohen (2001) and Wampold & Freund (1987) as shown in table 5. The model of goodness of fit as captured by the Fisher Statistics (3.34) and the corresponding probability value (0.003 shows a 5% statistically significant level suggesting that the entire model is fit and can be employed for interpretation and policy recommendations.

Discussion of Findings

Financial reporting standards provide guidance on how accounting information should be recorded, reported and interpreted. Levitt (1996), in identifying what high quality accounting standard delivers, stated that educated investors need relevant useful information to make their investment decisions. Differences in quality of accounting standards, specifically, play a role in differences in value relevance of accounting numbers (Graham and King; 2002; Babalyan, 2001; Bartov, Goldberg, and Kim, 2002). In this study, it is documented that board size has a positive effect on financial reporting quality of listed manufacturing firms in Nigeria. This implies that an increase in the board by 1 member will significantly increase the financial reporting quality of the sampled manufacturing firms in our sample. The finding is consistent with the idea that large boards can provide the diversity which would help companies secure critical resources and reduce uncertainties which could have impinge on quality of financial reporting (Dehaene, DeVuyst & Ooghe, 2001), propensity and desire to present financial reports and quicker resolution and improvement of agency problems (Fama & Jensen,1983).

The result is also in line with the position of Patrick, Paulinus, and Mympha (2015) who emphasized that corporate governance mechanisms like board size have a strong impact on the timeliness of financial reports. Further, the outcome from this study is similar to those of Monks and Minnow (1995) who proved that larger boards have the capability to commit more time and effort in managing the company's activities, and Klein (2002) who shared a similar view that board monitoring is done more effectively by larger boards due to the inherent ability to share the responsibility amidst a larger number of individuals. The outcome relates well with the agency theory which argued that agency

problems are easier tackled by larger boards because of the presence of greater number of people evaluating and observing management decisions.

Further, an insignificant effect of board gender diversity on financial reporting quality is documented in this study which align with the findings of Ye, Zhang and Rezaee (2010); Sun, Liu and Lau (2011) but negates the outcome of Srinidhi et al., (2011); Gul et al., (2011) who found that the presence of female directors on a board is associated with higher earnings quality. Similarly, this study documented an insignificant effect of board diligence on financial reporting quality. This outcome deviates from the position of Yatim, Kent & Clarkson (2006) who opined that board of directors need to be active to meet their corporate governance commitments, particularly in ensuring high quality, transparent reporting in annual reports.Diligent boards are also likely to enhance the level of oversight of the financial reporting process directly and indirectly through the choice of external auditor and the composition of the audit committee.

Finally, this study documented a positive significant effect of ownership concentration on financial reporting quality which implies that increase in ownership concentration will increase financial reporting quality. This finding is consistent with those of Ho & Tower, (2011); Haniffa and Cooke (2002) and Soheilyfar et al. (2014) who found a positive relationship between ownership concentration and financial reporting quality. This positive association may reflect the companies' selection to disclose high quality information as a governance practice to monitor managerial activities. However, the finding is inconsistent with Gelb (2000), Fan and Wong (2002), Ben-Ali et al. (2007), Ben -Ali (2008) and Htay et al. (2013) who found a negative relationship between ownership concentration and financial reporting quality which reveals that financial reporting quality is weak in companies with both high ownership and control concentration.

5.0 Conclusion and recommendations

5.1 Conclusion

The Organization for Economic Cooperation and Development (OECD), the World Bank, and the International Finance Corporation, encourage firms to adopt and implement corporate codes of conduct and good corporate governance principles. Rules of corporate governance have become one of the most important issues discussed in the world economies. They present an important factor that reinforces the success of economic and organizational reforms currently undertaken in the context of globalization; openness of economies towards each other; global competition; and in light of conditions and requirements of international organizations for accepting membership to countries or for dealing with countries of the world and with institutions and markets of these countries. Applying these rules and principles have become essential for public and private sectors, and a tool for enhancing confidence in any national economy and evidence of the existence of fair and transparent polices for protecting investors and traders alike. It is also an indication to the level of professional commitments reached by the companies' managements towards good governance, transparency and accountability, the existence of measures to limit corruption, and consequently raise the economy's attractiveness to local and foreign investments and enhancing its competitiveness. Therefore, based on the need to promote high quality financial reports in Nigeria, this study was conducted and it was concluded that board size and ownership concentration have significant effects on financial reporting quality of listed manufacturing firms in Nigeria.

5.2 Recommendations

1. The number of directors on the board should be in line with acceptable global standards which are between seven (7) and eight (8) board members. Also, to guarantee timely financial reports, small boards should be discouraged in order to foster faster communication, coordination and ultimately timely publishing of financial reports among listed manufacturing firms in Nigeria.

2. Government and regulatory agencies should encourage listed manufacturing firms in Nigeria to have policies in place that promote more concentrated ownership structures. This could be achieved through regulatory requirements or incentives, such as tax breaks or subsidies, for firms with more concentrated ownership structures.

3. Based on the findings of this study, policy measures that focus on increasing the number of females on the board should be less prioritized especially if such policies are meant to enhance the timeliness of financial reporting among listed manufacturing firms in Nigeria.

4. In line with the study findings, strategic actions of increasing the frequency of board meetings should be given less attention particularly if such actions are geared towards improving the quality (timeliness) of financial reporting among listed manufacturing firms in Nigeria.

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