BOARD ATTRIBUTES AND FINANCIAL REPORTING QUALITY: EVIDENCE FROM LISTED MANUFACTURING FIRMS IN NIGERIA

Paul B. Ogunwole (B.Sc.,M.Sc.,ACA)

p.eruditescholar@gmail.com, Paul.ogunwole@kwasu.edu.ng
Department of Accounting and Finance, Kwara State University, Malete, Kwara State, Nigeria, +2348060588449,

Saidu MUSA (HND.,B.Sc.,M.Sc.,ACA)

musasaidu.aca2010@gmail.com, saidu.musa@kwasu.edu.ng

Department of Accounting and Finance, Kwara State University, Malete, Kwara State, Nigeria, +2348034171329,

https://orcid.org/0000-0001-7783-4108

MuhammedKamaldeenUsman (B.Sc.,M.Sc.,ACA)

usmankamal22@gmail.com,

muhammed kamaldeen.usman@kwasu.edu.ng

Department of Accounting and Finance, Kwara State University, Malete, Kwara State, Nigeria, +2348031163417

Abstract

Incessant widespread of corporate financial scandals has been matters of concern among corporate stakeholders. This has led to the collapse of firms around the globe in the last decade. This failure hascost the investing public serious financial losses amounting to several billions of naira. However, the alarming rate of poor financial reporting quality cast doubts on this expectation to the extent that investor confidence has been eroded due to the low quality of information made available in corporate reports. The management`s unethical deals have cost the investing public serious financial losses amounting to several billions of naira. This study examines the effect of board attributes and financial reporting quality of listed manufacturing companies in Nigeria. Ex-post facto research design was used with support of panel data estimation, the population of the

study is the totality of 184 listed firms on the Nigeria Stock Exchangewhile the sample size of 43 listed manufacturing companies in Nigeria. Descriptive statistics was employed and statistically analyzed using panel least squares regression analysis. . Results of the study show that: foreign board member has positive significant effect with financial reporting quality of the listed manufacturing firms in Nigeria ($t = 2.059$, p-value<0.0329) at 5% significance level. The result also show that: board competency has positive significant effect with financial reporting quality of the listed manufacturing firms in Nigeria ($t = 3.4136$, $p < 0.0152$) at 5% significance level The study concluded that, board attributes affect financial reporting quality of the listed manufacturing firms in Nigeria. The study therefore recommended that certain proportion of appointment should be given to foreign members so as to give room for more ideas and exposures in order to enhance the quality of financial reports.

Keywords: Board independence, Board competency, Foreign Board member, Financial Reporting Quality, Listed manufacturing firms in Nigeria.

INTRODUCTION

Financial reporting is one of the most crucial devices of an accounting system which aimed at giving information to guide and assist various stakeholders` in decision making (Farouk, 2014). In recent years, widespread moral lapses and corporate financial scandals have brought the issue to the forefront which led to the collapse of firms around the globe as a result of the manipulations of figures in the financial statement which has reduced the public confidence in relying on the figures in the financial report in making various investment decisions. This is evidenced from the collapse of notable firms in the world such as Enron, WorldCom in USA in 2001, Parmalat, Lehman Brothers, One Tel`s in Australia, Barclay Bank in UK, Polly Peck, Tyco, Cadbury and to mention a few, together with their respective external auditors has raised dusts on the integrity of the profession (Cortese, 2009; Monem, 2011).

The huge and embarrassing corporate failure and high profile frauds in the

last two decades have called to question the integrity of the accounting profession both within and outside the country, leading to increased demands for ethics within the auditing profession. Ever since then, researchers have delved into knowing the main reason for the failures of these big firms, and have attributed it to low ethical standard, (Ogbonna&Ebimobowei, 2012; Enofe, Edemenya&Osunbor, 2015; Aifuwa, Embele, &Saidu, 2018; Mubaraq, Mustapha &Saidu, 2019).

These calamities had raised questions on the effectiveness of the corporate governance mechanisms, especially those in charge of overseeing the activities of the management in ensuring that the interests of the stakeholders are protected. Consequently, corporate regulators in different countries usually adopt the use of specially designed codes to facilitate the regulation and control of the firms and their behaviours with a view to attaining good corporate governance (Damagum&Chima, 2014). As such, regulatory bodies have been setup in different parts of the world to oversee the practice and the conduct of the auditing and accounting profession. For instance, the International Federation of Accountants (IFAC) has continued to maintain the formulation of auditing guidelines to enhance the reliability and the integrity of corporate financial reporting

The enactment of corporate governance regulations has placed significant importance on the financial reporting quality. Corporate governance has therefore received a considerable attention in the literature and the corporate governance systems of modern corporation has been placed under close scrutiny in the last two decades due to global scandals in big global businesses such as Enron, WorldCom in USA in 2001, Parmalat, Lehman Brothers, One Tel`s in Australia, Barclay Bank in UK, Polly Peck, International News Corporation, Tyco, Cadbury and MTN in Nigeria, among others, in the last two decades (Cortese, 2009; Monem, 2011). Each round of corporate scandals over the years sets off a fresh round of debate and corporate governance enhancements. For instance, the Asian financial crisis in the late 1990s led to the focus on insider trading; Enron and WorldCom scandals brought the role of audit

committees and external auditors and board independence into focus and the collapse of Lehman Brother led to the focus on executive remuneration (Ogechie and Koufopoules, 2010).

Several attributes create good corporate governance, but the most important of them is the Board of Directors which is saddle with the responsibility of ensuring that financial statement prepared by the management of a firm is of high quality by having the attributes of financial statement such as relevance, reliability, faithfulness and timeliness (Salleh and Othman, 2016). In fact, at the heart of corporate governance reforms and enhancements is a common interest in the effectiveness of Board of Directors. However, the scandals that have caused the global financial crisis have been blamed on the ineffectiveness of corporate board to discharge its management oversight role. Hence, the corporate board failed to rightly influence the corporate policy decisions, in such areas as voluntary disclosure of information, financing (capital structure) and earning management (Elghuweel, 2015).

Expectedly a quality financial report should be a product of the effectiveness of an unbiased set of independent directors. However, the alarming rate of poor financial reporting quality cast doubts on this expectation to the extent that investor confidence has been eroded due to the low quality of information made available in corporate reports. Emanating from the problem of director's independence is the issue of foreign member of the board in any company which are influence the management to disclose more information but despite that, corporate organisation seems to involve in practice that prevents foreign members to exercise controlling influence to mount pressure on the management to disclose sensitive information. The implication of this is that when foreign member of the board are allowed to exercise their controlling influence accordingly, it would go a long way in reducing financial reporting scandals (Reggy, Nicks, Lars & Trond, 2015).

Therefore, this study investigates the effect of board attributes and financial reporting quality of listed manufacturing firms in Nigeria. In order to achieve this, the following hypotheses in their null form are

tested.

Ho_1: Board independence has no significant influence on financial reporting quality of the listed manufacturing companies in Nigeria.

Ho_2: Board competency does not significantly impact on financial reporting quality of the listed manufacturing companies in Nigeria.

Ho_3: Foreign board membership has no significant impact on financial reporting quality of the listed manufacturing companies in Nigeria.

LITERATURE REVIEW

Conceptual Review

The phrase "board attributes" is a blend of two concepts: board and attributes. While the former as stated in S.334 (1) of the Companies and Allied Matters Act 2004 (as amended), the board of directors (usually referred to as the board) is vested with the duty of hiring managers and administering the activities of the organization. The latter means a typical or noticeable quality of someone or something. Therefore, board attributes can be defined as one internal corporate governance mechanism, which expatiates on the features of the board. The attributes of the board includes size, independence, competency, foreign board membership, diversity (age, gender, nationality, expertise, educational and functional background), and committee structure (Anderson, Mansi, &Reebi, 2004).

The administrative activities of the board involve the duty of overseeing and monitoring the organization`s financial reporting process which play a significant role in monitoring and controlling managers (Anderson *et al.*, 2004). They meet at scheduled time with the organization`s Accountant and external auditors to review financial statements, audit procedures and the internal control system (Klein, 2002), as well as improving the organization's performance effectively and efficiently. Hermalin and Weisbach (2003) sees boards as market solution that helps mitigate the agency problems that befall most organizations. According to Jenfa (2000), the board is responsible for a company's internal control systems and has the ultimate responsibility for the operation of the

company.

Board of Directors is responsible for monitoring management on behalfof shareholders. For this reason, the shareholders ought to ensure that the board is staffed with competent and educated members that would not allow their investment to be wasted. Companies as well as the Nigerian Corporate Governance Code precisely spelt out the requirements expected ofthe directors. Business organisations formed and managed by competent and educated managers tend to perform better than those managed by uneducated managers whileeducational qualification and competencyof board members of directors are important for decision making.

Foreign directors have unique knowledge and understanding of various strategies of overseas standard financial reporting of a company. Their knowledge and expertise may be an added value for listed manufacturing firms in Nigeria to apply in ensuring quality financial reporting. Top managers of a firm may have information that the owner might not have or understand. In view of this, the owners or their representative (in this case foreign director) having knowledge and expertise are more capable of monitoring the top management team and evaluating the strategic direction of the top management (Fama& Jensen, 2016).

Akeju and Babatunde (2017) opined that a board characteristic or attribute which is an internal corporate governance mechanism improves financial reporting quality in an organisation. D'onza and Lamboglia (2014) asserted that a board attribute is a unique monitoring mechanism for detecting and correcting financial statement fraud. The uhique feature of the board makes it difficult for Accountants in an organisation to perpetrate and conceal a financial statement fraud. Cohen, Krishnamoorthy and Wright (2004), andMyring&Shortridge (2010). argued that one of the most important functions of corporate governance (both internal and external mechanisms) is to ensure the quality of the financial reporting process. Myring&Shortridge (2010). Ilaboya and Lodikero (2017) reiterated that it is imperative that the board should have some level of integrity and objectivity in the process of carrying out their

duties diligently and also be confidential in matters relating to the board. Fathi (2013) asserted that the quality of financial information is positively related to the quality of the board and quality of the ownership structure. This study critically looked at three board attributes –independence, competency and foreign board membership.

The financial statement of any firm is expected to have the required qualitative attributes as stated by international financial reporting standards which include relevance, reliability, comparability and timeliness. The financial statement should always depict the detailed information about the economic performance of firms (in terms of income statement), the statement of financial position, statement of cash flows and statement of changes in equity (IAS 1). This is to ensure that the information provided is of high quality.

The potential users of financial reports vary widely and include creditors, suppliers, financial analysts, government authorities and in general, all stakeholders of the entity. The issue of quality in financial reports is of prime concern not only for the final users but for the whole society as it affects economic decision which may have significant impact (IASB, 2018).

Verdi (2006) defines financial reporting quality as the exact manner in which it shows information as regards a business activity as it relates to its anticipated cash flows, with the aim of informing the shareholders about a company`s operation. Financial reporting quality is the degree of which financial statement provides us with information that is fair and authentic about the financial position and performance of an enterprise (Tang, Chen &Zhijun, 2008). It could be deduced from the definitions above that for a financial statement to be regarded as possessing high quality attribute, it must have present authentic/ genuine information about the economic performance, financial position and the activities of the business in relation to its cash flows generation with the main purpose of informing the shareholders and other stakeholders that have relationship/ interest in the financial reporting of the organisation.

Martínez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros (2013) also defined financial reporting quality as the faithfulness of information conveyed in financial reporting process and this definition mainly focused on the financial aspect of an organization. Financial statements of firms at the end of a financial year should have some element of truth in it. Therefore, it is imperative that the financial reports of firms should have high quality so as to increase the confidence of the users.

Beest, Braam, and Boelens (2009) assert that financial reporting quality could be assessed directly which it could be measured using accruals model, value relevance models, using specific elements in the annual reports and operationalizing the qualitative characteristics. Barth, Landsman, and, Lang, (2008); Schipper and Vincent (2013); Cohen *et al.*, 2004) reiterated that it could be indirectly measured using earnings management, financial restatements and timeliness.

The method of operationalizing the qualitative characteristics of financial reports could also be called the International Accounting Standard Board (IASB) qualitative model. Kythreotic (2014) observed that the qualitative characteristics are divided into fundamental characteristics and enhancing characteristics.

The fundamental characteristics are designed to separate the information or non-useful and/or misleading information (Kythreotic, 2014). The enhancing characteristics as defined by IASB (2018), cannot alone determine the quality of financial reports, so the fundamental characteristics is key to determining the quality of financial reports. The enhancing characteristics are relevance, comparability, timeliness, understandability, faithful representation and verifiability.

Financial statement is relevant when the information in the financial report can assist users in evaluating, correcting and confirming past and current events as well as influencing their economic decisions (Beest*et al.*, 2009). Relevance characteristics means that the financial statement can and influence decisions of users. More so, the information in the financial report must possess the attribute of reliability in order to make it useful for decision making. Information is said to be reliable when the

information is free from material misstatement and biasedness and its neutral, verifiable and faithful representation of the entity (Cheng, Evans &Wright, 2010). Another attribute of financial report is faithful representations. This means that the financial report should reflect and represent the real economic position of the financial information reported, that is the information must show high level of objectivity and balance. Faithful representation feature asserts that financial statements should present faithfully and economic event devoid of manipulations.

Furthermore, another critical attribute that is required of a financial report is comparability. According to Beest*et al.*, (2009), comparability requires that the same or identical situations in two events should be reflected by identical accounting fact and figures while different events should be reflected by different facts and figures in such a way that the information quantitatively reflects the differences in a comparable and easily interpretable manner. Comparability is therefore the concept of following users to compare financial statement in order to (assess the economic performance, financial position and cash flows of the firm) allow users to compare financial report across time and among other companies in the same period.

Timeliness enhances the quality of financial reporting as it shows that the information provided must be available to decision makers before it loses its good and powerful influences. It is evaluated as the differences between the year- end and the issuing date of the auditor`s report (Beest*et al.*, 2009). When this is released on time, it should be understandable. For a financial report to be understandable, it must be able to pass across effective information because the better understanding of the information from users, the higher the quality it will possess (Cheng *et al.*, 2010)

This study presents agency theory as a theoretical framework. The agency theory was propounded by Jensen and Meckling in 1976. Since then it has been a widely used theory in the field of management and social sciences (Ezelibe*et al.*, 2017). This theory explains how the separation of ownership and management in most large companies allow administrators not to assume the financial burdens of their decisions, and

also the relationship that exist between them in an organization. The separation of ownership and control of a company appears as a triggering factor for the problem of agency. From agency point of view, the benefit of robust governance arises from the necessity to reconcile the management's interests with the interests of other key stakeholders in an organization for the purpose of minimizing agency cost and improving the effectiveness in financial reporting.

Agency conflict is exacerbated by the problem of information asymmetry and Accounting can contribute to a company's corporate governance mechanisms by providing useful information to decision makers and therefore reducing information asymmetry and the impact of agency conflicts (Lopes, 2008). The theory also states that in the presence of information asymmetry, the agent is likely to pursue his personal interest that may negatively affect the owners of the organization (Sanda, Mikailu, &Garba, 2005).

The agency theory advanced two main conflicts: How to align the conflicting goals of the principal and the agent and how to ensure that the performance of the agent is in tandem with the expectations of the manager. The solution to either of these agency problems is to ensure that executives or managers act in best interest of the owners by increasing the amount and quality of information available to the principals and making senior executives part owners of the firm through their compensations packages (Watts & Zimmerman, 1983). To this end, the features of the executive's managers (board) tend to be of paramount importance in order to avoid these agencies problems highlighted. Some of their features are size, independence, diversity, diligence, competency, expertise, foreign board membership and so on. These features of the board are assumed to improve the quality of financial reports in an organization, which will in turn lead to improve the confidence of the stakeholders of the organization.

Furthermore, the presence of foreign member on the board of directors and the competency of the board member would enhance the quality of financial statement due to his vast knowledge in international market

through identification of some items that may be required in the financial statement.

Alves (2014) looked at the effect of board independence on earnings quality in Portugal using Portuguese listed companies. The study leaned on the Agency theory as the framework for the study. The ordinary least square and two-staged least square were used as the inferential statistics. The study found out that those independent board members and board expertise improves earnings quality by reducing earnings management. The study recommend and suggest that the strengthening and independence of board as well as board expertise by appointing more independent board members and expertise.

D'onza and Lamboglia (2014) examined the relationship between corporate governance characteristics and financial statement frauds in Italy using logit regression analysis. The research covers a period of 11 years (2001-2011). The research evidence shows a significant positive relationship between corporate governance characteristics and financial reporting fraud in Italian context.

Kusnadi, Leong, Suwardy, and Wang (2015) examined three characteristics (independence, expertise, and overlapping membership) of audit committees and their impact on the financial reporting quality for Singapore listed companies. The main finding of the study was that financial reporting quality will be higher if audit committees have mixed expertise in accounting, finance and/or supervisory. In addition, the study did not find evidence that incremental independence of audit committees enhances financial reporting quality because audit committees already consist of a majority of independent directors, and also they failed to find any impact of overlapping membership on audit and remuneration committees on financial reporting quality. Based on the result the study recommended that these results have policy implications on improving corporate governance effectiveness in terms of financial reporting quality.

Kankanamage (2015) did a study on the relationship between board characteristics and earning management using Sri Lankan listed firms in

India. The ordinary least square was used to examine the effect of board on earnings management for a sample of 160 adjusted discretionary accruals model. The study revealed board financial expertise has a significant and negative impact on earnings management. Kankanamage (2015) made a submission that board expertise significantly and negatively affect financial reporting quality using earnings management as a measure.

Abu, Okpeh, Arumona and Uchenna (2016) investigated the influence of Board Characteristics on the Financial Performance of listed deposit money banks in Nigeria for the period of 2005-2014. The total number of listed deposit money banks as at 31stDecember, 2014 are seventeen (17) out of which a sample of fifteen (15) were used for the study. The study categorically seeks to examine whether board characteristics (proxy by board independent) has any influence on the Performance of listed Deposit Money Banks in Nigeria. The study adopted multiple regression technique as a tool of analysis and data were collected from secondary source through the annual reports and accounts of the sampled banks. The findings show that executive director and independent non-executive director have no significant impact on banks performance in Nigeria.

Onurah and Imene (2016) evaluated the board independence on 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 the study found out that the correlation among corporate governance indicators of board structure (size and independence), audit quality (audit committee size, the quality of external audit as measured by the presence of an auditor among the big-4), board experience (i.e. experience) and financial reporting quality was 93.47%. However, independent directors on the board of firm (independence) and audit quality (audit committee size) negatively affect financial reporting quality measured by the discretionary accruals of firm. The study recommended that there should be greater focus on corporate

governance indicators so as to bring about global standard financial reporting in the Nigerian emerging market for investment opportunity.

Muhammad, Ayoib and Noor (2016) examined the impact of female directors and financial reporting quality using all listed non-financial companies in Nigeria. The study employed the ordinary least square in analysing the data and adopted McNicholas modified Dechow and Dechiv (2002) model to proxy financial reporting quality. They found out that board gender diversity was statistically insignificant but positively associated with the quality of financial reporting. The study recommends that proportional increase of women in the board in addition to regulatory changes. Specifically, on gender diversity, the conventional make-up of the board globally does not easily support the linear relationship between gender diversity and financial reporting quality, as the male gender in the board room always supersedes the number of their female counterparts (Ilaboya&Lodikero, 2017). Akeju and Babatunde (2017) investigated corporate governance and financial reporting quality in Nigeria. The study was done using a sample of 40 companies listed on the Nigeria Stock Exchange (NSE) from 2006 to 2015. The relationship between corporate governance mechanisms (board characteristics, audit committees, board independence, board size and growth) and financial reporting quality was observed. The results of the multiple regression analysis were statistically significant. The findings of the study revealed that corporate governance improves the financial reporting quality in Nigeria

Mohammad and Philip (2018) conducted a study on the effect of Board Composition on the Informativeness of Financial Reporting Quality in Malaysia :Empirical Evidence from Nigeria Using data on 576 Nigerian firms between 2011 and 2016 to examine the relationship between board composition and financial reporting quality, the study underscored that the independence component of board composition is twofold :non-executive directors, and independent non-executive directors and the study employed multivariate regression. The results found that the proportions of the non- executive directors as well as that of the

independent non-executive directors have a negative and significant relation with abnormal accruals, which in turn improves the quality of financial reporting.

Aifuwa and Enbele (2019) evaluated the effect of board characteristics on financial reporting quality in Nigeria. Data were sourced from the annual report of thirty- seven (37) manufacturing companies listed on the Nigeria Stock Exchange for the period 2013 to 2017 and were analysed using generalized linear regression analysis. The result of the study found that board expertise (Competency) has a significant positive relationship with financial reporting quality.

METHODOLOGY

For this study, ex-post facto research design was used with support of panel data estimation, the population of the study is the totality of 184 listed firms on the Nigeria Stock Exchange as at31st Dec, 2018, sample size is 43listed manufacturing companies in Nigeria, only 39 companies was derived for the secondary data (listed manufacturing firms) due to non-availability of data for the period of the study. The data were collected from 2008 to 2018. Descriptive statistics of the variables as well as panel least squares regression analysis was carried out to assess the relative predictive power of the independent variable board independence, board competency and foreign board membership on the dependent variable that is financial reporting quality.

The model for this study was adaptedfrom Musa, Kamardin and Abdul Malak, 2017. The model has been used to identify the direct association between Corporate Governance Mechanism (Both internal and external) –as independent variable which could determine quality of financial reports as approximated by the discretionary accruals as used in extant literature. The model is stated as follows:

$$FRQ_{EM-it} = \beta_0 + \beta_1 BIND_{it} + \beta_2 BDCOMP_{it} + \beta_3 FBM_{it} + \beta_4 AIND_{it} + \beta_5 FSZE_{it} + \varepsilon_{it} \text{.....(iv)}$$

Where:

$FRQ_{EM\,it}$ = Financial Reporting Quality as measured using Earnings Management (Discretionary Accruals);

β_o = Constant;

BIND = Board Independence;

BDCOMP = Board Competency;

FBM = Foreign Board Membership

AIND = Auditors Independence;

FSZE = Firm Size

$\beta_1, \beta_2 \beta_3$ = Coefficient of explanatory variables

ε = Standard error

i = Crossetional (Companies)

t = Time Series

A priori expectations in line with extant literature to be $\beta_1, \beta_2 > 0$, $\beta_3, \beta_4 < 0$

Table 1. Measures of variables

S/N	Variables	Definition	Type	Measurement	Authors
1.	$FRQ_{E\,M}$	Financial reporting quality	Dependent	Measured by use of accruals quality as a proxy for financial reporting which equals change in current assets - change in cash - change in current liabilities + change in short term debt-depreciation) /scaled by average total assets	Dechowet al., 1995), Kothariet al., (2005)
2.	BIND			Board of Director's independence Ratio of non-executive directors to the company's board size	Illaboya & Lodikero (2017)
			Dependent		
3.	BDCOMP	Board competency		Percentage of board member with accounting qualifications to total number of members on the board.	Kankanamage (2015)
			Dependent		
4.	FBM	Foreign Board Member		Use of dummy variable 1 for foreign member on the board, otherwise 0	Reggy*etal.*, (2015); Eluyela (2018)
			Control	Ratio of audit fee to company's revenue	Ilaboya&Ohiokha (2014)
5.	AIND	A measure of auditor's independence			
6.	FSZE	Firm's size	Control	Natural log of company's total non-current assets	Ilaboya&Ohiokha (2014)

Source: Authors' computation, 2020

4. RESULTS AND DISCUSSION OF FINDINGS

Results of the Preliminary and Basic Analysis

Table 2: Descriptive Statistics

	FRQ(DA)	BIND	BCOMP	FM	BAIN	FSZ	E
Mean	- 0.29 3	0.72 5	0.86 4	0.24 1	0.07 7	9.65 6	
Maximum	5.26 5	0.81 2	1.00 0	1.00 0	0.34 5	13.65 6	
Minimum	- 4.54 6	0.35 4	0.00 0	0.00 0	0.12 3	7.53 5	
Std. Dev.	0.45 6	0.11 3	0.32 4	0.43 2	0.01 2	1.56 7	
Obs.	42 9	42 9	42 9	42 9	42 9	42 9	

Source: Authors' computation, 2020

Table 2 shows a descriptive statistic of variables of the secondary data used in the study. From the listed manufacturing firms investigated the discretionary accruals (DA) which was used to proxy financial reporting quality had a mean value of -0.293 with minimum and maximum values of -4.546 and 5.265 respectively, and the standard deviation of 0.456 was high and above the mean, signifying that the sector investigated had low financial quality.The mean ofBoard independence (BIND) stood at 0.725, this implies that an average of about 73% of the directors in the boardroom investigated were independent (non-executive directors), also with a minimum and maximum values of 0.354 and 0.812 respectively, and a standard deviation of 0.113 which is low suggests that board independence (BIND)investigated exhibits a considerable clustering around the mean.

Likewise, board competency (BCOMP) which the meanstood at 0.864, implying that about 86.4% of the members in the board had educational and professional qualifications with 5 years' experience in financial matters with a standard deviation of 0.324, which is high suggests that board competency (BDCOMP)do not exhibits a considerable clustering around the mean. The mean representation of foreign directors in the

board stood at 0.241, that is about 24% of the members in the board were foreigners with standard deviation of 0.432 which is suggests that foreign board members (FBM)across periods investigated do exhibits considerable clustering around the mean. The minimum value of 0 indicates that some manufacturing companies did not have a foreign member on the board while the maximum value of 1 indicates that some manufacturing companies have a foreign member on the board during the period under review. For the control variables, it could also be deduced from the result in table 2 that Auditor's independence (AIND) mean stood at 0.077, with a minimum and maximum value of 0.123 and 0.345 respectively and standard deviation of 0.012. Lastly, the mean of Firm size (FSZE) investigated stood at 9.656 (that is about N9.656) with a standard deviation of 1.567 which is low, suggesting that firm size (FSZE) investigated do exhibit considerable clustering around the mean.

Table 3: Linearity of Variables

	D	A	BIN	D	BCOM	P	FB	M	AIN	D	FSZ	E
D	A	1.00	0	-0.07	4	0.12	6	0.02	1	0.16	9	-0.14	2
BIN	D			1.00	0	-0.04	4	0.09	5	-0.00	8	-0.25	3
BCOM	P					1.00	0	-0.17	7	-0.09	2	0.15	3
FB	M							1.00	0	0.06	9	-0.15	3
AIN	D									1.00	0	0.02	3
FSZ	E											1.00	0

Source: Authors' computation, 2020

The linearity of variablesas presented in Table 3 shows that the variables exhibited both positive and negative relationship. Board independence and financial reporting quality (-0.074); Board competency and financial reporting quality (0.126); Foreign board member and financial reporting quality (0.021); Auditors independence and financial reporting quality (0.169), and firm size and financial reporting quality (-0.142). As seen in the matrix, the strength of the relationship between variables measured by the Pearson product moment correlation shows that the association

between the variables is relatively small and was below the threshold of 0.80, suggesting the absence of the problem of multicollinearity in the predictor variables (Studenmund, 2000).

Multivariate Analyses

Here the Hausman test was conduct to know which effect specification to interpret out data from (Aifuwa&Okojie, 2015), before the Panel least squares regression was conducted.

Table 4: *Hausman Test*

Correlated Random Effects - Hausman Test		
Test Summary	Chi-Sq. Statistic.	Chi-Sq. d.f	Prob.
Cross-section random	6.4759125		0.2626

Source: Authors' computation, 2020

The table above show the result of the Hausman test, HM (5) = 6.476, p = 0.263. Since the p value is greater than 5%, the fixed effect model is ignored, consequently leading the acceptance of random effect model on the regression.

Table 5: Panel Least Squares

Dependent Variable: DA
Method: Panel EGLS (Cross-section random effects)Date: 04/26/20
Time: 23:31
Sample: 2008 2018
Periods included: 11
Cross-sections included: 39
Total panel (unbalanced) observations: 429
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Errort -	Statistic	Prob.

C	0.778	40.496	71.566	90.118	9
BIN	D- 1.671	10.339	0- 4.930	10.023	6
BCOM	P1.579	80.462	63.413	60.015	2
FB	M0.179	90.087	42.059	20.032	9
AIN	D4.610	31.984	22.323	60.021	3
FSZ	E- 0.332	40.056	3- 5.902	00.048	8

Effects Specification

	S.D.	Rho	
Cross - section random	0.242	20.180	5
Idiosyncratic random	0.516	10.819	5

Weighted Statistics

R - squared	0.691	2	Mean dependent var	-0.039	9
Adjusted R -squared	0.515	2	S.D. dependent var	0.524	9
S.E. of regression	0.180	1	Sum squared resid	47.763	7
F - statistic	13.971	0	Durbin -Watson stat	1.619	3
Prob(F-statistic)	0.000	2			

Source: Authors' computation, 2020

Based on the result in table 5, the result of hypothesis one shows that board independence was statistical and negatively significant related to financial reporting quality which yielde

at 5% level of significance. The result therefore leads to

failure to accept the null hypothesis of no significant influence of board independence on financial reporting quality of the listed manufacturing companies in Nigeria. This implies that board independence does not affect financial reporting quality of the listed manufacturing firms and independent board has the tendencies of reducing financial reporting quality of the listed manufacturing companies in Nigeria.

In relation to hypothesis two table 5, shows that board competency was statistically significant related to financial reporting quality which yielded T (1, 420) = 3.413, β_2 = 1.579, p = 0.0152) at 5% level of significance. The result also leads to failure to accept the null hypothesis of no significant impact of board competency on financial reporting quality of the listed manufacturing companies in Nigeria. This implies that board competency affect financial reporting quality of the listed manufacturing firms.

For the hypothesis three,table 5, reveals a positive significant relationship contrast to earlier results, the results shows that foreign board member was statistical and significantly related to financial reporting quality which yielded T (1, 420) = 2.059, β_3 = 0.179, p = 0.0329) at 5% level of significance. The result therefore leads to failure to accept the null hypothesis of no significant impact of foreign board member on financial reporting quality of the listed manufacturing companies in Nigeria. This implies that foreign board member affect financial reporting quality of the listed manufacturing firms.

The summary of the statistics also shows a coefficient of determination (R-squared) of 0.6912, implying that over 69% of the systematic variations in dependent variable (financial reporting quality as proxies by discretionary accruals) were explained by the independent variables used in the model, while about 31% were caused by variables not depicted in the model. Similarly, the Adjusted coefficient of determination (Adjusted R-squared) which stood at 0.5152, suggests that over 52% of the systematic variations in dependent variable was explained by the independent variables, while about 48% was caused by variables not included in the model but captured by the standard error of the regression,

$S.E = 0.1801$. The overall F-statistics (goodness-of-fit test) capable of prediction stood at $F(1,420) = 13.9710, p = 0.0002$, this implies that all of the slope coefficients (excluding the constant, or intercept) in the regression are zero and statistically significant at 5%. Also the Durbin-Watson statistic of (1.6193) indicates the absence of autocorrelation since the DW statistic is substantially close to (2.00) (Studenmund, 2000).

Discussion of Findings

The result of the Panel least squares revealed that board attributes significant affect financial reporting quality, as the F-statistic = 13.9710, p = 0.0002. Also, the Adjusted R-squared stood at 0.5152, that is about 52% of the systematic variation in the dependent variable is caused by the explanatory variable used in the study, while about 48% of the variation are caused by other variables not included in the model but were adequately captured by the standard error of the regression (0.1801).

Based on the result shown in the table 5, the first objective and hypothesis of the study assess the influence of board independence on financial reporting quality of the listed manufacturing companies in Nigeria. Board independence which has significant effect on financial reporting quality of the listed manufacturing companies in Nigeria as indicated by coefficient of -0.4492, (t = - 4.9301, p-value< 0.0236) showed that there is negative and significant effect between board independence and financial reporting quality at 0.05% level of significant. The study found out that Board independence **(BIND)** had a negative and significant relationship on discretionary accruals (a proxy for financial reporting quality), t (1, 420) = -4.9301, β_1 = -1.671, p = 0.0236. This simply implies that an independent board has the tendencies of reducing financial reporting quality. This findings in tandem with the study of (Akeju&Babatunde, 2017; Andrew, John, Dhaliwal& James, 2017, Alves, 2014; José García&Begoña, 2018; Mohammad & Philip, 2018; D'onza&Lamboglia, 2014; Onurah&Imene, 2016), and sharply deviated from the finding of Aifuwa and Embele (2019) &Gois (2014) whose found that board independence have not impact on financial reporting quality. This

indicated that board independence provide effect on the financial reporting quality.

But this study's finding support the assumption of the agency theory that advanced to two main conflicts: How to align the conflicting goals of the principal and the agent and how to ensure that the performance of the agent is in tandem with the expectations of the manager. The solution to either of these agency problems is to ensure that executives or managers act in the best interest of the owners by increasing the amount and quality of information available to the principals and making senior executives part owners of the firm through their compensations` packages. The board`s independence is assumed to improve the quality of financial reports in an organization, which will in turn lead to improve the confidence of the stakeholders of the organization.

In addition, this study found out that there exists a statistically significant but positive relationship between Board competency **(BCOMP)** and Financial Reporting Quality $t(1, 420) = 3.413, \beta_3 = 1.579, p = 0.0152$.This implies that a unit increase in board competency will increase financial reporting quality by 1.579.The result, therefore, rejected the null hypothesis of no significant impact of board competency on financial reporting quality and this is also significant ($t = 3.4136$, $p < 0.0152$) at 0.05 level of significance as indicated in Table 5. This findings is in tandem with works of Aifuwa and Embele (2019), Alves, (2014) D'onza and Lamboglia (2014); Akeju and Babatunde (2017) Onurah and Imene (2016); Andrew, John, Dhaliwal and James (2017), however was in dissonance with the works of (Gois, 2014; Kankanamage, 2015).

Lastly, From the empirical analysis and hypothesis conducted the presence of foreign members in the board **(FMB)**was found to have a positive and significant impact on financial reporting quality at 0.5 level of significance as indicated by coefficient of 0.1799, ($t = 2.059$, p-value< 0.0329). The foreign board member and financial reporting quality shows in the table 5 that $t(1, 420) = 2.059, \beta_3 = 0.179, p = 0.0329$. Therefore, as

more foreign members are added to the board, it will lead to an increase in financial reporting quality. This finding is in line with the resource dependency theory that the external resource gotten by a firm will improve its performance (Aifuwa&Embele, 2019). This result is also supported with the assumption of the agency theory that advanced to two main conflicts: How to align the conflicting goals of the principal and the agent and how to ensure that the performance of the agent is in tandem with the expectations of the manager. The solution to either of these agency problems is to ensure that executives or managers act in the best interest of the owners by increasing the amount and quality of information available to the principals and making senior executives part owners of the firm through their compensations` packages. The board`s independence is assumed to improve the quality of financial reports in an organization, which will in turn lead to improve the confidence of the stakeholders of the organization. This findings is in line with works of (and Babatunde (2017); Reggy, Nicks, and Trond (2015) who found out found that the presence of foreign director on the board is associated with significantly lighter levels of earnings manipulation. But slightly deviates from the works of (Alves, 2014; Gois(2014).Lastly, Auditors independence (AIND) and Firm size was significantly related to financial reporting quality, $t(1, 420) = 2.323, \beta_3 = 4.610, p = 0.0213$. &$t(1, 420) = -5.901, \beta_3 = -0.332, p = 0.0488$ respectively.

CONCLUSION AND RECOMMENDATIONS

Based on the results of the hypotheses tested, the study concluded that board attributes has significant positive relationship with financial reporting quality of listed manufacturing firms in Nigeria. This implies that that with the presence of foreign member in the board which automatically increases the quality of financial reporting of the listed manufacturing firms in Nigeria and to have a good quality of financial reports an expertise with competency is required. Also concluded that boards of directors in the boardroom investigated were independent (non-executive directors) influence financial reporting quality.

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Based on the findings of the study, it is recommended that the regulatory bodies in Nigeria (such as SEC and CBN) should encourage manufacturing companies to consider competent board member that has the required accounting qualification which could be used in enhancing the quality of financial reports of the listed manufacturing firms in Nigeria. The study also recommended that certain proportion of appointments should be given to foreign member so as to give room for more ideas and exposures in order to ensure improvement in the quality of financial reports

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