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EFFECT OF FINANCIAL REPORTING QUALITY ON CORPORATE PERFORMANCE: A STUDY OF LISTED BANKS IN NIGERIA

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Abstract

This study is focused on the effect of financial reporting quality on corporate performance of listed banks in Nigeria". The essence of this research work is to determine the relationship between discretionary accruals, non-discretionary accruals, and return on equity. The study adopted an Ex-Post Facto research design. Data were obtained from annual reports and accounts of five listed banks in Nigerian Exchange Group. Data analyses were carried out using descriptive statistics and the hypotheses were tested with regression analysis via of E-view 9 and the level of significance used to test the hypothesis was 5%. The findings show that there is negative and insignificant effect between discretionary accruals, non-discretionary accruals and return on equity. In light of the preceding the study recommended that since this study has confirmed that both variables have negative and insignificant influence on each other, banks' management should implement new strategies to improve the quality of their financial reporting regarding discretionary accruals. This will allow for a significant increase in the level of their return on investment.

Keywords: Discretionary accruals, Non-discretionary accruals and Return on equity

1.0 Introduction

The requirement to produce high-quality financial reports has attracted a lot of attention globally today. According to IASB (2013), providing information on financial reporting that is of a high quality is important because it will have a positive impact on capital providers and other stakeholders when it comes to making decisions about investment, credit, and similar decisions about how to allocate resources, which will improve the efficiency of the market as a whole. According to the IASB, adhering to the objective and qualitative characteristics of financial reporting information are essential prerequisites for the usefulness of corporate information. The qualities that make financial data useful are referred to as qualitative characteristics, and they include the following:(Ahmed, Maysam, and Naim, 2018) relevance, faithful representation, comparability, verifiability, timeliness, and understandability According to Nwaobia, Kwarbai, Jayeoba, and Ajibade (2016), the developers of accounting standards consider relevance and reliability to be the most important indicators of financial information quality. Most importantly, due to business globalization, geographic expansion, and technological advancements, there is a current high demand for high-quality information from investors, stakeholders, and society (Rathnayake, Rajapakse, and Lasantha, 2021).

Financial reporting of high quality will not result solely from its preparation in accordance with generally accepted accounting policies and standards. As a result, the characteristics of a company's financial statements are referred to as financial reporting quality. In accordance with the ICASL (2020) conceptual framework for financial reporting, high-quality financial reporting must aid in decision-making.

The process of making decisions calls for information that is both financial and non-financial. Accounting provides the most critical financial data necessary for business decision-making. As a result, we can say that accounting provides management with a service. According to Eyenubo, Mudzamir, and Ali (2017), financial reporting is deemed to be of high quality if it possesses three characteristics: transparency, full disclosure, and comparability. There are multiple stages to the accounting process. The first step is the data processing phase, which involves gathering information about previous business activities. The second phase, business event analysis at the end of the accounting period, follows data collection. Prior to preparing basic financial statements, we must verify the accuracy of the data in the books because financial statements are based on those data.

Financial reporting's primary goal is to provide high-quality financial reporting data about economic entities, primarily financial ones, that can be used to make economic decisions (FASB, 1999;IASB, 2008).The Nigerian stock exchange (NSE) has instructed all companies that are quoted on the exchange to ensure that they adopt the IFRSs (International Financial Reporting Standard) by December 2011 in order to achieve this goal, and the Central Bank of Nigeria (CBN) has also instructed Nigerian banks to adopt the IFRSs by December 2010 (Egedegbe, 2009).

However, despite all of this financial regulation, the majority of businesses continue to engage in fraudulent practices, such as falsifying financial records to show bogus profits, a depleted deposit base, or low Profit After Tax, depending on their goals. Earnings management and creative accounting are the results of these sharp practices, which in turn produce a negative Earnings Per Share, a poor Profit Margin, and a low Return On Investment. This study was inspired by the fact that numerous studies on corporate performance and financial reporting have been carried out in a variety of ways, each with its own unique set of findings. Researchers contend that empirical justification is required to ascertain the true nature of this relationship because they disagree regarding the casual order of these constructs. As a result, the purpose of this study is to fill in the gaps by examining the impact of financial reporting on the corporate performance of Nigeria's listed banks, taking into account the omissions found in previous research. The main objective of this study is to assess effect of financial reporting on corporate performance of listed bank in Nigeria.

The specific objectives are as follow:

1. To examine the relationship between discretionary accruals and Return on equity.

2. To determine the relationship between abnormal accrual and Return on equity.

2.0 Review of Related Literature

2.1 Financial Reporting Quality

Financial information is recorded in accordance with relevant accounting standards as part of Financial Reporting Quality (FRQ). Financial reporting, as defined by Vargiya (2015), entails providing relevant financial data to a company's various stakeholders over a predetermined time period. Investors, lenders, suppliers, and government agencies are all examples of stakeholders. Accounting's final product is regarded as financial reporting. Financial related explanations from Statement of financial position, Statement of comprehensive income, Statement of cash flow, Statement of changes in equity, notes to financial related explanations,

quarterly and annual reports (if quoted organizations occur), and financial reporting quality will be reduced by management discretionary behavior and decisions (Rathnayake, Rajapakse, and Lasantha, 2021). They may attempt to manipulate financial information for various purposes. It will have an impact on the company's financial performance in the long run because it will eliminate the fundamental quality of reporting, which is accurate representation. As a result, statements' financial numbers and qualitative aspects should be prioritized.

It has been asserted that high-quality accounting information is a valuable means of counteracting information asymmetry, as stated by the leading authorities on the evaluation of financial reporting (such as the FASB, the SEC, or the Jenkins committee) (Chen Hope, Li, and Wang, 2011).According to Martinez-Ferrero (2014), FRQ mandates that businesses voluntarily expand the scope and quality of the information they report to enable market participants to make well-informed decisions regarding investment and credit. Investors and stakeholders will be pleased with increased transparency thanks to this high-quality data (ibid.). According to Lambert, Leuz, and Verrecchia (2007), providing high-quality information has numerous benefits, including decreased information risk and liquidity. In particular, the reduction of asymmetric information issues brought on by conflicting agency is one of the primary advantages of improved FRQ (Rajgopal and Venkatachalam, 2011).

According to Jo and Kim (2007), market agents benefit from better conditions and a higher level of information when businesses report financial information of a higher quality. According to Lambert, Leuz, and Verrecchia (2007), the quality of accounting information can have an impact on the cost of capital in two ways: directly by influencing market participants' perceptions of the distribution of future cash flows and indirectly by influencing actual decisions that alter the distribution of future cash flows (Martinez-Ferrero, 2014). Chen, Hope, Li, and Wang (2011) discovered that FRQ positively affects private firms' investment efficiency in emerging markets. Additionally, it reduces incentives for tax avoidance resulting from earnings minimization and improves bank financing.

The most frequently used proxies of this idea in the literature for evaluating FRQ are: quality of earnings, conservatism in accounting, and accruals. According to Dechow, Ge and Schran (2010), "higher earnings quality shows the features of the firm's earnings process that are relevant to a specific decision made by a specific decision-maker" serve as examples of this theory's three categories of earnings quality proxies. These substitutes are: earnings' properties, earnings' response coefficients, and external FRQ indicators Firm Consequences of financial reporting quality characteristics, financial reporting practices, governance and controls, auditors, capital market incentives, external factors, and the level of institutional factors in the country of the company were, in the opinion of these authors, the determinants of earnings quality (Martinez-Ferrero, 2014).The degree of accounting conservatism, which indicates that economic losses are incorporated into accounting earnings more promptly than economic gains, is the second FRQ measure to take into consideration (Ball, Kothari, and Robin, 2000).

2.2 Banks Attributes and Financial Reporting

Previous research indicates that the company's choice of internal governance mechanism is influenced by company and industrial factors, particularly with regard to performance measures, Karuna (2009). Engel, Gordon, and Hayes (2002) conceptually separated attributes of companies into three groups: attributes that are uncontrollable, partially controllable, and controllable. Organizational sizes and structures are examples of uncontrollable characteristics that are outside of an organization's direct control. Organizational resources and maturity are

examples of partially controllable attributes that are susceptible to change over time but cannot be altered at will by the company. Additionally, the company is in charge of the attributes that can be controlled. The attributes, whether controllable or uncontrollable, are, to some extent, susceptible to manipulation by the managers of the businesses due to the fact that there is always a day of reckoning. Because managers are able to alter these characteristics to ensure that short-term results are in line with expectations, this suggests that company characteristics may be a significant factor in determining the quality of financial reporting.

We draw from previous accounting research to elaborate on our prediction of the connection between the quality of financial reporting in Nigeria and a variety of company characteristics, which influence the reliability of financial reporting (Adediran, Alade and Oshode, 2013). Even though these characteristics may systematically change over time and across a group of companies, the following characteristics have been chosen because they are more sensitive to or precise in relation to the quality of financial reporting: Size of bank, profitability, age of bank, and audit firm size.

It has been discovered that the quality of financial reporting is influenced by a bank's size. The connection between the size of a company and the quality of a financial report has been supported by a number of arguments. According to Ng and Tai (1994), large companies can afford ongoing audits and have more resources to establish and enforce robust internal control systems in their organizations. In a similar vein, Ahmed and Nicholls (1994) observed that large businesses are more likely to have the resources and expertise required for the production and publication of more complex financial statements, as well as higher levels of disclosure compliance and reliability.

Because of the potential impact that such news could have on the share price as well as other indicators, managers of businesses would be more likely to report profit sooner than they would report a loss when it comes to profitability. Previous research (Chambers & Penman, 1984) demonstrates that managers are more likely to announce positive news (like a profit) than negative news (like a loss).

2.3 Firm Performance

Corporate financial performance is a measure of a company's ability to generate revenue and use assets from its primary business. An organization's purpose can only be fulfilled if its operational performance is effective. An efficient strategic business practice is necessary for businesses to maintain their financial performance and gain an advantage over competitors in the industry (Umar and Dikko, 2018). Ratios are one method that managers use to control an organization's finances. Ratios are just relationships between two financial balances or financial calculations that provide us with references for determining an organization's financial performance. According to Seifert et al., the market to book ratio (MTB) is one of several methods used in this study to evaluate the FP.2003). In accordance with the previous indication from Hillman and Keim (2001), this variable of the study classifies market measures of financial performance. In their research, these authors assert that accounting activities are less successful than market actions due to their inability to depict the long-term value of the company, their focus on previous FP, and their vulnerability to manager manipulation. The amount of utility or benefits that shareholders derive from a company's shares can be used as a measure of the company's performance or value. Financially, a company is said to be doing well if its shares sell for a high value.

The performance of the company is the study's dependent variable. This study employs three measures because there are numerous ways to assess financial performance: Market to Book Ratio, Return on Equity (ROE), and Return on Assets (ROA). Financial performance and market performance typically fall under the category of firm performance. ROE is a measure of a company's financial performance that takes into account the return on assets and equity employed by the company. According to Lopes (2012), these ratios make it possible to compare businesses of varying sizes and are simple to obtain.

In point of fact, shareholders demand a return on equity (ROE) that is greater than that of debt. Shareholders use ROE as a corporate performance indicator to evaluate an organization's efficiency over time. From the perspective of shareholders—insiders—retained earnings are superior to outside financing as a source of funds. This is based on the assumption that corporate entities will use debt financing if retained earnings are insufficient. ROE is the value of net income returned as a percentage of shareholder equity, and it is a measure of an organization's performance. ROE, which is calculated as a ratio of profit after tax to equity, shows how much profit an organization makes from the money invested by shareholders.

2.4 Empirical Studies

Rathnayake, Rajapakse, and Lasantha (2021) investigated how Firm Performance was affected by Financial Reporting Quality in Sri Lankan listed businesses. The methodology of this study is quantitative. Over the course of six years (2013-2018), secondary data were obtained from the published annual financial statements of listed companies. The random effect model and STATA were used to test the hypothesis, and the stratified random sampling method was used to select the sample. Regressing Return of Assets, Return on Equity, and Market to Book Rati\o against Financial Reporting Quality and control variables produced overall significant results for the three tested models. However, there was no significant connection found between the various financial performance indicators and Financial Reporting Quality. In 2019, Ahmed and Ayo looked into how corporate performance in Nigeria was affected by the quality of financial reporting. The observed relationship between the variables that were explained and an explanatory variable at the levels of 0.01 and 0.05, the empirical tests' outcomes were statistically significant. According to the findings of the research, there is a significant negative correlation between the level of corruption and the quality of financial reporting in Nigeria. This suggests that the level of corruption in Nigeria is inversely correlated with the quality of financial reporting. In addition, a significant positive correlation between IFRS and the quality of financial reporting was discovered. Ahmed, Maysam, and Naim (2018) looked at the relationship between non-financial business performance and the quality of financial reporting in Jordanian public listed companies to see if demographic characteristics like size, type, and experience have any effect. A self-administered questionnaire was used to collect the data for the study from 239 public listed companies in the Stock Amman Market database. Non-financial business performance had a significant impact on the components of the quality of financial reporting, and the differences in quality of financial reporting among these businesses were significantly found to be related to their size and experience rather than the type of business they were a part of. Osiorenoya (2018) investigated the relationship between quoted Nigerian companies' financial performance and financial reporting. Data were analyzed using regression analysis with SPSS version 20 and E-views 7 statistical software, and a 5% level of significance was used to test the hypothesis. The results demonstrate that there is a significant connection between profit after taxes and the quality of financial reporting. Additionally, it demonstrates that the quality of a financial report has a significant impact on asset return. Adeleke, Akinselure, and Oluwafemi (2017) focused on the effect of disclosure in financial

reports on the performance of Nigerian quoted companies. The survey and ex-post-facto research designs were used in the study to collect data and companies for statistical analysis. SPSS 20 was used to analyze the study's hypotheses, and a 5% level of significance was used to test the hypotheses. The study's results showed a positive correlation between transparency of financial reporting and profit after tax, with a P-value of 0.003 < 0.05 percent. Additionally, the statistical results showed a significant correlation between transparency of financial reporting and return on equity, with a P-value of 0.004 0.05 percent. Eyenubo, Mudzamir, and Ali's (2017) empirical analysis of Nigeria's quoted companies' financial reporting quality revealed a positive and significant correlation between corporate governance and financial reporting quality. The results emphasize the significance of the corporate governance recommendation as a means of strengthening the monitoring and oversight role the audit committee plays in the process of financial reporting. Panel data regression was used, and audit committee size was found to be positive and significant with financial reporting quality. The study also offered suggestions for improving the quality of disclosure in financial reporting. Akeju and Babatunde's (2017) investigation into the relationship between financial reporting quality and corporate governance in Nigeria revealed that corporate governance enhances financial reporting quality in Nigeria. A sample of forty businesses that were listed on the Nigeria Stock Exchange (NSE) between the years 2006 and 2015 were used in the study. At the 0.05 level, the multiple regression analysis's findings were statistically significant. The results typically explained the model are shown by the F statistic of 3. 641.Using analysis of variance (ANOVA), Adegbie and Fofah (2016) looked at ethics, corporate performance, and financial reporting in the Nigerian banking industry. The results showed that good corporate performance will eventually lead to ethical behavior and accurate financial reports. Ojeka, Mukoro, and Kanu (2015) investigate the connection between the performance of Nigerian listed manufacturing companies between 2005 and 2009 and financial reporting disclosures in annual reports. The variables of disclosure include: Return on Equity (ROE) was used as a measure of financial performance, while timeliness, board size, type of auditors' report, and the percentage of value added retained for expansion were used as measures of financial reporting disclosure. As the control variables, age and size were utilized. Panel Least Square Regression and secondary data were utilized in the study's data analysis. Except for the case of the percentage of value added retained for expansion size, where no significant relationship was found, the results demonstrated that there is a significant relationship between financial reporting disclosures and financial performance. Using three proxies of FRQ, Martinez-Ferrero (2014) investigated the effects of Financial Reporting Quality (FRQ) on Corporate Performance: quality of income, conservatism; and the quality of accruals from 2002 to 2010.Financial reporting quality (FRQ) has a positive impact on financial performance when simultaneous equations are used for the panel data using the GMM estimator that Arellano and Bond (1991) proposed. This result holds true for an aggregated measure of the three previous proxies of FRQ as well as for the various FRQ measurements (earnings quality, accruals quality, and accounting conservatism). The empirical evidence demonstrates that the adoption of IFRS, the accounting system used in the country, the perception of corruption in the company's home country, and the influence of the economic cycle moderate this relationship. Using a multivariate regression model, Gois (2014) investigated the quality of Portuguese firms' financial reporting and corporate governance. The research indicates that board composition changes and that the degree of independence of the board has no effect on the quality of Portugal's accounting data.

3.0 Methodology

3.1Research Design

This study adopted an ex-post facto research design based on the fact that the study seeks to examine the impact of past factor(s) on the present happening or event, and its strengths. The study utilized the descriptive analysis to examine the relationship between corporate governance and corporate performance of Nigerian banks.

3.2Population and Sample Size Determination

Twenty-two (22) distinct banks that were listed on the floor of the Nigerian Stock Exchange between 2012 and 2020 comprised the population of the study. These include all Nigerian quoted money deposit banks. Given the goal of this study, it was crucial to limit the sample size to 5 banks that were selected at random and listed on the Nigerian Exchange Group from 2012 to 2020. This ensured a statistically accurate representation of the research population. Banks are; Fidelity Bank Nigeria, Access Bank, Eco Bank, Fidelity Bank Nigeria, First Bank Nigeria and Zenith Bank are some of the other financial institutions.

The annual reports of Nigerian-based banks that are listed on the Nigerian Exchange Group served as the source of the data used in this study. In this study, only secondary data were used. The majority of the other sources came from articles, conference papers, published journals, and Internet resources.

While processing the data, the study ran into a number of obstacles. Additionally, some banks are updating their websites as part of the ongoing structural reforms to the banking system; consequently, data cannot be obtained from these banks. As a result, the study could only use data from 2012 to 2020.

3.3Method of Data Analysis

The study considered bank's performance variable as the dependent variable (ROE) while financial reporting Quality variables (DA, and NDA). Hypotheses formulated for the study will be tested with the regression analysis to establish the effect of relationship between the variables with the aid of E-view 9.0.

3.4 Model Specification

The performance variable is regressed against both the control and Financial Reporting Quality variables per time. The functional form of the model is as follows,

Perfit = f(FRit, Contit)

Where Performance indicates the performance variable, FR is the Financial Reporting Quality variables and Cont refers to the control variables as previously defined.

$ROE_{it} = a_0 + \mu_i + \beta_1 DA_{+t} \sum_{it}$ ……………………….……………………..… ……….i

$ROE_{it} = a_0 + \mu_i + \beta_2 NDA_{+t} \sum_{it}$ ……………………….……………………..…..ii

Where:

ROE= Return on equity

FRQ=Financial reporting Quality Proxy as follows:

DA=Discretionary accruals

NDA=Non-Discretionary Accruals

a_0 = slope of the model

β_I, β_2, = coefficient of parameters.

i for the financial year ending at year *t*.

μ = Mean of population

3.5 Decision rule

Accept the null hypothesis if the P Value is greater than 0.05 and then the alternate hypothesis will be rejected. Accept the alternate hypothesis if the P-value is less than 0.05 and then the null hypothesis will be rejected.

4.1 Data Analysis

Table 1: Descriptive statistics

	ROE	DAC	NDA
Mean	0.184167	-7.61E+08	-0.188478
Median	0.187528	-9.63E+08	-0.047860
Maximum	0.210367	3.04E+09	0.091550
Minimum	0.152914	-5.50E+09	-1.134790
Std. Dev.	0.018393	2.83E+09	0.374737
Skewness	-0.260526	-0.186062	-2.013608
Kurtosis	2.121961	2.056527	5.801113
Jarque-Bera	0.390918	0.385731	9.024265
Probability	0.822457	0.824593	0.010975
Sum	1.657507	-6.85E+09	-1.696303
Sum Sq. Dev.	0.002706	6.42E+19	1.123424
Observations	9	9	9

The above shows the mean of each variable, their maximum values, minimum values, standard deviation, skewness and Jarque-Bera (JB) Statistics (normality test). The results in the above table provided some insight into the nature of the selected Nigerian banks that were used in this study.

Firstly, it was observed that on the average over the eight years periods (2012-2020), the sampled quoted banks in Nigeria were characterized by positive return on assets (ROE = 0.1842). Also, the large difference between the maximum and minimum value of the Discretionary accruals (DAC), and Non-Discretionary Accruals (NDA) show that the sampled quoted banks in this study are not dominated by firms with large equity.

Secondly, the study observed that the Jarque-Bera (JB) which test for normality or the existence of outlier or extreme values among the variables shows that all our variables are normally distributed but not significant at 5% level and the result could be generalized. This also implies that a least square regression can be used to estimate the pooled regression models.

Test of Hypotheses

Hypothesis One

Ho: There is no significant relationship between discretionary accruals and return on equity.

Table 2: Ordinary Least Square (OLS) Analysis between discretionary accruals and return on equity

Dependent Variable: ROE
Method: Least Squares
Date: 10/02/22 Time: 13:47
Sample: 2012 2020
Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.183331	0.006716	27.29564	0.0000
DAC	-1.10E-12	2.42E-12	-0.454812	0.6630

R-squared	0.028702	Mean dependent var	0.184167
Adjusted R-squared	-0.110054	S.D. dependent var	0.018393
S.E. of regression	0.019379	Akaike info criterion	-4.856142
Sum squared resid	0.002629	Schwarz criterion	-4.812314
Log likelihood	23.85264	Hannan-Quinn criter.	-4.950722
F-statistic	0.206854	Durbin-Watson stat	2.508941
Prob(F-statistic)	0.663014		

In Table 2, R-squared and adjusted Squared values were (0.029) and 0.110) respectively. The indicates that the independent variable jointly explain about 11% of the systematic variations in return on equity (ROE) of our samples banks over the nine years periods (2012-2020). The F-statistics (1.207) and its P-value (0.663) show that the ROE regression model is well specified.

Test of Autocorrelation: using Durbin-Waston (DW) statistics which we obtained from our regression result in table 2, it is observed that DW statistics is 2.508 and an Akika Info Criterion and Schwarz Criterion which are -4.856 and -4.812 respectively also further confirms that our model is well specified. In addition to the above, the specific finding from explanatory variable is provided as follows:

Discretionary accruals**,** based on the t-value of -0.454812 and p-value of 0.663, was found to have a negative influence on our sampled quoted banks and this influence is not statistically significant as its p-value is higher than 0.05 values. This result, therefore suggests that we should accept our null hypothesis one which states that there is no significant relationship between discretionary accruals and return on equity.

Hypothesis two

Ho: There is no significant relationship between abnormal accrual and return on equity.

Ordinary Least Square (OLS) Analysis between Non-discretionary accrual and return on equity

Dependent Variable: ROE
Method: Least Squares
Date: 10/02/22 Time: 13:48
Sample: 2012 2020
Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.183996	0.007427	24.77250	0.0000
NDA	-0.000912	0.018548	-0.049156	0.9622

R-squared	0.000345	Mean dependent var	0.184167
Adjusted R-squared	-0.142463	S.D. dependent var	0.018393
S.E. of regression	0.019660	Akaike info criterion	-4.827364
Sum squared resid	0.002706	Schwarz criterion	-4.783537
Log likelihood	23.72314	Hannan-Quinn criter.	-4.921944
F-statistic	0.002416	Durbin-Watson stat	2.318658
Prob(F-statistic)	0.962168		

In Table 3, R-squared and adjusted Squared values were (0.001) and 0.142) respectively. The indicates that the independent variable jointly explain about 14% of the systematic variations in return on equity (ROE) of our samples banks over the nine years periods (2012-2020). The F-statistics (0.002) and its P-value (0.962) show that the ROE regression model is well specified.

Test of Autocorrelation: using Durbin-Waston (DW) statistics which we obtained from our regression result in table 3, it is observed that DW statistics is 2.319 and an Akika Info Criterion and Schwarz Criterion which are -4.827 and -4.784 respectively also further confirms that our model is well specified. In addition to the above, the specific finding from explanatory variable is provided as follows:

Discretionary accruals**,** based on the t-value of -0.049156 and p-value of 0.663, was found to have a negative influence on our sampled quoted banks and this influence is not statistically significant as its p-value is higher than 0.05 values. This result, therefore suggests that we should accept our null hypothesis one which states that there is no significant relationship between non-discretionary accruals and return on equity.

5.0 Conclusion and Recommendations

Because they help to reduce information asymmetry among managers, investors, regulators, and other stakeholders, company financial reports are essential resources for any market participant. This study examined the effect of financial reporting on corporate performance of listed bank in Nigeria. Specifically, this study looked at how corporate performance in Nigeria was affected by the quality of financial reporting. Using discretionary accruals, abnormal accrual and Return on equity, data were extracted from annual reports and accounts of five

banks randomly selected. The analysis was carried out through descriptive statistics, while the hypotheses were tested using regression analysis via E-view 9.0. The results revealed that discretionary and non-discretionary accruals have negative insignificant on return on equity of listed banks in Nigeria.

According to the preceding research, there is a statistically insignificant negative correlation between financial performance and the quality of financial reporting. This demonstrates that Nigeria's financial performance decreases proportionally to the quality of financial reporting. A negative coefficient between financial reporting quality and financial performance was evidence of this.

The findings are inconsistent with those of Ahmed, Maysam, and Naim (2018), who investigated the connection between non-financial business performance and the quality of financial reporting in Jordan's publicly traded companies. The results indicate that the non-financial business performance is significantly influenced by the components of financial reporting quality, and that the differences in financial reporting quality among these businesses are significantly related to their size and experience.

The findings are in line with Martinez-Ferrero's (2014) investigation of the effects of Financial Reporting Quality (FRQ) on corporate performance using three FRQ proxies: quality of income, conservatism; and the quality of accruals, demonstrating that the relationship is moderated by the perception of corruption in the company's country of origin, the adoption of IFRS, the country's accounting system, and the influence of the economic cycle.

In light of the preceding the study recommended that since this study has confirmed that both variables have negative and insignificant influence on each other, banks' management should implement new strategies to improve the quality of their financial reporting regarding discretionary accruals. This will allow for a significant increase in the level of their return on investment.

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