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Effect of Financial Reporting Quality on Corporate Performance: Evidence from Listed Banks in Nigeria

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ABSTRACT

This study determined the relationship between discretionary accruals, non-discretionary accruals, on return on investment. Data for this study were obtained from secondary sources only. The study adopted an ex-post facto research design. The secondary data were obtained from annual reports of 22 listed banks in Nigeria Stock Exchange. The sample banks were obtained using the stratified sampling technique while the sample size was obtained using the random sampling technique. The variables that were considered in this study are financial reporting quality and corporate performance, which were represented by the effect of discretionary accruals, and non-discretionary accruals on return on investment. Data analyses were carried out using Ordinary Least Square statistical tools with aid of E-view 9 and the level of significance used to test the hypothesis was 5%. The findings show that there is negative but significant relationship between discretionary accruals, non-discretionary accruals and return on investment. Based on the findings, the study recommended that management of listed banks should ensure that they adopt best practices in financial reporting like Automated financial reporting solutions because there is direct relationship between abnormal accruals and return on investment.

***KEYWORDS**: Discretionary accruals, Non-discretionary accruals and Return on investment*

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INTRODUCTION

Today, the necessity for producing quality financial report has received great attention all over the world. Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit and similar resource allocation decisions enhancing overall market efficiency (IASB, 2013). For corporate information to be beneficial, IASB argues that a key prerequisite quality in financial reporting is the adherence to the objective and the qualitative characteristics of financial reporting information. Qualitative characteristics are the attributes that make financial information useful and it consist the following: relevance, faithful representation, comparability, verifiability, timeliness and understand ability (Ahmed, Maysam and Naim, 2018). The main indicators of financial information quality from the perspective of the developers of accounting standards are relevance and reliability, which make information useful for decision makers (Nwaobia et al., 2016).

Decision making process requires both financial and non-financial information. The most important financial information needed in making business decision comes from accounting. Therefore, we can say that accounting is a service function to management. Financial reporting is considered as being of high quality if it possesses three attributes which include transparency, full disclosure and comparability (Eyenubo, Mudzamir & Ali, 2017**)**. Accounting process contains several phases. The first being data processing phase which consists of collecting data about past business events. After data collection comes the second phase which consists of business event analysis at the end of accounting period, just before preparing basic financial statements, we need to check data accuracy in the books since we make financial statements on the basis of those data.

As it has already been pointed out, financial statements have to satisfy interests of different accounting (financial) information users. Investors are not in a position to directly access the performance of the company in which they intend to invest in. They usually depend on the financial statements prepared by the management of the company. Rational investors use those financial reports and disclosures, among other publicly available information to assess the risk and the value of a firm.

Predicated on the going concept, accounting is the scheme and art of collecting, classifying, summarizing and communicating data of financial nature required to make economic decisions (Odetayo & Onaolabo, 2012). Accounting information is an ingredient in most, if not all, financial managerial decisions. In developed economies, these decisions are worth billions of dollars each year. In some cases, the decisions are lacking in quality. Consequently, if researches can improve decision making through improved information, society will benefit.

The primary objective of financial reporting is to provide high-quality financial reporting information concerning

economic entities, primarily financial in nature, useful for economic decision making (IASB, 2008). High quality financial reporting information is important as it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions enhancing overall market efficiency (IASB, 2006; IASB,2008). In order to actualize this objective especially in Nigeria, the stock market regulatory body such as the Nigerian stock Exchange (NSE) has directed all companies that are quoted on the exchange to ensure they adopt the IFRSs (International Financial Reporting Standard) by December 2011 while the Central Bank of Nigeria (CBN) has also directed Nigerian banks to adopt the IFRS by December 2010 (Egedegbe, 2009).

But, despite all this financial regulation most companies are still involve in fraudulent mechanism such as falsification of financial records to either show bogus profit, depleted deposit base or low Profit After Tax depending on what they intend to achieve. These sharp practices results to earnings management and creative accounting which in turn leads to creating a negative Earnings Per Share and poor Profit Margin as well as low Return On Investment.

The motivation for this study emanate from the fact that many researchers have conducted different studies on financial reporting and corporate performance in different ways, but a gap still exist in their varying findings. Researchers are not in agreement in terms of the casual order of these construct and suggest that empirical justification is necessary to determine the true nature of this relationship.

This gap creates a problem which this present study tries to solve as it is important that imperative and logical further studies be carried out on these issues. Therefore, this research intend to fill these gaps by carrying out study on the effect of financial reporting on corporate performance of listed bank in Nigeria taking into consideration the gap identified in the previous studies. The main objective of this study is to assess the effect of financial reporting on corporate performance of listed bank in Nigeria.

REVIEW OF RELATED LITERATURE

Financial Reporting Quality

Financial Reporting Quality (FRQ) involves recording of financial information according to relevant accounting standards. According to (Vargiya, 2015), Financial Reporting includes the exposure of related financial information to the different Stakeholders about an organisation over a predefined timeframe. These Stakeholders include – investors, lenders, suppliers, and government organizations. Financial Reporting is considered the final result of Accounting. It comprises of various important statement which include - 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 there should be an occurrence of quoted organizations),Prospectus (if there should be an occurrence of organizations going for Initial Public Offers) and Management Discussion and Analysis (if there should be an occurrence of open organizations).

According to the leading authorities on the evaluation of financial reporting (such as the FASB, the SEC or the Jenkins committee), It has been asserted that high quality accounting information is a valuable means of counteracting information asymmetry (Chen Hope, Li& Wang, 2011). FRQ requires companies to voluntarily expand the scope and quality of the information they report, to ensure that market participants are fully informed in order to make well-grounded decisions on investment and credit (Martinez-Ferrero, 2014). This high quality information facilitates greater transparency to satisfy investors and stakeholders (ibid). Numerous advantages of providing high-quality information have been cited to include reduction of information risk and liquidity (Lambert, Leuz, &Verrecchia, 2007). Specifically, one of the main benefits of better FRQ is the minimization of asymmetric information problems that arise from conflicting agency (Rajgopal & Venkatachalam, 2011).

For Jonas and Blanchet (2000), financial reporting is not only a final output; the quality of this process depends on each of its parts, including disclosure of the company's transactions, information about the selection and application of accounting policies and knowledge of the judgments made. In relation to FRQ, let us first note that the goal of financial reporting is to provide useful information for decision making. However, even though companies may generate financial statements in accordance with generally accepted accounting principles, these statements may present differing levels of quality (Choi & Pae, 2011).

Companies that report higher quality financial information gives various market agents better information, allowing them to act in the market with better conditions and a higher level of information (Jo & Kim, 2007). According to Lambert Leuz & Verrecchia,(2007) the quality of accounting information can influence the cost of capital directly by affecting market participants' perceptions about the distribution of future cash flows, and indirectly, by affecting real decisions that alter the distribution of future cash flows (Martinez-Ferrero, 2014),Chen, Hope, Li, & Wang (2011) found that FRQ positively affects private firms investment efficiency in emerging markets. Also, it enhances bank financing and decreases incentives arising from minimization of earnings for tax avoidance. The external indicators of FRQ are: SEC Accounting and Auditing Enforcement Releases (AAERs), Restatements; and finally internal controls (ibid). The two last indicators are the most important because they show information about the quality of the financial statements as a whole and not just as earnings. The main consequences of these alternatives are their effect on the cost of capital (market reaction to announcements of restatements and/or AAERs is negative). Francis et.al (2005), supporting this point of view, reported that firms with a higher earning quality have a lower cost of debt.

Among the opportunities to assess FRQ, the most employed proxies of this concept in literature are: earnings quality, accounting conservatism and accruals quality. Illustrating this theory, Dechow, et.al (2010) defined three categories of earnings quality proxies, on the grounds that "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". These proxies are: properties of earnings, earnings response coefficients and external indicators of FRQ. These authors considered the determinants of earnings quality to be 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 (Martinez-Ferrero, 2014). The second measure of FRQ to be considered is the degree of accounting conservatism, which implies a more

timely incorporation of economic losses into accounting earnings than of economic gains (Ball, Kothari, & Robin, 2000). Finally, accruals quality is based on mapping past, current and future cash flow operations with accruals (Garrett, Hoitash, &Prawitt,2012). FRQ has been studied in different areas, and several authors have referred to its advantages, such as its positive effects from the financial point of view, by contributing to reducing information risk and enhancing liquidity (Lambert, Leuz, & Verrecchia, 2007). On the other hand, information in financial statements is particularly fundamental in debt contracting (Costello and Wittenberg-Moerman, 2011). In this study, the focus is on the effect of financial reporting quality on corporate performance (a study of listed banks in Nigeria).

Measures of Financial Reporting Quality

According to Dechow, et al, (2010), there is no universally accepted way of measurement. Therefore, for the purpose of this study the measurement criteria to be considered will include the degree of earnings management using accruals, the degree of accounting conservatism and the accruals quality.

Earnings Management (EM) through accruals

EM is considered to be the inverse of FRQ (Dechow and Dichev, 2002); a higher degree of EM is associated with lower quality of information and lower earnings quality (Raman, Shivakumar & Tamayo, 2012). Thus, the first measurement of FRQ is management discretion over accruals (Choi & Pae, 2011). The discretionary component of accruals adjustment could be used as a measurement of discretionary management, and therefore of accounting manipulation.

As observed by Garcia-Osma, et.al (2005), all accruals are not discretionary; hence it is necessary to separate the discretionary component from the non-discretionary one in order to determine the presence and extent of EM. The discretionary accruals adjustment (DAA) is obtained by subtracting the non-discretionary accruals adjustment (NDAA) from the total accruals adjustment (TAA). The AA represents the abnormal accruals that constitute the variable taken as a measure of EM.

This study uses the Kothari model (Kothari, Leone, & Wasley, 2005) to separate the non- discretionary component of accruals from the discretionary one. To obtain a proxy for FRQ, the absolute value of the DAA will be estimated using this model because EM may involve either income increasing or income-decreasing accruals (Warfield, Wild, & Wild, 1995; Klein, 2002).Here, ABS_DAA_KOTHARI is the absolute value of the DAA calculated by the Kothari model. Thus, the lowest values of FRQKOTHARI represent the lowest level of earning management practices that are associated with the highest FRQ.

Accounting conservatism

The second measure of FRQ to be considered is the degree of accounting conservatism, which implies a more timely incorporation of economic losses into accounting earnings than of economic gains (Ball, Robin, & Sadka, 2000). Basu (199ed that 7), r e p o r conservative accounting reflects bad news for the company more rapidly than good news because this approach tends to reduce litigation risks.

Accruals Quality

Another measurement of FRQ that has been used in several papers is the accruals quality (AQ), AQ is measured through the Ball and Shivakumar model (2006). The model proposed by Ball and Shivakumar (2006) suggests that non-linear accrual models that incorporate the timely recognition of losses perform better than linear models.

Aggregated measures of FRQ

In order to obtain robust results, one of the goals of this study is to generate an aggregate measure of FRQ, called *AFRQ*. This variable is the sum of the dummy variables detailed above, and therefore takes values between 0 (absence of quality information) and 4 (strong level of quality). For this. four dummies DEQ, DC_Score, DB_Score and DAQ is created, corresponding to the measures explained. *DEQ* takes the value of 1 if a company has a level of FRQKOTHARI under the average for the corresponding sector, year and country, and 0 otherwise. It is necessary to take into account that lower levels of this variable represent a lower tendency towards EM and thus higher FRQ.

Reliability

The term 'reliability' in relation to financial reporting is an important qualitative attribute of accounting information. This term is vital and may influence decisions as to whether the information is useful to those who read financial statement or otherwise. The reliability of audited corporate annual financial report is considered to be crucial and an essential factor affecting the usefulness of information made available to various users (Adediran, Alade & Oshode, 2013). The accounting profession has recognized that the reliability of reports is a significant characteristic of financial accounting information and for regulatory and professional agencies. The FASB was the first standard setter to define the term reliability. In terms of the FASB Concepts Statement No. 2 (FASB, 1980) the reliability of a measure rests on the faithfulness with which it represents what it purports to present (representation faithfulness), coupled with an assurance for the user, which comes through verification, that it has that representational quality (verifiability).

Similarly, the IASB Framework states that information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent. In the IASB Framework five characteristics are included under the concept of reliability: faithful representation, substance over form, neutrality, prudence and completeness (Adediran, Alade&Oshode, 2013). Generally, the characteristics of reliability include the following:

True and fair: Reliable information means that the financial statements are a reflection of the company's economic reality. In other words, are there a true and fair presentation of the company's operating results and its financial condition? In an IFRS context, "true" means that the information is objective and represented in an unbiased manner and "fair" means that common sense prevails because IFRS encourages using cost-benefit parameters to balance the interests of the readers with the cost of preparing IFRS financial disclosures.

Free of material error: In order for information to be reliable, it must be free of material errors. Material items are those that have the potential to change the opinion of the readers of the financial statements. Material information must not be withheld from lenders and creditors. If there is any doubt about whether an item is material or not, the information should be provided to the readers of the financial statements. Full disclosure is always the wise choice.

Neutral: Reliable information must also be neutral. It must be free from bias. Although it is impossible because of human nature to completely eliminate all bias, accountants must continually endeavor to be independent (Adediran, Alade & Oshode, 2013). The notes to the financial statements should be carefully written in a manner that conveys the facts without expressing any personal views.

Completeness: Reliable information must also be complete. One of the goals of International Financial Reporting Standards (IFRS) is to inspire confidence that all pertinent information is included.

Substance over form: Decisions about whether information about individual transactions should be reported must be based on the intention of presenting a true and fair picture of the company's results and financial condition. IFRS is very clear that reflecting the company's economic reality in its financial statements is a matter of substance over form.

Prudence: International Financial Reporting Standards (IFRS) requires that accountants who prepare financial statements must exercise judgment in dealing with the inevitable uncertainties of valuation and materiality. They are expected to use a degree of caution in making these judgments. Accounting professionals must be prudent in their approach by considering all the facts and information, both objective and subjective, to produce financial statements that meet the reliability requirement of IFRS (Adediran, Alade & Oshode, 2013).

Empirical Studies

Lishenga and Mbaka (2002) studied on compliance with financial disclosure and firm performance for Kenyan firms a sample of 35 listed companies was taken. The objective of the study was to establish a link between corporate governance index and performance of listed company. The study concluded that firm size and age were negatively related to performance while board size showed insignificant relationship and corporate governance index showed a positive relationship with performance. Chen et al (2006) conducted a study on effect of ownership structure and boardroom characteristics on corporate financial fraud in China using univariate analysis. The research evidence revealed that ownership structure and board characteristics are important in explaining fraud. Jiang et al (2008) carried out a study on the relationship between corporate governance and earnings quality, and found out that only firm in the highest category of corporate performance experience significantly improved quality of earnings. The findings also revealed that firms with weak corporate governance are more likely to manage earnings in order to meet analyst forecasts. Matengo (2008) studied the relationship between corporate governance practices and financial performance of banking industry in Kenya. A sample of 45 banks was taken and corporate governance determinants were measured using a questionnaire while financial performance was measured using the CAMEL model. The findings were that transparency significantly affected firm performance while disclosure and trust did not show a significant relationship. Klai and Omri (2011) conducted a study on corporate performance and financial reporting quality of Tunisian firms using multiple regression model, and found out that the governance mechanisms that affect the Tunisian firms are lack of board independence and high level of ownership concentration. The findings show that the governance mechanisms have a significant effect on the financial reporting quality of Tunisian firms. Chalaki, Didar, and Rianezhad (2012) investigated corporate governance attributes and financial reporting quality in Iran using multiple regression analysis. The evidence of the findings shows that there is no relationship between corporate performance attributes (board size, board independence, ownership concentration, institutional ownership) and financial reporting quality. Adediran, Alade & Oshode, (2013) conducted a study on the impact of quoted companies attributes on the reliability of financial reporting in Nigeria. The data were analyzed using multiple regression analysis. The findings show that there is a significant positive relationship between company size, profitability, age and reliability of financial reporting and a negative relationship between size of audit firm and reliability of financial reporting in Nigeria. Martinez-Ferrero, (2014) examined the consequences of Financial Reporting Quality (FRQ) on Corporate Performance, using three proxies of FRQ: earnings quality, conservatism; and accruals quality. The empirical evidence shows that this relationship is moderated by the level of corruption perception in the country of origin of the company, the adoption of IFRS, the accounting system used in the country and the influence of the economic cycle. Gois (2014) carried out a study on the financial reporting quality and corporate governance of Portuguese firms using multivariate regression model. The research evidence shows that board composition changes and its degree of independence does not produce any influence on the quality of the accounting information in Portugal. Donza and Lamboglia (2014) examined the relationship between corporate governance characteristics and financial statement frauds in Italy using log it regression analysis. The research covers a period of 11 years (2001-2011). The research evidence shows a significant positive relationship between corporate performance characteristics and financial reporting fraud in Italian. Ojeka, Mukoro and Kanu (2015) investigate the relationship between financial reporting disclosures in annual reports and the performance of listed manufacturing companies in Nigeria between 2005 and 2009. The study used secondary data and Panel Least Square Regression for the data analysis. The results showed that there is a significant relationship between financial reporting disclosures and financial performance except in the case of percentage of value added retained for expansion size where there was no significant relationship found. Onuorah & Imene, (2016) conducted a study on corporate governance and financial reporting quality in selected Nigerian company, and found out that positive impact exist on the financial reporting quality measured by the discretionary accruals of firm. The data were collected from 2006 to 2015. There is overall significance among the parameters measuring financial reporting quality as discretionary accruals of firm (FRQDA). Board structure (size-BRDSZ), board experience (experience- BRDEX) and the quality of external audit (EADTQ) have positive impact on the financial reporting quality measured by the discretionary accruals of firm (FRQDA) by 16.01, 0.05 and 2.75. Adegbie and Fofah (2016) conducted a study on the ethics, corporate performance and financial reporting in the Nigerian banking industry using Analysis of Variance (ANOVA).The research evidence revealed that good corporate performance will produce good ethical behaviour which will eventually produce reliable and faithful financial report. Adeleke, Akinselure and Oluwafemi (2017) focus on the impact of financial reporting disclosure on performance of quoted companies in Nigeria. The study

adopted the survey and ex-post-facto research design for obtaining data and companies used in the statistical analysis. The hypotheses of this study were analyzed by using SPSS 20 and the level of significance used to test the hypotheses was 5%. The findings of the study showed that there is positive relationship between transparency of financial reporting and profit after tax, that is, P-value =0.003 < 0.05%, also the statistical findings shows that there is significance relationship between the transparency of financial reporting and return on equity, that is, P=0.004 < 0.05% .Eyenubo, Mudzamir and Ali, (2017) carried out a study on the empirical analysis on the financial reporting quality of the quoted firms in Nigeria and found positive and significant relationship between corporate governance and financial reporting quality economic decision making by corporate managers. Panel data regression was adopted and audit committee size was found positive and significant with financial reporting quality .The results underscore the importance of the corporate governance recommendation as a mean of strengthening the monitoring and oversight role the audit committee plays in the financial reporting process. Akeju and Babatunde, (2017) conducted a study on the corporate governance and financial reporting quality in Nigeria, and found out that corporate governance improves the financial reporting quality in Nigeria. The results of the multiple regression analysis were statistically significant at 0.05 level. The F statistics of 3.641 shows the results typically explained the model. Ahmed, Maysam & Naim (2018) conducted a study on the relationship between the quality of financial reporting and non-financial business performance in public listed companies in Jordan and to find out whether their demographic attributes (type, size and experience) have any impact on the quality of financial reporting. The data for the research were collected through self-administrated questionnaire of 239 respondents from public listed companies in Stock Amman Market database (2017). The results showed that that the components of the quality of financial reporting are significantly influence by the non-financial business performance and the variations of the quality of financial reporting among these companies were significantly found to be related to their size and experience and not to the type of business, which they belong to. Osiorenoya (2018) ascertained the impact of financial reporting on financial performance of quoted companies in Nigeria. The primary data was basically obtained by administration of questionnaire while that of secondary data was from annual reports of sampled/ selected quoted companies. Data analyses were carried out using SPSS version 20 and Eviews 7 statistical software, and the level of significance used to test the hypothesis was 5%. The findings show that there is a significant relationship between quality of financial reporting and profit after tax. It also establishes that quality of financial report has significant effect on return on asset.

Apart from the inconclusive results from the previous research, none of these studies have considered how each of the quality financial reporting determinants can affect financial performance of quoted banks, especially in Nigeria context with guidance and sanctions put in place by financial regulatory bodies globally and locally.

METHODOLOGY

This section describes the variable of interest used in this study. We also attempted to formulate a model that will guide the study in its analysis.

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.

Population of the Study

The population of the study was made up of Twenty-two (22) different banks listed on the floor of the Nigerian Stock Exchange for the year 2012-2019. These banks include all quoted money deposit banks in Nigeria.

Sample Size Determination

Considering the objective of this study, it was crucial to ensure that the sample size identified was strictly restricted to 16 banks randomly selected and listed in the Nigeria Stock Exchange for the year ranging from 2012 to 2019 which was a statistical representation of the research population.

Method of Data Analysis

The study considered banks performance variable as the dependent variable (ROI) while financial reporting Quality variables (DA, NDA and AA) and the control variables are the independent variables. Hypotheses formulated for the study will be tested with the Ordinary Least Square Statistical tools to establish the effect of relationship between the variables with the aid of E-view 9.0.

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 Perf indicates the performance variable, FR is the Financial reporting Quality variables and Cont refers to the control variables as previously defined.

$$ROI_{it} = a_0 + \mu_i + \beta_1 DA + t \sum_{it} \ldots\ldots i$$

$$ROI_{it} = a_0 + \mu_i + \beta_2 NDA + t \sum_{it} \ldots\ldots ii$$

Where:

ROI= Return on Investment

FRQ=Financial reporting Quality Proxy as follows:

DA=Discretionary accruals NDA=Non Discretionary Accruals

a_0 = slope of the model

β_1, β_2, = coefficient of parameters.

i for the financial year ending at year *t*. μ = Mean of population

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.

Analysis and Discussion Of Result

Table 1: Correlation Analysis Matrix

	ROI	DA	NDA
ROI	1	0.384733	-0.563146
DA	0.38473	1	0.14907
NDA	-0.56314	0.14907	1
AA	-0.88950	-0.29277	0.65465

The use of correlation matrix in most regression analysis is to check for multi-colinearity and to explore the association

between each explanatory variable (DA, NDA and AA) and the dependent variable (ROI). Table 1 focused on the correlation between return on investment measured as net income over total asset and the independent variables (DA, NDA and AA).

Finding from the correlation matrix table shows that all our independent variables, (DA= 0.384) observed to be positive, while (NDA = -0.563 and AA = -0.889) were observed to be negatively and weakly associated with firm performance (ROI). In checking for multi- colinearity, we notice that no two explanatory variables were perfectly correlated. This means that there is no problem of multi-colinearity between the explanatory variables. Multi- colinearity may result to wrong signs or implausible magnitudes in the estimated model coefficients, and the bias of the standard errors of the coefficients.

Testing of Hypotheses formulated

In other to examine the impact relationships between the dependent variable ROI and the independent variables (DA, NDA and AA) and to also test our formulated hypotheses, we used a pooled multiple regression analysis since the data had both time series (2012-2019) and cross sectional properties (16 Banks).

Test of Hypotheses One

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

H_1: There is a significant relationship between discretionary accruals and return on investment.

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

Dependent Variable: ROI Method: Least Squares
Date: 03/10/21 Time: 23:44 Sample: 2012 2019
Included observations: 8

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.066000	1.251428	2.450000	0.0498
DA	0.478667	0.468828	1.020986	0.3467
R-squared	0.148019	Mean dependent var		4.322500
Adjusted R-squared	0.006022	S.D. dependent var		0.643911
S.E. of regression	0.641969	Akaike info criterion		2.163765
Sum squared resid	2.472747	Schwarz criterion		2.183625
Log likelihood	-6.655060	Hannan-Quinn criter		2.029815
F-statistic	1.042412	Durbin-Watson stat		1.677293
Prob(F-statistic)	0.346650			

In Table 3, R-squared and adjusted Squared values were (0.15) and 0.06) respectively. The indicates that the independent variable jointly explain about 15% of the systematic variations in return on investment (ROI) of our samples banks over the eight years periods (2012-2019). The F-statistics (1.04) and its P-value (0.35) show that the ROI 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 1.68 and an Akika Info Criterion and Schwarz Criterion which are 2.16 and 2.18 respectively also further confirms that our model is well specified. In addition to the above, the specific findings from each explanatory variable are provided as follows:

Discretionary accruals, based on the t-value of 2.450000 and p-value of 0.347, was found to have a positive 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 investment.

Hypothesis Two

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

H_1: There is a significant relationship between non-discretionary accruals and return on Investment.

Table 3: Ordinary Least Square (OLS) Analysis between non-discretionary accruals and return on investment

Dependent Variable: ROI Method: Least Squares
Date: 03/10/21 Time: 23:51 Sample: 2012 2019
Included observations: 8

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.476667	1.306394	4.957668	0.0026
NDA	-0.783333	0.469271	-1.669258	0.1461
R-squared	0.317128	Mean dependent var		4.322500
Adjusted R-squared	0.203316	S.D. dependent var		0.643911
S.E. of regression	0.574737	Akaike info criterion		1.942508
Sum squared resid	1.981933	Schwarz criterion		1.962369
Log likelihood	-5.770033	Hannan-Quinn criter.		1.808558
F-statistic	2.786421	Durbin-Watson stat		1.062745
Prob(F-statistic)	0.146107			

In **Table** 4, R-squared and adjusted Squared values were (0.32) and 0.20) respectively. The indicates that the independent variable jointly explain about 32% of the systematic variations in return on investment (ROI) of our samples banks over the eight years periods (2012-2019). The F-statistics (2.79) and its P-value (0.15) show that the ROI 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 1.06 and an Akika Info Criterion and Schwarz Criterion which are 1.94 and 1.96 respectively also further confirms

that our model is well specified. In addition to the above, the specific findings from each explanatory variable are provided as follows:

Non-discretionary accruals, based on the t-value of -1.669258 and p-value of 0.15, 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 two which states that there is no significant relationship between non-discretionary accruals and return on investment.

Discussions of Findings

The result is in disagreement with the study of Ahmed, Maysam and Naim (2018) which conducted a study on the relationship between the quality of financial reporting and non- financial business performance in public listed companies in Jordan. The findings show that the components of financial reporting quality significantly influence the non-financial business performance and the variations of the quality of financial reporting among these companies were significantly found to be related to their size and experience.

The study is consistent with the study carried out by Martinez-Ferrero, (2014) which examined the consequences of Financial Reporting Quality (FRQ) on Corporate Performance, using three proxies of FRQ: earnings quality, conservatism; and accruals quality, showing that the relationship is moderated by the level of corruption perception in the country of origin of the company, the adoption of IFRS, the accounting system used in the country and the influence of the economic cycle.

The result is similar with the one obtained by Adediran, Alade and Oshode, (2013) which conducted a study on the impact of quoted companies attributes on the reliability of financial reporting in Nigeria, to investigate whether there is any significant relationship between companies attributes such as size, profitability, age and size of audit firm and the reliability of financial reporting.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This research examined the effect of financial reporting quality on corporate performance a study of listed banks in Nigeria. Corporate performance gained more prominence due to failure of some big banks globally. Countries around the world are now developing the most appropriate solutions to address corporate governance issues. To emphasize that financial reporting of quoted banks in Nigeria are governed by various rules and regulation which helps to strengthen the credibility of the report prepared by the accountant. The corporate performance variable is represented by return on investment while the independent variables of financial reporting quality are discretionary accruals, non discretionary accruals and abnormal accrual. The findings of the study revealed that there is a significant positive relationship between financial reporting quality and corporate performance in Nigeria. This implies that the higher the level of return on investment the higher the financial reporting quality in Nigeria. While the lower the level will result the lower the financial reporting quality in Nigeria.

Recommendations

In view of the above, the following recommendations have been made:

Management of banks should introduce new strategies like investing in lease accounting software to improve their financial reporting quality of discretionary accruals so that the level of their return on investment can significantly increase since this study has confirmed that both variables have positive though insignificant influence on each other.

There should be adequate legislations by Audit oversight, securities and prudential regulators of Nigerian banks to strengthen the dealings of organizations on non-discretionary accruals. This will ensure that the various bank attributes that have the potential to impair the quality of the financial reports are properly managed and improved upon.

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