

# **Structural Attributes and Financial Reporting Quality of Banks in Nigeria**

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## **Abstract**

*This study investigated the influence of structural attributes on the financial reporting quality of deposit money banks in Nigeria. The study was motivated by the quest to find if structural attributes of a bank could influence its financial reporting quality, following the widespread corporate failures in the Nigerian banking sector arising from poor quality reporting. Specifically, the individual influence of leverage, size, age and assets-in-place of deposit money banks in Nigeria on the financial reporting quality of the banks were examined. Financial reporting quality was represented by discretionary accruals, computed using Modified Jones (1995) Model. The study adopted an ex-post facto research design with data obtained from annual reports of eleven (11) out of fourteen (14) deposit money banks listed on the Nigerian stock Exchange (as at 31<sup>st</sup> December, 2020). The study covered a period of sixteen (16) years from 2005 to 2020. The result of data analysis, using multiple regressions, revealed that firm size is the major structural attribute that significantly influences financial reporting quality in deposit money banks in Nigeria, with smaller banks taking the lead in earnings manipulations. In other words, larger banks in Nigeria have higher financial reporting quality. The study concludes that structural attributes of listed deposit money banks in Nigeria significantly influence the reporting quality of the banks. It is therefore recommended that promotional measures or policies such as tax relief and easy access to capital for smaller banks should be instituted to enhance the growth of smaller banks, as smaller banks are more likely to indulge in earnings management.*

**Keywords:** *Earnings Management, Financial Reporting Quality, Structural Attributes, Deposit Money Banks.*

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## **I. Introduction**

Financial reporting quality has been an issue of concern not just in Nigeria but in the entire world. This is because decisions arising from such reporting affect diverse stakeholders and have significant, enduring and far reaching economic consequences. The economic implications of the collapsed Enron, HealthSouth, Tyco, WorldCom, AIG, Lehman Bros., Bernie Madoff and Satyam, and so many others, some years ago, are undeterminable and unimaginable. Even in Nigeria, the economic and the social cost of the collapse of Cadbury Plc, Oceanic bank Plc, Societe Generale Bank, Intercontinental Bank Plc, Savannah Bank, among others, as a result of financial reporting deficiencies is inestimable. Specifically, the collapse of these entities have been blamed on financial reporting deficiencies, where their published financial reports failed to faithfully portray the true financial status of these entities. Managerial opportunistic behaviors as well as unethical accounting practices that were not revealed by these published financial reports have been identified as key factors responsible for the collapse of these entities (Shen and Hsiang-Lin, 2007; Aifuwa, Embele and Saidu, 2018; Akeju and Babatunde, 2017).

Despite efforts by the various regulatory authorities in Nigeria (Central Bank of Nigeria, Financial Reporting Council of Nigeria, Nigeria Deposit Insurance Corporation, etc), reporting quality deficiencies still exist, especially in the Nigerian banking industry. In 2015, for instance, the Chief Executive Officer, Chairman

and two other directors of Stanbic IBTC bank were suspended by the Financial Reporting Council of Nigeria (FRCN) for filling a misleading financial statements for 2013 and 2014 (Olowokure, Tanko and Nyor, 2016). Also, the failure of Diamond Bank Plc, Skye Bank Plc, and many other firms, even in the face of stringent corporate governance codes and IFRS reporting has suggested that reporting quality may not be determined solely by governance codes and reporting standards. Rather, it may be influenced by other factors such as the structure of the firm. This could be argued from the premise that if all banks in Nigeria operate under the same governance codes and reporting standards, but ended up with different reporting qualities, then it is possible that the structure of a bank, which differs among banks, could influence its reporting quality. Generally, banks differ in structure. For instance, the leverage, size, age, assets-in-place, and even ownership diffusion of banks in Nigeria differs, and it is expected that these divergent structures could influence its reporting quality.

In literature, few studies in Nigeria have attempted to provide empirical evidence of the correlation between structural attributes and financial reporting quality. However, none has considered the banking sector with recent data as intended by this study. The objective of this study is to empirically examine the influence of structural attributes of deposit money banks in Nigeria on their financial reporting quality. Specifically, the study is aimed at; examining the influence of leverage, the influence of size, the influence of age and the influence of assets-in-place of deposit money banks in Nigeria on their financial reporting quality. Accordingly, four hypotheses that leverage, firm size, firm age and assets-in-place do not significantly influence financial reporting quality of banks in Nigeria respectively are formulated to guide the study.

The influence of the structural attributes on the financial reporting quality of deposit money banks in Nigeria, when established, would, in addition to extending the frontiers of knowledge, guide accounting policy formulators as well as regulatory agencies such as the Corporate Affairs Commission (CAC), Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), Nigerian Stock Exchange (NSE), Financial Reporting Council of Nigeria (FRCN) to initiate reform, and amend the existing disclosure requirements, where necessary, for listed firms in Nigeria. It would also assist accounting practitioners and financial statements preparers understand the need for certain disclosures in the financial statements, even when they are not mandatorily required, to assist users of the financial statements in effective decision making.

Following from introduction in section one, the rest of the paper is structured as follows: section two reviews the relevant literature and theories on firm's attributes and reporting quality. Section three discusses the research methodology, highlighting the data of the study and model specification while section four presents the analysis of data and research findings. Section five concludes the research by summarizing the salient aspects of the findings, highlight the policy implication of the findings and provide useful recommendations for users, preparers and regulators of financial statements.

## **II. Literature Review and Hypotheses development**

Prior researches have shown that the structure of a firm could influence the opportunistic behaviors of its managers, which in turn influences its reporting quality. One of the structures that differs significantly among banks in Nigeria is leverage. Leverage, as defined in Okwoli (2009), is the proportion of debt financing in the capital structure of a firm. Extant literature have reported varying interactions between leverage and financial reporting quality. Agency theory, which is the theoretical foundation of the study, relates firm leverage to financial reporting quality. According to the theory, highly leveraged firms have inducement to disclose more financial information, as disclosing more financial information lessens agency costs. Also, as creditors are entitled to higher supervision right in order to secure their investment, highly leveraged firms are likely to disclose more information than the lowly leveraged firms. Generally, broader information disclosure implies higher financial reporting quality. The studies of Hassan & Bello (2013), Mahboub (2017), Amr (2016), Shehu and Farouk (2014), Karami and Akhgar (2014), and Kim and Yang (2014) also supported significant positive relationship between leverage and financial reporting quality.

However, Waweru and Riro (2013) arguing in line with Shehu (2013), and Shehu and Ahmad (2013) contended that highly geared firms are more likely to engage in earnings manipulation than lowly geared firms. They based their argument on debt covenant hypothesis, which held that management, in an effort to impress lenders that the firm is doing well and that their investments in the firm are secured, may decide to use a particular accounting policy to manipulate their reported earnings. This view is supported by Valipour and Moradbeygi (2011), Olowokure, et al. (2016), Agyei-Mensah, (2012), Uwuigbe, Uwuigbe and Okorie (2015), Akhtaruddin, Hossain, Hossain and Yao (2009) also failed to establish a positive statistical relationship between leverage and financial reporting quality. Following the contradictory submissions regarding leverage and financial reporting quality, the first hypothesis for this study is that, "Leverage has no significant relationship with financial reporting quality".

Firm size is another attribute that has been reported to have a conflicting relationship with financial reporting quality. In the opinion of Olowokure, Tanko, and Nyor (2016), the asset size of a firm has been argued to be a factor likely to have a relationship with the quality of their financial reports. A firm with a large asset

base may be under immense pressure to engage in earnings management in order to portray a good financial performance. In contrast, Chalaki, Dider, and Riahiinezhad (2012) argued that a big firm has the financial capability to maintain a well-structured accounting and internal control department, with a team of qualified professionals who are expected to improve the financial reporting process. Big firms are expected to have a functional and integrated information system capable of addressing all the information needs of the firm, as well as an effective internal control system that can prevent, detect and report errors and mistakes that could undermine the financial reporting quality (Dechow' and Ge, 2006). Also, big firms have the financial resources to engage the services of big audit firms who are expected to be very professional in their audit engagements and maintain their reputations (Thoopsamut and Jaikengkit, 2009). This view is supported by Hassan and Bello (2013), who reported a positive and significant relationship between firm size and financial reporting quality. In view of these arguments, the second hypothesis of this study is that, "firm size has no significant relationship with financial reporting quality".

Firm age, measured by the years of existence of a firm, is another firm structure that has been argued to influence reporting quality. Huang, *et al.*, (2012) argued that the older the firm, the stronger its internal control mechanisms, and the higher its financial reporting quality. It is believed that the internal control system of a firm becomes better structured as years pass by and that a well-structured internal control should naturally guarantee the integrity of the financial report (Huang, Rose-Green and Lee, 2012; Kibiya, Ahmad and Amran, 2016). Moreover, with the passage of time, firms are more likely to improve in their governance mechanisms, and as a result, become more closely monitored by government regulatory agencies. This is expected to produce a corresponding improved financial reporting. Supporting this view, Courtis (2005) explains that an older firm has a better developed information system and sophisticated communication strategies in addition to employing specialized staff for the preparation of annual reports which pushes them to publish clear, comprehensible and more detailed reports than younger firms. Contrarily, the studies of Farouk, Magaji and Egga (2019) reported a negative relationship between firm age and financial reporting quality, resulting in the development of the third hypothesis that, "firm age has no significant relationship with financial reporting quality".

Assets-in-place, measured as the ratio of fixed assets to total assets, has also been shown to have influence on reporting quality. Myers (1977) asserts that the degree of difficulty a firm has in transferring wealth between shareholders and debt-holders grows with larger assets-in-place. The implication is that fewer agency problems and less information asymmetry may exist in firms with larger assets-in-place, thus indicating a positive relationship between assets-in-place and disclosure. An alternative explanatory theory is proprietary cost theory, which posits that the potential entry of new competitors into a market influences the future profitability of established firms in a given industry. Therefore, firms that are protected in their sectors by high entry barriers are likely to disclose more information than firms that are not. Fixed assets are usually employed to measure proprietary costs, as they are an easily measurable indicator of barriers to entry. It thus appears likely that a positive relationship exists between larger fixed assets and voluntary disclosure, resulting in the hypothesis that "assets-in-place has no significant relationship with financial reporting quality".

### **III. Methodology**

An *Ex-post facto* research design is used for the study. The study population consists of the fourteen (14) deposit money banks that are listed on the Nigerian Stock Exchange as at December 31, 2020 (see appendix). Convenience sampling technique, based on availability and accessibility to their annual reports, is used to select eleven (11) out of the fourteen (14) banks as sample of this study (see appendix). The study covers a period of 16 years, from 2005 to 2020. This gives a total of 176 sample points for the study. Data for the study, which are extracted from the audited financial reports of the selected banks for the period of the study, are categorized into dependent, independent and control variables.

The independent variables consist of leverage (LEV), measured as total debts divided by total assets; firm size (FS), measured by the natural logarithm of total assets; firm age (FA), measured as the number of years of existence of the bank, and asset-in-place (AIP), measured as fixed assets divided by total assets of the banks. The control variables consist of profitability, proxied by Returns on Assets (ROA), and measured as profit for the year divided by total assets and liquidity (LIQ), measured as current assets divided by current liabilities of the banks. The dependent variable for the study is financial reporting quality, proxied by Discretionary Accruals (DAC) of the banks. In accordance with Bekcker *et al.* (1998), the absolute value of discretionary accruals measures the level of opportunistic earnings management activities and extreme reporting decision exercises by the managers. Discretionary accruals, otherwise known as abnormal or managed accruals is the proportion of the total accrual that is discretionary manipulated by managers. Prior literature suggests that the higher the absolute value of discretionary accruals of a firm, the lower the quality of its financial reporting.

However, in estimating the discretionary accruals of a firm, the total accruals have to be computed, and the non-discretionary portion estimated. In this study, total accruals is computed using the traditional balance sheet approach, as earnings before extraordinary items and earnings before discontinued operation, less cash

flow from operating activities; while the non-discretionary accrual component is estimated using the Modified Jones Model (1995). The Modified Jones Model (1995) use the firm-level time-series regression as shown in equation 3.1 to estimate non-discretionary accruals.

$$NDA_{it} = \alpha_1(1/A_{t-1}) + \alpha_2(\Delta REV_{it} - \Delta REC_{it})/A_{t-1} + \alpha_3(PPE_{it})/A_{t-1} + e_{it} \quad \text{Equation 3.1}$$

where:

- $NDA_{ij}$  = Non-discretionary accruals for sample firm i for year t-1;
- $TA_{it-1}$  = total assets for sample firm i for year t-1;
- $\Delta REV_{it}$  = change in revenues for sample firm i for year t;
- $\Delta REC_{it}$  = change in account receivable for sample firm i for year t;
- $PPE_{it}$  = gross property plant and equipment for sample firm i for year t;
- $e_{it}$  = error term for sample firm i for year t;

The estimated non-discretionary accruals is deducted from the computed total accruals to arrive at the discretionary accruals, which is the measure for financial reporting quality in this study. A lower absolute value of the discretionary accrual is interpreted as representing a higher financial reporting quality, and vice versa. Multiple regression analysis is used for data analysis, using the empirical model:

$$DAC_{i,t} = \rho_0 + \alpha_1(LEV)_{i,t} + \beta_2(FS)_{i,t} + \delta_3(FA)_{i,t} + \alpha_4(ROA)_{i,t} + \alpha_4(LIQ)_{i,t} + \varepsilon_{i,t}$$

Where:

- DAC = Discretionary Accruals
- LEV = Leverage,
- FS = Firm size,
- FA = Firm Age,
- ROA = Returns on Assets
- LIQ = Liquidity
- $i, t$  = bank i in year t;
- $\rho, \alpha, \delta, \alpha$  = Coefficients of the variables, and
- $\varepsilon$  = Error term.

#### IV. Discussion of Results

##### Descriptive Statistics of the variables.

Table 4.1 gives a brief summary of the general characteristics of all the variables used in this study. These characteristics involves the mean, median, minimum, maximum, standard deviation, skewness and kurtosis of the variables.

**Table 4.1: Descriptive Statistics of the Variables**

|     | Mean   | Median | Maximum | Minimum | Std. Dev. | Skewness | Kurtosis | Observations |
|-----|--------|--------|---------|---------|-----------|----------|----------|--------------|
| DAC | 0.235  | 0.132  | 5.546   | 0.030   | 0.473     | 8.836    | 97.531   | 176          |
| LEV | 0.779  | 0.848  | 1.409   | 0.001   | 0.252     | -2.34    | 7.919    | 176          |
| FS  | 11.851 | 11.926 | 12.800  | 10.288  | 0.484     | -0.464   | 2.804    | 176          |
| FA  | 36.181 | 31.000 | 74.000  | 14.000  | 15.758    | 0.549    | 2.233    | 176          |
| AIP | 0.199  | 0.099  | 0.970   | 0.016   | 0.247     | 2.242    | 6.943    | 176          |
| ROA | 0.013  | 0.017  | 0.226   | -0.447  | 0.050     | -5.045   | 48.996   | 176          |
| LIQ | 2.399  | 1.140  | 77.390  | 0.230   | 7.817     | 8.037    | 70.741   | 176          |

Source: Researcher's computation (2022)

From Table 4.1, DAC has a minimum value of 0.030 and a maximum value of 5.546. This means that there is an existence of discretionary accruals in the financial reports of deposit money banks in Nigeria. The average value of DAC is 0.235, with a median of 0.132 and a standard deviation of 0.473, signifying that the data deviate from the mean value from both sides by 0.473. However, the coefficient of Skewness of 8.836, implies that the data is positively skewed, and thus, does not meet the symmetrical distribution, which suggests a value of 0 for Skewness. Similarly, the value of kurtosis of 97.53 supports that most of the values are higher than mean, thus the data are leptokurtic in nature.

The minimum and maximum values of LEV are 0.001 and 1.409, respectively, with the mean value of 0.779, median of 0.848 and standard deviation of 0.252. This shows that there is dispersion of leverage from the

mean in the sample firms. The kurtosis value of 7.919 also suggests that the data for leverage are leptokurtic in nature and does not meet the normal distribution criteria. On the other hand, the coefficient of Skewness -2.34 implies that leverage across the banks is negatively skewed, and thus, the data does not meet the symmetrical distribution, which suggests a value of 0 for Skewness.

Firm size (FS), represented by the natural log of total assets of the banks shows a minimum value of 10.28 and a maximum value of 12.80, with the mean value of 11.851, median of 11.926 and standard deviation of 0.484. This shows that there is dispersion of total assets from the mean in the sample banks. The kurtosis value of 2.804 also shows the absence of normality in the distribution of total assets across deposit money banks in Nigeria. On the other hand, the coefficient of Skewness of -0.464 implies that the data for natural log of total assets is negatively skewed, and thus, the data does not meet the symmetrical distribution, which suggests a value of 0 for Skewness.

From Table 4.1, firm age (FA) shows minimum and maximum values of 14 and 74, respectively. On average, the age of the studied deposit money banks in Nigeria has a mean value of about 36 years with a median of 31 years and a standard deviation of 15.758. This implies that the sample firms varied widely in terms of ages. The coefficient of Skewness is 0.549, implying that the data is positively skewed, and therefore does not conform to the symmetrical distribution requirement. Moreover, the coefficient of Kurtosis of 2.233 also indicates that the firm age variable does not meet the Gaussian distribution criterion.

Assets-in-place has a minimum and maximum values of 0.016 and 0.970 respectively, with the mean value of 0.199, a median of 0.099 and standard deviation of 0.247. The coefficient of Skewness of 2.242 implies that the data is positively skewed, and therefore does not conform to the symmetrical distribution requirement. Moreover, the coefficient of Kurtosis of 6.943 also indicates the absence of normality in the assets-in-place variable.

The control variables used in the study were – profitability proxied by Return on Assets (ROA) and Liquidity (LIQ). From the banks investigated, ROA has a mean of 0.013 and a median of 0.017, with a minimum and maximum value of -0.447 and 0.226, respectively. The standard deviation stood at -0.050. The minimum and maximum values for liquidity of deposit money banks in Nigeria for the period under review are 0.230 and 77.390, respectively, with an average value of 2.399, a median of 1.140 and a standard deviation of 7.817. The skewness and kurtosis value for liquidity is 8.037 and 70.741, respectively. This shows that the data is positively skewed, but mesokurtic in peakness.

In summary, the analysis of the descriptive statistics of the data collected for the variables of the study suggests to a large extent that the data are not normally distributed. This indicates that the data for the study did not fit into a normal bell-curve.

### Correlation Analysis of the Variables

The correlation matrix of the variables was computed to measure the degree of association between the dependent and all the independent (explanatory) variables. The essence of the correlation test is to check whether multicollinearity among the explanatory variables is strong enough to invalidate the simultaneous inclusion of the explanatory variables in the regression. According to Tabachnick and Fidell (2001) and Gujarati (2003), multicollinearity could only be a problem if the pair-wise correlation coefficient among regressors is above 0.80. The correlation matrix of the variables is presented in Table 4.2

**Table 4.2 Correlation Matrix of the Variables**

|             | DAC    | LEV    | FS     | FA     | AIP   | PROF  | LIQ   |
|-------------|--------|--------|--------|--------|-------|-------|-------|
| <b>DAC</b>  | 1.000  |        |        |        |       |       |       |
| <b>LEV</b>  | -0.203 | 1.000  |        |        |       |       |       |
| <b>FS</b>   | -0.209 | 0.350  | 1.000  |        |       |       |       |
| <b>FA</b>   | 0.018  | 0.058  | -0.107 | 1.000  |       |       |       |
| <b>AIP</b>  | 0.148  | -0.580 | -0.345 | 0.000  | 1.000 |       |       |
| <b>PROF</b> | 0.245  | -0.186 | 0.227  | -0.214 | 0.073 | 1.000 |       |
| <b>LIQ</b>  | 0.169  | -0.505 | -0.225 | -0.060 | 0.491 | 0.123 | 1.000 |

Source: Researcher’s computation (2022)

The analysis of the correlation matrix, from Table 4.2 showed that the correlation coefficients of the variables are mixed; some variables reporting positive coefficients and some reporting negative coefficients. However, the association between the independent variables is relatively small and were below the threshold of 0.80, suggesting the absence of the problem of multicollinearity in the predictor variables (Tabachnick and Fidell, 2001; Studenmund, 2000).

### V. Regression Results

The leverage (LEV), firm size (FS), firm age (FA) and assets-in-place (AIP) of deposit money banks in Nigeria were regressed with Discretionary Accruals (DAC) of the banks. This was to estimate the individual as well as the collective influence of these variables on discretionary accruals of the banks. The result of the regression is as summarized in Table 4.3

Dependent Variable: DAC  
 Method: Panel Least Squares  
 Date: 02/13/22 Time: 17:18  
 Sample: 2005 2020  
 Periods included: 16  
 Cross-sections included: 11  
 Total panel (balanced) observations: 176

| Variable           | Coefficient | Std. Error            | t-Statistic | Prob.    |
|--------------------|-------------|-----------------------|-------------|----------|
| C                  | 3.162467    | 0.976425              | 3.238821    | 0.0015   |
| LEV                | -0.208279   | 0.310032              | -0.671796   | 0.5027   |
| FS                 | -0.240380   | 0.081531              | -2.948339   | 0.0037   |
| FA                 | 0.001979    | 0.002279              | 0.868213    | 0.3866   |
| AIP                | -0.172427   | 0.305468              | -0.564468   | 0.5732   |
| ROA                | 2.720315    | 0.757190              | 3.592645    | 0.0004   |
| LIQ                | 0.004238    | 0.005230              | 0.810256    | 0.4190   |
| R-squared          | 0.645630    | Mean dependent var    |             | 0.234909 |
| Adjusted R-squared | 0.613186    | S.D. dependent var    |             | 0.473988 |
| S.E. of regression | 0.446358    | Akaike info criterion |             | 1.266107 |
| Sum squared resid  | 31.47918    | Schwarz criterion     |             | 1.397874 |
| Log likelihood     | -97.45379   | Hannan-Quinn criter.  |             | 1.319595 |
| F-statistic        | 4.488613    | Durbin-Watson stat    |             | 2.051815 |
| Prob(F-statistic)  | 0.000317    |                       |             |          |

Source: Researcher's computation (2022)

From Table 4.3, the R-squared statistics, which is the coefficient of determination of the model is 0.645. This implies that about 65% of the total variation in financial reporting quality of banks in Nigeria is explained by the leverage, size, age and assets-in-place of the banks. The coefficient of the constant which is estimated to be 3.162 indicates that Discretionary Accrual (DAC) will increase by 3.162 units if all the explanatory variables included in the equation are held constant. The coefficient of F- statistics is 4.488 with a probability value of 0.000317, indicating that the model is a good fit and significant at 5% level of significance. The Durbin-Watson statistic for the model is 2.0518 (greater than 1.5 and less than 2.5), suggesting the absence of first order autocorrelation in the model (Gujarati, 2004)

#### Test of Hypotheses.

The first Hypothesis of the study was to find out if leverage have significant influence on the financial reporting quality of banks in Nigeria. From table 4.3, Leverage has a negative coefficient of -0.2082 with discretionary accruals. This implies that increase in leverage will result in decrease in discretionary accruals, which implies increase in financial reporting quality of the banks. In other words, the higher the leverage ratio of banks in Nigeria the higher the quality of reported earnings. This result is in line with the theoretical framework of the study, where agency theory opined that highly leveraged firms have inducement to disclose more financial information, as disclosing more financial information lessens agency costs. However, this relationship is insignificant, given the probability of the t-statistics of 0.5027. In view of the insignificance of this relationship, we cannot reject the null hypothesis. The study therefore submit that there is no significance relationship between leverage and financial reporting quality of banks in Nigeria.

Firm size (FS) also had a negative coefficient of 0.240 with discretionary accruals. This implies that an increase in the total assets of the banks will cause financial reporting quality of the banks to increase by 0.240%. This relationship is significant as the probability of its t-statistics of 0.0037 is less than 0.05. In view of the significance of this relationship, the null hypothesis that firm size has no significant relationship with financial reporting quality is rejected. The study therefore submits that firm size significantly influences financial reporting quality.

Alternatively, firm age demonstrated a positive, but insignificant relationship with discretionary accruals, with a coefficient of 0.0019 and a probability of t-statistic of 0.387. This implies that older banks indulge more in earnings manipulation than younger banks. This finding is in tandem with the submission of Chalaki *et al.*, (2012). In view of the insignificance of this relationship, the study accepts the null hypothesis that firm age has no significant relationship with financial reporting quality.

The regression estimation of assets-in-place with discretionary accruals shows a negative relationship, with a regression coefficient of -0.172. This suggests that the higher the assets-in-place, the higher the reporting quality of the banks. However, this relationship is insignificant with a probability value of 0.573, hence, the study accepts the null hypothesis that there is no significant relationship between assets-in-place and financial reporting quality of banks in Nigeria. This finding is similar to the findings of Bala and Kumai (2015), Temple (2016), Hamdan, Mushtaha and Al-Sartawi (2013) and Nelson and Jamil (2011).

## VI. Conclusion and Recommendations

The study was carried out to evaluate the relationship between structural characteristics and financial reporting quality of deposit money banks in Nigeria. The banking sector was selected in view of its strategic relevance in the economic growth and development of the country. Data were obtained from annual reports of eleven out of the fourteen (14) listed deposit money banks in Nigeria for a period of sixteen years covering 2005 to 2020. Descriptive and inferential statistical analyses were conducted on the data to address the research objectives, questions and hypotheses. Financial reporting quality of the banks was measured through discretionary accruals, computed using the Modified Jones (1995) model, while leverage, firm size, firm age and assets-in-place were selected to represent structural characteristics of the banks.

The data analysis reveals that financial reporting quality, as well as structural characteristics, varies among deposit money banks in Nigeria. Findings reveal that leverage, firm size, and assets-in-place have positive relationship with financial reporting quality of deposit money banks in Nigeria, while firm age has a negative relationship with financial reporting quality of deposit money banks in Nigeria. This result is consistent with the apriori expectation that a bank structure influences its financial reporting quality. Analysis of the results further revealed, among other things, that firm size is the major structural characteristics that significantly influences financial reporting quality in deposit money banks in Nigeria, with smaller banks taking the lead in earnings manipulations. Based on the empirical findings, the study concludes that structural characteristics influence the financial reporting quality of deposit money banks in Nigeria. Following the findings that earnings manipulations are more prevalent among smaller banks in Nigeria, it is recommended that Government and its regulatory authorities should put in place special programmes and policies for smaller banks such as tax relief and easy access to capital to boost the growth of smaller banks to discourage them from opportunistic behaviours.

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## APPENDICES APPENDIX I

### List of listed Deposit Money Banks in Nigeria

1. Access Bank PLC,
2. Ecobank Nigeria,
3. Fidelity Bank Nigeria,
4. First Bank of Nigeria,
5. First City Monument Bank
6. Guaranty Trust Bank
7. Polaris Bank PLC
8. Stanbic IBTC Bank
9. Sterling Bank
10. Union Bank of Nigeria
11. United Bank for Africa
12. Unity Bank
13. Wema Bank
14. Zenith Bank.

Source: Central Bank of Nigeria Bulletin (2022)



**APPENDIX II**

**List of Sampled Deposit Money Banks in Nigeria**

1. Access Bank Plc,
2. Fidelity Bank Nigeria
3. First Bank of Nigeria,
4. First City Monument Bank
5. Guaranty Trust Bank
6. Sterling Bank
7. Union Bank of Nigeria
8. Unity Bank
9. United Bank for Africa
10. Wema Bank
11. Zenith Bank.

Source: Researcher's Compilation (2022)

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