DETERMINANTS OF FINANCIAL REPORTING QUALITY IN THE NIGERIAN BANKING SECTOR

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ABSTRACT

The aim of this study was to investigate the determinants of financial reporting quality in the Nigerian banking sector. The broad objective of this study was to determine the extent to which company size, firm profitability, audit firm size, audit fees, firm age leverages financial reporting quality. Samples of fifty (50) quoted companies on the Nigeria Stock Exchange were conveniently selected for a period of ten (10) years (2008 – 2017). Ordinary Least Square (OLS) regression technique was employed in estimating the data and testing the formulated hypotheses. Based on the analysis, we find that there is a significant relationship between firm size, audit fee and timelines of corporate financial reporting. While profitability, audit firm size, firm age did not exhibit significant relationship with timelines of corporate financial reporting. In line with the findings, the researcher recommended that companies should put in place measures of reducing the time lag between the financial year end and the Annual General Meeting (AGM) in order to boost the confidence the financial statement users have in using financial statements for decision making.

Keyword: ***Board Size, profitability, leverage, company age, audit firm type, liquidity and financial reporting quality.***

Introduction

Financial report are formal records of the money related exercises of a business, people, or other substance. As per Dandago and Rufai (2014), financial reports offer general thought of corporate association or somebody budgetary position in both short and long haul. The whole significant salary data of corporate association introduced in an organized technique for simple comprehension is known as financial report. As indicated by Ogiedu and Odia (2013) is it the duty of the board of an association to get ready financial report for the utilization of their offer/partners. This budgetary reports demonstrate the money related wellbeing of an association, and it is a road for conveying an organization's monetary dealings to the partners and much of the time the main data open by them. As needs be, speculators and different partners have confidence in these financial report to decide their association with the association.

The tempestuous impacts of the worldwide financial crisis have featured the basic significance of dependable brilliant financial reporting. Accomplishing quality financial reporting relies upon the job that the outer audit plays in supporting the quality of financial reporting of listed organizations. It is a significant piece of the administrative and supervisory framework and consequently a movement of critical open intrigue. Financial reporting quality is one of the most significant issues in audit practice

today. A few people and gatherings; both inside and outer, have an enthusiasm for the quality of financial report (Farouk and Hassan, 2014).

Consumers of financial report have extraordinary certainty when the financial report displayed before them is sound. Stockholders all alone display enormous need on examined fiscal summary; in light of the fact that the foreseen freedom of the auditor upgraded the certainty that huge venture choices can be drawn from the distributed financial report. The lift in the certainty of these financial specialists impacts the inflow of capital which to an enormous degree leverages the development and advancement in the business condition emphatically (Enofe, Mgbame, Adeyemi and Ehi-Oshio, 2013).

A few examinations (Monks and Minow, 1995, Camfferman and Cooke, 2002, Naser, Al-Khatib and Karbhari, (2002), on the determinants of financial reporting quality have been directed by different specialists in Nigeria and the world over. The end drawn from their observational discoveries were not without irregularities.

For look at, in an examination directed by Monks and Minow (1995) and Lipton and Lorsch (1992) recommend that larger board can submit additional time and exertion to screen the management. Beasley (1996) reports that board size has positive association with the probability of budget summary extortion. Additionally, Camfferman and Cooke (2002) and Naser, Al-Khatib and Karbhari, (2002) found a positive and noteworthy connection between the size of the audit firm and the degree of bookkeeping data exposure.

In a similar vein, Uzun, Szewczyk and Varma, (2004), Carcello and Nagy (2004) and Farber (2005) discovered negative connection between monetary quality and board measure. Jensen (1993) and Lipton and Lorsch (1992) report that enormous board of directors are less amiable to compelling checking and simpler to be constrained by the CEO. Xie, Davidson and Dalt (2003) record an opposite connection between the size of the board and the quality of financial reporting. Eisenberg, Sundgren and Wells (1998) and Yermack (1996) additionally found a negative connection between the size of the board and the estimation of the organization.

Thus, the irregularities and blend discoveries in earlier investigations has educated this examination. Henceforth this investigation is gone for filling the information hole as for the previously mentioned.

In the light of these, the accompanying examination questions are raised:

1. To what degree does board size decide financial reporting quality?

2. What is the connection between company size and financial reporting quality?

3. To what degree does productivity impact financial reporting quality?

4. What is the connection among leverage and financial reporting quality?

5. What is the connection between company age and financial reporting quality?

6. To what degree does audit firm size impact financial reporting quality?

7. What is the connection among liquidity and financial reporting quality?

Objectives of the Study

The objective of this investigation is to experimentally look at the determinants of financial reporting quality in the Nigerian banking. The particular targets are to:

1. Determine the degree to which board size decide financial reporting quality;
2. Determine the connection between company size and financial reporting quality;
3. Examine the degree to which productivity impact financial reporting quality;
4. Ascertain the connection among leverage and financial reporting quality;
5. Determine the connection between company age and financial reporting quality;
6. Investigate the degree to which audit firm size impact financial reporting quality; and
7. Verify the connection among liquidity and financial reporting quality;

Research Hypothesis

The accompanying theories expressed in invalid structure were tried over the span of the examination;

H01: There is no huge connection between board size and financial reporting quality.

H02: There is no critical connection between company size and financial reporting quality.

H03: There is no huge connection among benefit and financial reporting quality.

H04: There is no huge connection among leverage and financial reporting quality.

H05: There is no huge connection between company age and financial reporting quality.

H06: There is no huge connection between audit firm size and financial reporting quality.

H07: There is no noteworthy connection among liquidity and financial reporting quality.

Literature Audit

Financial Reporting Quality

Financial reporting quality is quite discussed yet minimal comprehended; and in spite of the decent variety of the idea, there stays little accord about how to characterize, not to mention measure, financial reporting quality. View of financial reporting quality can depend especially on whose eyes one glances through. Clients, evaluators, controllers and different partners in the monetary announcing procedure may have altogether different perspectives with respect to what establishes

financial reporting quality, which will impact the kind of pointers one may use to survey financial reporting quality (Enofe, Mgbame, Adeyemi and Ehi-Oshio, 2013).

DeAngelo (1981) characterized financial reporting quality (audit quality) as the market-surveyed joint likelihood that the evaluator finds a peculiarity in the fiscal summaries, and uncovers it. The client of budgetary reports may accept that financial reporting quality methods the nonappearance of material errors. The inspector directing the audit may characterize financial reporting quality as agreeably finishing all undertakings required by the company's audit strategy. The audit firm may assess a financial reporting quality as one for which the work can be safeguarded against test in an examination or official courtroom. Controllers may see a budgetary detailing quality as one that is in consistence with expert models. At long last, society may believe a financial reporting quality to be one that stays away from monetary issues for an organization or the market. At last, various perspectives recommend various measurements.

Financial reporting quality as indicated by Dandago and Rufai (2014) is acquired by a procedure of distinguishing and directing the exercises expected to accomplish the quality targets of audit work. All different audit rules should be comprehended and the advantages that can be acknowledged once financial reporting quality is made a need. However, in light of conduct points of view and evaluator quality, financial reporting quality isn't essentially about examining guidelines yet about the nature of individuals, their preparation and moral principles. Dandago and Rufai (2014) contend that the abilities, individual characteristics of audit accomplices and staff, and the preparation given to audit work force are significant variables that decide auditor’s quality.

Board Size and Financial Reporting Quality

Board of directors, which comprise of top level administrators of firms and non-official outside individuals, are organizations that do the job of sanctioning and observing the administrative choices with the assistance of their non-official outside individuals. Thusly, aside from the blend of official and non-official executives, the proper size is an antecedent and basic factor in financial reporting quality. The board size comprises of the complete number of executives on the board (Ibadin and Dabor, 2015).

Aliyu and Ishaq (2015) opine that the administration (board measure) of open obligation organizations in Nigeria is in charge of the arrangement of yearly fiscal report of which the auditor is to verify. Along these lines, money related report is one of the instruments utilized by partners in surveying the top managerial staff execution. Notwithstanding, through explicit techniques, the top managerial staff regularly controls the money related report in the chronicles of the organization's accounting exercises which are alluded to as procuring the executives in bookkeeping. Corporate administration is where the board supervision happens in the basic leadership procedure of an association. The authority (board) quality assumes an indispensable job in the execution of corporate administration as they are mindful in choosing the way to direct, control, and the administration of assets as per the organization's goal.

Company Size and Financial Reporting Quality

The size of an organization leverages various things in the business, for example, the generosity, client unwaveringness, support just as its degree of responsiveness to the partners. The size of an organization will decide the investor base just as the capital base of the organization which advises the level regarding stewardship anticipated from the chiefs of the organization and the governing

body. Little size organization may not really distribute its reports and when this is done, it might be because of the statutory prerequisites (Obigbemi, Iyoha and Ojeka, 2015).

The size of an organization has been found to impact the nature of money related detailing (Adediran, Alade and Oshode, 2013). A few reasons have been illustrated to help the connection between nature of money related report and friends measure. Right off the bat, huge firms have more assets to establish and authorize solid inner control framework in their associations and can bear the cost of persistent audits (Ng and Tai (1994). Contending along a similar line, Ahmed and Nicholls (1994) saw that almost certainly, enormous firms will have the assets and mastery important for the creation and distribution of increasingly complex budget reports and, display more exposure consistence and more prominent degrees of disclosure and unwavering quality.

Profitability and Financial Reporting Quality

As far as benefit, administrators of associations would be more ready to report benefit quicker than revealing misfortune due with the impact such news could have on the offer cost and different markers. This declaration has been upheld by earlier research which archives the way that supervisors are brief to discharge uplifting news (benefit) contrasted with terrible news (misfortune) (Adediran, Alade and Oshode, 2013). The attestation is likewise in consonance with organization hypothesis which proposes that supervisors of bigger productive organizations may wish to uncover more data to get individual preferences like duration of their administration position and remuneration (Inchausti, 1997). At the point when benefits are earned by organizations, there are less propensities to control data.

Most observational examinations have demonstrated a positive connection among productivity and the degree of data revelation in yearly reports. Rafournier (1995) and Meek et al. (1995) contended that profoundly productive firms may wish to unveil point by point data as a methods for promoting their great execution to the general population and their potential financial specialists. Singhvi and Desai (1971) and Inchausti (1997) additionally recommended from the point of view of organization hypothesis that chiefs of progressively gainful organizations regularly keep up and advance their administration position and remuneration by uncovering the abnormal state of corporate data. On the difference, Skinner (1994) contended that inadequately performing firms would reveal more noteworthy data so as to evade consequent legitimate obligation. Lang and Lundholm (1993) found no-reasonable relationship and even there was no connection among profitability and financial reporting quality (Wallace et al., 1994). Nonetheless, in a focused work advertise, chiefs of high benefit firms will reveal more data to the market so as to upgrade the estimation of the organizations, offer unmistakable quality to the estimation of their human capital just as to lessen political expenses (Barako, 2007).

Leverage and Financial Reporting Quality

The office hypothesis and cost of capital hypothesis offer appropriate clarification for the relationship of the capital structure and obligation to value proportion of the firm and financial reporting quality. The degree of leverage has additionally been contended by past specialists to have an impact on financial reporting quality. As far as the degree of revelation, Alsaeed (2006) contends that higher obligation firms have higher organization expenses and along these lines need more data revealed so as to fulfil the necessities of loan bosses for data. An examination by Craig and Diga (1998) had discovered a critical positive connection between obligation proportion and level of disclosure, while Alsaeed (2006) had neglected to think that it's huge, whereby it was contended this was likely because of the way that the loan bosses may have imparted private data to their account holders. Interestingly,

higher leverage organization is contended to have higher chapter 11 hazard, which thusly will prompt prosecution chance (Rahman and Ali, 2006) and therefore, increment the board's inclination to control company's monetary answering to beat this hazard. This has been bolstered by discoveries by Klein (2002b) which demonstrated that an organization's leverage is fundamentally emphatically identified with the degree of strange collections. In addition, an examination by Davidson, Stewart and Kent (2005) had likewise discovered a critical positive connection among leverage and optional gatherings. Be that as it may, a resulting study by Rahman and Ali (2006) and Yang and Krishnan (2005) did not record any critical connection between organization leverage and accumulations.

Company Age and Financial Reporting Quality

The age of an organization has been recognized as having sway on the revelation of data which constantly reflects unwavering quality of financial reports (Hossain, 2008; Akhtaruddin, 2005). As indicated by Owusu Ansah (1998), the effect of company age on the disclosure of data might be attributed to three factors-the way that an organization might be youthful and face hardened challenge, the expense and the simplicity of social occasion, handling, and scattering pertinent data and absence of reputation on which to depend for open revelation. Hence, it tends to be derived from these examinations that the more established organization is, the more solid its financial reports would probably be and the less the likelihood of prosecution emerging from audit disappointment. Under the setting of Nigeria, it is beyond the realm of imagination to expect to finish up without evasion that older organizations will essentially reveal more solid information than recently settled firms.

Audit Firm Type and Financial Reporting Quality

Auditors can assume a significant job inspiring the administration to release more data. Essentially, Kamolsakulchai (2015) accept that audit firm size is exceptionally connected with a more prominent financial reporting quality. Audit Company’s position is assigned to push customers to unveil more data in their yearly reports. Right now, the mix of four universally famous audit organizations, otherwise called Big 4 including Price water house Coopers (PwC), Deloitte Touche Tohmatsu (DTT), Ernst &Young (EY) and KPMG, may affect little estimated audit firms; in which combining is a component to forestall income management.

Generally huge (big) audit firms are related with better financial reporting exercise. As indicated by DeAngelo (1981), big audit firms have huge number of customers and more prominent thought processes to keep up their autonomy. As a result of these reasons, they will in general report on error in fiscal summaries and incompliance with bookkeeping gauges revelation necessities. Atanasko (2014) note that enormous bookkeeping firms demand fitting disclosures in customers' budget summaries so as to keep up notoriety and diminish related dangers and expenses. It is typically contended that huge audit firms have more noteworthy mastery and information on complex pertinence of IFRS. Related expense for usage of IFRS and particular audits are lower for big firms in contrast with little or local audit firms. Be that as it may, the experimental inquires about of relationship between the size of connected audit firms and the quality of financial reporting for various writers give various outcomes. Ahmed and Nicholls (1994), Wallace and Naser (1995) locate a positive connection between the size of the audit firm and the nature of exposures in fiscal reports, anyway Firth (1979), Malone (1993), Ali et al. (2004) in their exploration discover no proof of measurably critical relationship.

In any case, investigations of Jeong and Rho (2004) found that various sizes of audit firms don't essentially leverage the audit quality.

Liquidity and Financial Reporting Quality

The term liquidity is characterized as the capacity of a firm to meet its commitments and duty for the time being (Andrew, 2015). Because of the worry that controller, financial specialists and different clients have with respect to organizations going concern status, exceedingly fluid organizations may want to make their degree of liquidity known through disclosure in their yearly reports and those experiencing low liquidity may be actuated to enhance their disclosure to relieve fears and inform investors that administration know the issue (Wallace et al., 1994). Blended outcomes has been noted by past analysts on the connection between organization's liquidity and financial reporting quality, For instance Al shammari et al., (2007) announced a negative affiliation, Naser at el., (2002) and OwunuAnsah (1998) gave no proof of such affiliation, while Owunu-Ansah and Yeoh, (2005) found a huge connection between these factors.

Survey of Empirical Studies

Suyono (2012), break down determinant variables influencing the audit quality, in particular: freedom, experience, and responsibility. Freedom is the fundamental premise of open trust in the public accounting calling and it is one of the components to assess the nature of audit administration. Experience is characterized as one's ability which is gotten by working consistently. At that point, responsibility is characterized as a social mental intention that makes somebody attempt to be in charge of every one of their activities and choices for the earth. The area of this exploration was in 28 Public Accounting Firms in Central Java and Jogjakarta areas, Indonesia with around 150 auditors. He tests the theory that freedom, experience and responsibility leverage audit quality. The discoveries of this examination bolster that autonomy and responsibility leverage audit quality and reject that experience leverages audit quality. The outcomes demonstrate that: 1) freedom, experience and responsibility leveraged audit quality at the same time; 2) autonomy and responsibility leveraged audit quality somewhat, in the meantime experience did not leverage audit quality incompletely; 3) responsibility was the overwhelming component influencing audit quality.

Adeyemi, Okpala and Dabor (2012) explore the elements influencing financial reporting in Nigeria. Their investigation uncovered that among others, various directorship is the most critical in influencing monetary detailing in Nigeria. Also, it is discovered that arrangement of non-audit administration would almost certainly significantly affect the financial reporting in Nigeria. In any case, the examination did not observe audit firm rotation to be a huge factor for improving financial reporting in Nigeria.

Shehu (2013) inspected monetary attributes and financial reporting quality of the Nigerian recorded assembling firms. Utilizing 32 firms-years longitudinal framed of 160 perceptions, panel OLS is assessed and controlled for fixed/random effects. The outcome demonstrates a noteworthy positive connection between monetary attributes and financial reporting quality. Of the control factors the two profits for resources and profit for value are critical. Leverage, free executives, audit board of trustees, institutional, square and administrative shareholdings are on the whole huge inferring monitoring attributes is affecting financial reporting quality of listed assembling firms in Nigeria.

Methodology

Research Design

The cross-sectional survey research design was used in this study. This design was adopted because of the relatively small sample size. It entails studying the current state of a unit or group at a particular point in time.

The population of this study is made up of all the banks listed on the Nigerian Stock Exchange (NSE) as at 31st December 2017. The sample size of this study is twelve (12) randomly selected banks listed on the Nigerian Stock Exchange (NSE) as at 31st December 2017. The convenience random sampling technique was used in selecting a sample size of twelve (12) banks used for the purpose of this study.

Model Specification

To examine determinants of quality of accounting information disclosure in Nigeria, we estimated the following model as a guide in a bid to arriving at some empirical findings and conclusion under the study:

FINQUA = f (BSIZE, COSIZE, FPROFIT, LEV, FAGE, LIQ) … (1)

In econometrics we have,

$$FINQUA = \square_0 + \square_1 BSIZE + \square_2 COSIZE + \square_3 FPROFIT + \square_4 LEV + \square_5 FAGE + \square_6 LIQ + e \quad ... (2)$$

Where:

FINQUA = Financial Reporting Quality

BSIZE = Board Size

COSIZE = Company Size

FPROFIT = Firm Profitability

LEV = Leverage

FAGE = Firm Age

LIQ = Liquidity

Data analysis is a body of methods that help to describe facts, detect patterns, develop explanations, and test hypotheses.

The researcher decided to use the Ordinary Least Square (OLS) as the research tool because of its simplicity. The Ordinary Least Square is a statistical tool that enables the researcher to establish if there is any relationship between two variables. The computation of ordinary Least Square is based on the outcomes of the regression which is used to test the various hypotheses formulated previously in chapter one of this study.

Operationalization and Measurement of Variables

S/N	Variable	Definition	Measurement
1.	FINQUA	Financial Reporting Quality	This was taken as discretionary accrual cash flow from operating activities – net profit.
2.	BSIZE	Board Size	This is taken as the number of directors on board
3.	COSIZE	Company Size	This is measured using log total asset of the firm.
4.	FPROFIT	Firm Profitability	This is taken as profit after tax of sample firm.
5.	LEV	Leverage	This is taken as total debt/total equity.
6.	FAGE	Company Age	This is measured as number of years of incorporation of a company
7.	LIQ	Liquidity	This is measured as current asset/current liability

Presentation and Empirical Analysis of Results

Descriptive Statistics

This section provides descriptive statistics on the mean, median, minimum and maximum value, standard deviation and normality test (using kurtosis and jarque-bera) of the variables.

Table 1: Descriptive Statistics

	FINQUA	BSIZE	COSIZE	FPROFIT	LEV	FAGE	LIQ
Mean	6.417667	14.45000	7.405050	5.652508	3.406692	38.60000	0.245114
Median	6.867500	15.00000	8.060000	5.558500	2.786000	25.00000	0.038300
Maximum	8.539000	21.00000	9.382000	7.975000	57.69000	121.0000	12.62270
Minimum	4.002000	6.000000	5.079000	3.053000	-0.629000	15.00000	0.000700
Std. Dev.	1.374579	2.915764	1.388316	1.431166	5.184550	27.88825	1.197390
Skewness	-0.171490	-0.384921	-0.068761	-0.034180	9.680300	1.787923	9.437086
Kurtosis	1.515214	3.257080	1.327039	1.576531	101.8626	5.386919	96.98164
Jarque-Bera	11.61112	3.293738	14.08855	10.15469	50743.23	92.42028	45943.91
Probability	0.003011	0.192652	0.000872	0.006236	0.000000	0.000000	0.000000
Observations	120	120	120	120	120	120	120

Source: E-view 9.0 Output, 2019

Table 1 above presents the results for the descriptive statistics for all the variables. As observed, the dependent variable Financial Reporting Quality (FINQUA) has a mean value of 6.417667 and a median value of 6.867500 with a maximum and minimum value of 8.539000 and 4.002000 respectively. The median and the mean values are not far apart. The standard deviation 1.374579 is high and suggests that Financial Reporting Quality (FINQUA) over the years exhibits deviation from the mean.

For the independent variables, the mean value of Board Size (FSIZE) is 14.45000 with a median value of 15.00000 and a maximum and minimum value of 21.00000 and 6.000000 respectively. The median and the mean values are not far apart. The standard deviation 2.915764 is high and suggests that Board Size (FSIZE) over the years exhibits high deviation from the mean.

The results indicate that the mean value of Company Size (COSIZE) is 7.405050 with a median value of 8.060000 and a maximum and minimum value of 9.382000 and 5.079000 respectively. The median and the mean values are not apart. The standard deviation 1.388316 is not too high and suggests that Company Size (COSIZE) over the years exhibits deviation from the mean.

For the other independent variables, the results indicate that the mean values for Firm Profitability (FPROFIT), Leverage (LEV), Firm Age (FAGE) and Liquidity (LIQ) are 5.652508, 3.406692, 38.60000, and 0.245114 respectively. The standard deviation for Firm Profitability (FPROFIT), Leverage (LEV), Firm Age (FAGE) and Liquidity (LIQ) are 1.431166, 5.184550, 27.88825, and 1.197390 respectively.

Correlation Analysis

The initial patterns of relationship among the variables can be observed based on the correlation among the variables.

Table 2: Correlation Statistics

	FINQUA	BSIZE	COSIZE	FPROFIT	LEV	FAGE	LIQ
FINQUA	1.000000						
BSIZE	-0.366381	1.000000					
COSIZE	0.794698	-0.247539	1.000000				
FPROFIT	0.809974	-0.358354	0.928469	1.000000			
LEV	0.002954	0.049350	0.075500	0.072562	1.000000		
FAGE	-0.220199	0.141848	-0.089570	-0.170132	0.146033	1.000000	
LIQ	0.085820	-0.055557	-0.132727	-0.129465	-0.033815	0.013309	1.000000

Source: E-view 9.0 Output, 2019

Table 2 shows the co-efficient of correlation of all the variables examined. Of interest to the study is the correlation between the dependent variables; Financial Reporting Quality (FINQUA) and the explanatory variables. It is observed from the correlation matrix that a negative relationship exist between Financial Reporting Quality (FINQUA) and Board Size (BSIZE) (r = -0.366381). The negative correlation suggests that increase in Board Size (BSIZE) may be associated with decrease in Financial Reporting Quality (FINQUA).

On the other hand, a positive association is observed between Financial Reporting Quality (FINQUA) and Company Size (COSIZE) (r = 0.794698), the coefficient is high and the positive relationship implies that increase in Company Size (COSIZE) may lead to upward movement in Financial Reporting Quality (FINQUA).

Also a positive correlation is again observed between Financial Reporting Quality (FINQUA) and Firm Profitability (FPROFIT) (r = 0.809974), the coefficient is high and the positive association

indicate that an increase in Firm Profitability (FPROFIT) may be associated with huge increase in Financial Reporting Quality (FINQUA).

A positive correlation exists between Financial Reporting Quality (FINQUA) and Leverage (LEV) (r= 0.002954), the coefficient is very lot but again the positive relationship indicate that an increase in Leverage (LEV) may be associated with a slight increase in Financial Reporting Quality (FINQUA).

Similarly, Firm Age (FAGE) appears to be negatively related with Financial Reporting Quality (FINQUA) (r = -0.220199), the negative association indicate that an increase in Firm Age (FAGE) may be associated with decrease in Financial Reporting Quality (FINQUA).

Lastly, Liquidity (LIQ) and Financial Reporting Quality (FINQUA) are positively correlated (r= 0.085820). This negative relationship indicates that an increase in Liquidity (LIQ) may be associated with a decrease in Financial Reporting Quality (FINQUA).

Regression Analysis

The results of the initial output of the Ordinary Least Square (OLS) was not interpreted, reason being that, the results showed a low value of Durbin Watson (D.W.) statistic of 1.45 suggesting the presence of autocorrelation (see Appendix for details). In order to correct the autocorrelation, the equation was re-estimated by adjusting for autoregressive one AR (1). The final output estimate of the equation is shown in Table 4.3 below:

Table 3: Presentation of Regression Results

Dependent Variable: FINQUA
Method: Least Squares
Date: 01/07/19 Time: 08:38
Sample(adjusted): 2 120
Included observations: 119 after adjusting endpoints
Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.213670	0.751797	2.944505	0.0039
BSIZE	-0.021672	0.030520	-0.710091	0.4791
COSIZE	0.474611	0.137976	3.439809	0.0008
FPROFIT	0.232612	0.135482	1.716925	0.0888
LEV	-0.004195	0.011791	-0.355782	0.7227
FAGE	-0.008292	0.004338	-1.911481	0.0585
LIQ	0.083853	0.054486	1.538992	0.1267
AR(1)	0.455842	0.090433	5.040670	0.0000

R-squared	0.759846	Mean dependent var	6.430185
Adjusted R-squared	0.744701	S.D. dependent var	1.373505
S.E. of regression	0.693993	Akaike info criterion	2.172150
Sum squared resid	53.46049	Schwarz criterion	2.358982
Log likelihood	-121.2429	F-statistic	50.17185
Durbin-Watson stat	1.991439	Prob(F-statistic)	0.000000
Inverted AR Roots	.46		

Source: E-view 9.0 Output, 2019

A cursory look at the regression results show that R^2 is 0.75 which suggests 75% explanatory ability of the model for the systematic variations in the dependent variables with an adjusted value of 74%. The F-statistics (50.17) is high and p-value (0.000000) indicated that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected at 1% level. The Durbin-Watson statistics of 1.99 (approximately 2.0) indicate the absence of serial correlation in the residuals in the regression model. This suggests a significant relationship between Financial Reporting Quality (FINQUA) and all the independent variables combined.

On the explanatory ability of the variables, we observed the following from the results:

Board Size (BSIZE) appears to have a negative relationship and impact on (-0.710091) on Financial Reporting Quality (FINQUA) which was however not statistically significant (p = 0.4791) at 1%, 5% and 10% level of significant.

Company Size (COSIZE) appears to have a positive relationship and effect of (3.439809) on Financial Reporting Quality (FINQUA) and was statistically significant (p = 0.0008) at 1% level of significant. Therefore, Company Size (COSIZE) has significant impact on Financial Reporting Quality (FINQUA).

Firm Profitability (FPROFIT) appears to have a positive relationship and effect of (1.716925) on Financial Reporting Quality (FINQUA) and was however statistically significant (p = 0.0888) at 10% level of significant.

It is observed that Leverage (LEV) seem to have a negative relationship and effect of (-0.355782) on Financial Reporting Quality (FINQUA) which was not statistically significant (p = 0.7227) at 1%, 5% and 10% level of significant. Therefore, Leverage (LEV) has no significant impact on Financial Reporting Quality (FINQUA).

Firm Age (FAGE) appears to have a negative relationship and effect of (-1.911481) on Financial Reporting Quality (FINQUA) but was statistically significant (p = 0.0585) at 10% level of significant. Therefore, Firm Age (FAGE) has significant impact on Financial Reporting Quality (FINQUA).

Liquidity (LIQ) appears to have a positive relationship and impact on (1.538992) on Financial Reporting Quality (FINQUA) but was not statistically significant (p = 0.1267) at 1%, 5% and 10% level of significant.

Conclusion and Policy Recommendations

Conclusion

The study investigates the determinants of financial reporting quality in the Nigerian banking sector. A sample of twelve (12) banks from the listed banks on the Nigerian Stock Exchange (NSE) as at the year 2017 were selected. The study depended on the use of descriptive statistics, correlations analysis and the Ordinary Least Square (OLS) estimation technique. The study tested for the relationship between board size, company size, firm profitability, leverage, firm age, liquidity and financial reporting quality.

Of all the variables examined, only company size, firm profitability and firm age were found to be statistically significant, while board size, leverage and liquidity were not statistically significant for the period under audit.

Recommendations

Base on the empirical findings of this study, the following policy recommendations are suggested for policy action.

i. Since board size has a negative impact on Financial Reporting Quality (FINQUA). It is recommended that board size should be reduced in other to improve Financial Reporting Quality (FINQUA) because the benefits by larger boards of increased monitory are outweighed by poorer communication and a delay in decision making of larger groups.
ii. Corporate organization in Nigeria should pay proper attention to its profitability as it positively leverage financial reporting quality in the banking sector as indicated by the findings of this study.
iii. The managers' of the nation's quoted banks should initiate policies that promote financial reporting quality by striving to comply with international best practices.
iv. In achieving the quality of financial reporting and in achieving the objective of making the financial statements readily available for making timely decisions, the Nigerian stock exchange, securities and exchange commission, the Financial Reporting Council, the Central Bank of Nigeria and other regulatory bodies should put in place measures to ensure strict compliance with the laid down rules and regulations and also, it was discovered that the time lag prescribed by the regulatory bodies are usually too much thus encouraging banks to engage in the act of compromising the quality of their financial statements.
v. There are several directions for future research arising from this study. First, this research could be undertaken in large sample size to provide the opportunity for comparison of the findings. Second, the impact of several other variables that are not considered in this research and their leverage on financial reporting quality should be examined in future studies.

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APPENDIX

Dependent Variable: FINQUA
Method: Least Squares
Date: 01/07/19 Time: 08:37
Sample: 1 120
Included observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.975083	0.583949	3.382284	0.0010
BSIZE	-0.045266	0.025791	-1.755103	0.0820
COSIZE	0.433133	0.137010	3.161334	0.0020
FPROFIT	0.363892	0.139311	2.612090	0.0102
LEV	-0.008419	0.013253	-0.635261	0.5265
FAGE	-0.004968	0.002532	-1.962050	0.0522
LIQ	0.215667	0.057164	3.772758	0.0003

R-squared	0.727931	Mean dependent var	6.417667
Adjusted R-squared	0.713485	S.D. dependent var	1.374579
S.E. of regression	0.735773	Akaike info criterion	2.280772
Sum squared resid	61.17384	Schwarz criterion	2.443375
Log likelihood	-129.8463	F-statistic	50.38929
Durbin-Watson stat	1.451597	Prob(F-statistic)	0.000000

Dependent Variable: FINQUA
Method: Least Squares
Date: 01/07/19 Time: 08:38
Sample(adjusted): 2 120
Included observations: 119 after adjusting endpoints
Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.213670	0.751797	2.944505	0.0039
BSIZE	-0.021672	0.030520	-0.710091	0.4791
COSIZE	0.474611	0.137976	3.439809	0.0008
FPROFIT	0.232612	0.135482	1.716925	0.0888
LEV	-0.004195	0.011791	-0.355782	0.7227
FAGE	-0.008292	0.004338	-1.911481	0.0585
LIQ	0.083853	0.054486	1.538992	0.1267
AR(1)	0.455842	0.090433	5.040670	0.0000

R-squared	0.759846	Mean dependent var	6.430185
Adjusted R-squared	0.744701	S.D. dependent var	1.373505
S.E. of regression	0.693993	Akaike info criterion	2.172150
Sum squared resid	53.46049	Schwarz criterion	2.358982
Log likelihood	-121.2429	F-statistic	50.17185
Durbin-Watson stat	1.991439	Prob(F-statistic)	0.000000
Inverted AR Roots	.46		

	FINQUA	BSIZE	COSIZE	FPROFIT	LEV	FAGE	LIQ
Mean	6.417667	14.45000	7.405050	5.652508	3.406692	38.60000	0.245114
Median	6.867500	15.00000	8.060000	5.558500	2.786000	25.00000	0.038300
Maximum	8.539000	21.00000	9.382000	7.975000	57.69000	121.0000	12.62270
Minimum	4.002000	6.000000	5.079000	3.053000	-0.629000	15.00000	0.000700
Std. Dev.	1.374579	2.915764	1.388316	1.431166	5.184550	27.88825	1.197390
Skewness	-0.171490	-0.384921	-0.068761	-0.034180	9.680300	1.787923	9.437086
Kurtosis	1.515214	3.257080	1.327039	1.576531	101.8626	5.386919	96.98164
Jarque-Bera	11.61112	3.293738	14.08855	10.15469	50743.23	92.42028	45943.91
Probability	0.003011	0.192652	0.000872	0.006236	0.000000	0.000000	0.000000
Observations	120	120	120	120	120	120	120

	FINQUA	BSIZE	COSIZE	FPROFIT	LEV	FAGE	LIQ
FINQUA	1.000000	-0.366381	0.794698	0.809974	0.002954	-0.220199	0.085820

BSIZE	-0.366381	1.000000	-0.247539	-0.358354	0.049350	0.141848	-0.055557
COSIZE	0.794698	-0.247539	1.000000	0.928469	0.075500	-0.089570	-0.132727
FPROFIT	0.809974	-0.358354	0.928469	1.000000	0.072562	-0.170132	-0.129465
LEV	0.002954	0.049350	0.075500	0.072562	1.000000	0.146033	-0.033815
FAGE	-0.220199	0.141848	-0.089570	-0.170132	0.146033	1.000000	0.013309
LIQ	0.085820	-0.055557	-0.132727	-0.129465	-0.033815	0.013309	1.000000