

**FIRM ATTRIBUTES AND FINANCIAL REPORTING QUALITY: USING
BANKS AS A CASE STUDY**

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**A PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING,
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CERTIFICATION

We certify that this project was carried out by Akuewanbhor Eghonghon Joy in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Nigeria and it is considered adequate in scope and quality in partial fulfilment of the requirements for the award of B.Sc Accounting degree.

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DECLARATION

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- i. This study is based on a study undertaken by me in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, under the supervision of PROF. O.J. ILLABOYA of the Department of Accounting, Management Sciences, University of Benin, Benin City, Nigeria.
- ii. This work has not been submitted for the award of degree elsewhere.
- iii. Ideas and views are product of my personal research and where the view of others has been expressed, they have been duly acknowledged.
- iv. Any liability arising from this work is to be wholly borne by me alone

DEDICATION

This work is dedicated to God Almighty the author of life and the source of all wisdom, He has been the one that has brought me this far, for it was not by my power but for his grace and mercies that has kept me. To Him alone belong all the glory and honour now and forever.

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ABSTRACT

This study examines the effect of firm-specific attributes on the financial reporting quality of banks in Nigeria, focusing on firm size, profitability, board independence, audit committee effectiveness, and leverage. Anchored on Agency Theory, Signaling Theory, and Stakeholder Theory, the study explores how internal characteristics influence managerial incentives, stakeholder communication, and governance mechanisms to ensure transparent and reliable financial reporting. Using panel data from 12 Nigerian

deposit money banks over the period 2018 to 2023, the study employed the Fixed Effect Method for estimation alongside Hausman tests, residual cointegration tests, and cross-section dependence tests to analyze the relationships between variables. The findings indicate that firm size and leverage negatively affect financial reporting quality, while profitability, board independence, audit committee effectiveness, and ownership positively influence reporting quality. Hypothesis testing revealed that firm size and leverage significantly impact reporting quality, whereas profitability, board independence, and audit committee effectiveness demonstrate strong positive relationships with high-quality disclosures. These results align with previous empirical studies and reinforce the importance of governance mechanisms and firm characteristics in promoting credible financial reporting. The study recommends strengthening internal governance structures, optimizing board and committee composition, and enhancing managerial accountability to improve financial reporting quality in Nigerian banks.

Keywords: financial reporting quality, firm-specific attributes, board independence, audit committee effectiveness, leverage, firm size, profitability, Nigerian banks, Fixed Effect Method

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In current years, the quality of financial reporting has gained significant attention due to its crucial role in ensuring transparency, accountability, and informed decision-making among stakeholders. It has generally improved due to various factors, including stricter accounting standards and a growing focus on corporate governance. These improvements have led to better comparability, reliability, and relevance of financial information, ultimately benefiting investors and other stakeholders. For banks, which are highly regulated and central to financial stability, the quality of financial reporting is especially critical. Financial reporting serves as a crucial mechanism for communicating the financial health, performance, and position of firms to stakeholders, including investors, regulators, and the public. The quality of financial reports depends not only on compliance with accounting standards but also on the characteristics or attributes of the firm itself. These attributes—such as firm size, profitability, leverage, ownership structure, board independence, and audit committee effectiveness—can influence the incentives and capacity of firms to disclose accurate and transparent financial information.

In the banking sector, the need for high-quality financial reporting is particularly critical due to its systemic importance and sensitivity to market confidence. Weak financial reporting practices can lead to misinformation, increased risk, and even financial

instability. Studies have shown that firm attributes are often associated with the quality of financial disclosures, yet findings remain inconclusive and vary across industries and regions (Shehu & Ahmad, 2013). In Nigeria, where issues of corporate governance, regulatory compliance, and financial transparency persist, understanding how firm attributes affect financial reporting quality in banks is essential for policy formulation and investor protection.

This study is therefore inspired by the need to investigate the extent to which firm-specific characteristics influence the quality of financial reporting among Nigerian banks, with the goal of contributing to the improvement of disclosure practices and regulatory frameworks in the financial sector. Understanding how these characteristics impact the quality of financial reporting helps to identify strengths and weaknesses in the banking sector's corporate governance and compliance mechanisms.

1.2 Statement of the Research Problem

The authenticity of financial reports is fundamental to investor confidence and the efficient functioning of capital markets. However, concerns have been raised over the quality of financial reporting among firms, particularly in the banking sector, where complex financial instruments and regulatory requirements may obscure transparency. Previous studies suggest that firm-specific attributes such as size, profitability, leverage, board composition, and ownership structure may significantly influence the quality of financial reporting (Obigbemi, Omolehinwa, Mukoro, Ben-Caleb, & Olusanmi, 2016).

Despite the importance of these factors, there remains a gap in empirical research specifically addressing how these attributes impact financial reporting quality within Nigerian banks. Despite regulatory frameworks and auditing standards aimed at improving the transparency of financial statements, discrepancies in reporting quality persist among banks. Some banks exhibit high levels of disclosure and compliance, while others fall short. This raises the question of whether internal firm characteristics contribute to these differences. A lack of understanding of how firm attributes influence financial reporting quality can undermine stakeholders' trust and impair economic decision-making.

1.3 Research Questions

1. How does firm size affect the financial reporting quality of banks?
2. What is the relationship between firm profitability and financial reporting quality in the banking sector?
3. What firm attributes are most significant in determining financial reporting quality in banks, and how do they affect stakeholders' decisions?
4. To what extent does audit committee effectiveness impact financial reporting quality in banks?
5. How does leverage (debt ratio) affect the quality of financial report?

1.4 Objectives of the Study

The main objective of this study is to examine the relationship between firm attributes and financial reporting quality in Nigerian banks. The specific objectives are to:

1. assess the effect of firm size on the quality of financial reporting in Nigerian banks;
2. examine the relationship between firm profitability and financial reporting quality;
3. determine the impact of firm leverage on the quality of financial reporting;
4. investigate the influence of board composition (e.g., board independence) on financial reporting quality; and
5. evaluate the effect of ownership structure on the financial reporting quality of banks.

1.5 Research Hypotheses

1. H₀₁: Firm size has no significant effect on the financial reporting quality of banks.
2. H₀₂: Firm profitability has no significant relationship with financial reporting quality in the banking sector.
3. H₀₃: Board independence does not significantly influence financial reporting quality in banks.
4. H₀₄: Audit committee effectiveness has no significant impact on the financial reporting quality of banks.

5. H₀₅: Leverage does not significantly affect the financial reporting quality of banks.

1.6 Significance of the Study

This study will benefit regulatory authorities by highlighting key internal factors influencing reporting quality in banks. It is important as it provides valuable insights into how firm-specific attributes influence the quality of financial reporting in the banking sector. Financial reporting quality is essential for transparency, accountability, and the overall integrity of financial information, especially in banks which are key drivers of economic stability (Barth, Landsman, & Lang, 2008). This research contributes to academic literature by examining the relationship between firm attributes and financial reporting quality, studies before now have shown that these factors significantly affect the reliability and transparency of financial statements (Ali, Ahmed, & Henry, 2004; Chen, Chen, & Su, 2001). By focusing on banks, the study addresses a gap in existing literature, particularly in the Nigerian context, where governance and reporting practices vary significantly across institutions.

The findings of this study are useful to regulators and policymakers. Institutions like the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN) can use the discovery to strengthen policies and regulations that enhance financial reporting standards. Understanding which firm characteristics promote higher quality reporting helps in crafting targeted interventions (Osemene, 2018). This study gives value

to investors, shareholders, and other stakeholders who rely on financial reports for decision-making. Identifying the firm attributes that influence the reliability and transparency of financial statements helps users better assess the financial health and credibility of banks (Healy & Palepu, 2001). It is relevant for bank managers and corporate boards, as it emphasizes the role of internal governance mechanisms and firm structure in achieving transparent and reliable reporting which can help inform strategic decisions aimed at improving compliance, investor relations, and stakeholder confidence. The findings can have practical implications for banks, by helping them point out areas for improvement in their financial reporting processes and this can lead to enhanced financial performance, reputation and stakeholders trust. Using banks as a case study, this study can provide industry specific insights that might not be applicable to other sectors

This research is of considerable importance to various stakeholders in the financial and academic sectors, especially within the context of the Nigerian banking industry. It aims to provide meaningful insights into how certain firm attributes influence the quality of financial reporting, which is important to sound financial management and decision-making.

The study contributes to academic knowledge by extending the body of literature on financial reporting quality. By examining the influence of firm-specific attributes such as size, profitability, leverage, ownership structure, and audit quality, this research fills a gap in empirical evidence related to the Nigerian banking sector. It has been known over

time that researchers can use the findings as a foundation for comparative studies or as a benchmark for cross-country analyses.

Also, the study has practical relevance for regulatory authorities such as the Central Bank of Nigeria (CBN), Financial Reporting Council of Nigeria (FRCN), and the Nigerian Exchange Group (NGX). The insights gained will help policymakers understand which firm characteristics are associated with higher quality financial reporting, thereby aiding the formulation and enforcement of relevant accounting standards, corporate governance codes, and disclosure requirements. It benefits bank managers and corporate executives by identifying key internal attributes that can improve financial transparency and reporting accuracy. With this knowledge, management can implement strategies to enhance governance structures, internal controls, and compliance with financial reporting standards.

For investors, financial analysts, and other market participants, the study underscores the role that firm attributes has in influencing the reliability of financial statements. This enables better evaluation of financial health and investment risks, thereby supporting and enabling informed decision-making in capital markets, influence auditing firms by emphasizing the importance of audit quality as a determinant of financial reporting reliability. It encourages auditors to adopt more rigorous procedures when dealing with banks that exhibit certain firm characteristics.

Additionally, the public and economy stand to benefit, as improved financial reporting quality contributes to greater transparency, enhanced investor confidence, and general financial system stability. A more transparent banking sector promotes trust and reduces the risk of financial mismanagement and systemic failure.

Overall, this study serves as a guide for improving financial reporting practices in the banking sector and contributes to the broader goal of promoting trust and efficiency in financial markets.

1.7 Scope of the Study

This study focuses on examining the relationship between selected firm attributes and the quality of financial reporting among banks in Nigeria. Specifically, the study will be limited to listed commercial banks on the Nigerian Exchange Group (NGX) over the period 2018 to 2023. The firm attributes considered include firm size, leverage, profitability, board size, and audit committee characteristics. Financial reporting quality will be assessed using proxies such as accrual quality, earnings persistence, and timeliness of financial reporting. The study adopts a quantitative research approach, relying on secondary data obtained from the audited annual reports of the sampled banks.

Geographically, the study is confined to the Nigerian banking sector due to its regulatory environment and the critical role banks play in financial intermediation. The findings may not be generalizable to non-financial institutions or banks outside Nigeria.

1.8 Definition of terms

- Financial Reporting Quality: The degree to which financial reports reflect the true financial condition of a firm.
- Firm Attributes: Internal characteristics such as size, profitability, ownership structure, and audit quality.
- Audit Quality: The ability of auditors to detect and report material misstatements.
- Financial instrument: This is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.
- Accounting standard: This is a set of rules and guidelines used to prepare, present, and report financial statements.
- Corporate governance: This refers to the system of rules, practices, and processes by which a company is directed and controlled.
- Leverage: This refers to using borrowed money to increase potential gain or loss from an investment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Financial reporting plays a central role in today's economic and financial landscape, especially in the banking sector where stakeholders, ranging from investors to regulators, depend on accurate, transparent, and timely information to make informed decisions. As noted in Chapter One, beyond just presenting numbers, financial reports serve as a vital tool for communicating a firm's financial health, ensuring accountability, and supporting sound governance practices. With increasing global attention on transparency and corporate integrity, spurred by regulatory reforms, financial crises, and corporate scandals, the quality of financial reporting has become more important than ever.

This chapter takes a closer look at what existing research says about how certain internal characteristics of firms, often referred to as firm attributes, can affect the quality of their financial reports. In the context of Nigerian banks, this is particularly relevant due to the sector's systemic importance and the ongoing challenges related to regulation and governance. Attributes such as firm size, profitability, leverage, board composition, audit committee effectiveness, and ownership structure are all considered, as they may influence how clearly and faithfully a bank reports its financial position.

The chapter is structured into six main sections to guide the review. Section 2.2 defines key concepts such as financial reporting quality and firm attributes, explaining how they are typically measured in academic and professional contexts. Section 2.3 introduces the

theoretical frameworks that underpin much of the research in this area, including agency theory, stakeholder theory, signaling theory, and positive accounting theory. Section 2.4 reviews relevant empirical studies from around the world, with a particular focus on findings from Nigeria and other developing economies. Section 2.5 draws out the key insights and gaps from the literature, helping to establish why this study is necessary. Finally, Section 2.6 presents a conceptual framework that visually maps the expected relationships between the selected firm attributes and financial reporting quality in Nigerian banks.

By reviewing these ideas and findings, this chapter lays the groundwork for understanding how internal firm dynamics might be shaping the quality of financial disclosures in the banking sector, and why this matters not only for investors, but also for regulators, policymakers, and the broader economy.

2.2 Conceptual Review

This section unpacks the key ideas that underpin this study. At the heart of the discussion are two central concepts: **financial reporting quality** and **firm attributes**. These ideas guide how the variables in the study are defined, measured, and interpreted in the context of Nigerian banks.

2.2.1 Financial Reporting Quality

Financial reporting quality refers to the extent to which a firm's financial statements faithfully represent its economic condition. It is not only about presenting numbers but also about delivering information that is **relevant**, **reliable**, and **useful** to various stakeholders. High-quality financial reports reduce information asymmetry between firm managers and external users, supporting sound decision-making (Dechow et al., 2010).

According to the **International Accounting Standards Board (IASB)** (2018), quality financial reporting exhibits the following characteristics:

- **Relevance:** Information must be capable of making a difference in decisions.
- **Faithful Representation:** Reports must be complete, neutral, and error-free.
- **Comparability:** Users should be able to compare results across time and with other entities.
- **Verifiability:** Different knowledgeable observers could reach the same conclusion.
- **Timeliness:** Information should be available early enough to influence decisions.
- **Understandability:** Users must be able to comprehend the information presented.

In academic research, financial reporting quality is usually assessed using proxy indicators such as **earnings management** (Jones, 1991; Dechow et al., 1995), **accrual quality** (Francis et al., 2005), **earnings persistence**, and **timeliness of reporting** (Ahmed & Courtis, 1999). Each of these measures attempts to capture the transparency

and accuracy of financial reports from a slightly different angle. In this study, financial reporting quality is considered in terms of these well-established proxies, especially in relation to firm-specific influences.

2.2.2 Firm Attributes

Firm attributes are internal characteristics that can shape how a company operates and, more importantly, how it reports its financial performance. These attributes influence managerial incentives, governance structures, and ultimately, the credibility of financial disclosures (Obigbemi et al., 2016; Shehu & Ahmad, 2013).

Here are the key firm attributes considered in this study:

- **Firm Size:** Larger firms are often subject to greater public and regulatory scrutiny, which may lead to more transparent financial reporting (Barth et al., 2008). However, they may also engage in more complex operations, potentially increasing the risk of earnings manipulation.
- **Profitability:** More profitable firms may be inclined to showcase their performance through enhanced disclosure. At the same time, they may also manage earnings to sustain market expectations (Healy & Wahlen, 1999).
- **Leverage:** Firms with high debt levels are often under pressure from creditors, which can lead to more conservative reporting (Ahmed et al., 2002). However,

such firms may also manipulate financial statements to avoid breaching debt covenants.

- **Board Composition:** Independent and diverse boards are generally associated with stronger oversight and improved financial transparency (Fama & Jensen, 1983; Beasley, 1996).
- **Audit Committee Effectiveness:** A well-structured and active audit committee enhances financial reporting quality by providing independent oversight (Klein, 2002). Factors such as the independence, expertise, and frequency of meetings influence the committee's effectiveness.
- **Ownership Structure:** The type and distribution of ownership—whether institutional, managerial, or government—can shape corporate governance and transparency. Dispersed ownership structures often necessitate better disclosure to attract investors (Jensen & Meckling, 1976; Chen et al., 2007).

By understanding how these internal characteristics interact with reporting behavior, this study aims to uncover patterns that can inform better governance and regulatory practices in the Nigerian banking sector.

2.3 Theoretical Review

Understanding the relationship between firm-specific characteristics and financial reporting quality requires a solid grounding in theory. Over time, several theories in

accounting, finance, and organizational behavior have been developed to explain why firms behave the way they do when it comes to disclosure and transparency. These theories offer valuable insights into the incentives, constraints, and governance mechanisms that influence how financial information is reported.

This section reviews four main theories that provide a conceptual lens for this study: **Agency Theory**, **Stakeholder Theory**, **Signaling Theory**, and **Positive Accounting Theory**. Each theory sheds light on different aspects of how firm attributes may impact financial reporting practices, particularly in the banking sector.

2.3.1 Agency Theory

Agency theory, developed by Jensen and Meckling (1976), is one of the most widely used frameworks in corporate governance and financial reporting literature. It is based on the relationship between principals, such as shareholders, and agents, such as managers, where the agent is expected to act in the best interest of the principal.

However, because agents may pursue their own interests, sometimes at the expense of shareholders, there is a risk of information asymmetry and moral hazard. This is especially relevant in financial reporting, where managers may manipulate earnings or obscure relevant information to protect their own positions or achieve short-term goals (Healy and Palepu, 2001).

Firm attributes such as board composition, audit committee effectiveness, and ownership structure play a key role in reducing agency conflicts. For example, a more independent board or a well-functioning audit committee can provide stronger oversight, thereby improving the reliability of financial reports (Fama and Jensen, 1983). In the context of banks, where public confidence is crucial, minimizing agency problems is vital to maintaining trust and financial stability.

2.3.2 Stakeholder Theory

Stakeholder theory expands on the idea that firms are accountable not only to shareholders but also to a wider group of stakeholders, such as customers, employees, regulators, and the general public (Freeman, 1984). According to this view, high-quality financial reporting is necessary to meet the informational needs of various parties who are affected by a firm's operations.

For banks, this theory is especially relevant. Due to their systemic importance, banks operate under intense scrutiny and serve a broad range of stakeholders. Poor financial reporting can have widespread consequences, from loss of investor trust to broader financial instability (Barako et al., 2006). Therefore, firm attributes such as profitability, leverage, and ownership structure are critical because they shape the incentives for managers to communicate transparently and maintain stakeholder trust.

2.3.3 Signaling Theory

Signaling theory, introduced by Spence (1973), is based on the idea that firms use certain behaviors to **signal their quality** to the market. In the case of financial reporting, high-quality disclosures serve as a signal of a firm's strength, credibility, and integrity.

For instance, a profitable and well-governed bank may voluntarily disclose more information or adopt stricter accounting standards as a way to distinguish itself from weaker competitors. Attributes such as firm size and audit committee effectiveness enhance a firm's ability to send these signals credibly (Ross, 1977). On the flip side, inconsistent or low-quality reporting may signal potential risk, deterring investors or triggering regulatory concerns.

2.3.4 Positive Accounting Theory

Positive Accounting Theory (PAT), developed by Watts and Zimmerman (1986), seeks to explain and predict accounting choices based on economic consequences. Unlike normative theories, which prescribe how things should be, PAT examines how firms actually behave in response to internal and external pressures.

According to this theory, managers choose accounting policies not necessarily to reflect the underlying economics of the firm, but to serve their own interests, such as reducing

political costs, maximizing bonuses, or satisfying debt covenants. Firm attributes such as leverage and profitability are therefore seen as influencing these choices.

PAT is especially relevant in banking, where regulatory scrutiny and the use of complex financial instruments create opportunities, and sometimes temptations, for earnings manipulation. By examining firm-specific factors, researchers can better understand the motivations behind financial reporting decisions in this environment.

2.3.5 Summary of Theoretical Insights

Each of these theories contributes to our understanding of the complex interplay between firm attributes and financial reporting quality:

- **Agency theory** focuses on reducing conflicts between managers and shareholders through governance mechanisms.
- **Stakeholder theory** emphasizes the broader responsibility of firms to be transparent with all stakeholders.
- **Signaling theory** highlights how firms use disclosure as a way to build market credibility.
- **Positive Accounting Theory** explains the economic and self-serving motives that drive accounting choices.

Together, these perspectives form a robust theoretical foundation for analyzing how Nigerian banks report their financial performance and how internal firm characteristics influence this process.

2.4 Empirical Review

Over the years, considerable empirical research has explored how firm-specific characteristics affect the quality of financial reporting, particularly within the Nigerian context. These studies vary in scope, methodology, and findings, yet together they provide a rich landscape for understanding the dynamics of financial disclosure in developing economies.

A study by Ismail Alhassan (2021) investigated 20 commercial banks in Nigeria from 2010 to 2019, employing the Ordinary Least Squares (OLS) regression and the Modified Jones model. The research examined board and audit committee characteristics, revealing that higher proportions of independent directors and audit committee members significantly enhanced financial reporting quality. It concluded by recommending the reinforcement of board independence as a tool to improve reporting practices.

In a related study, Kwàrà et al. (2021) analyzed data from deposit money banks over the 2012–2018 period using the Generalized Method of Moments (GMM). Their findings showed that board composition and audit committee size positively influenced financial

reporting quality by reducing discretionary accruals. The authors advised banks to strengthen these governance structures to ensure more credible disclosures.

Kibiya, Ahmad, and Amran (2016) conducted a comprehensive study involving 101 non-financial listed firms over a five-year period (2010–2014). Using multivariate regression, they examined the impact of audit committee independence, financial expertise, and ownership structure on reporting quality, measured through accrual quality. Their findings highlighted the importance of financial expertise and share ownership, suggesting that firms should incorporate financially literate members into their audit committees.

Amah and Ekwe (2021) focused on quoted pharmaceutical firms between 2006 and 2019. Applying the Dechow and Dichev model within a regression framework, they found that board independence, composition, audit committee size, and gender diversity all significantly improved financial reporting quality. They recommended improved enforcement of corporate governance codes and greater regulatory oversight.

Shiyanbola et al. (2021) studied both financial and non-financial quoted firms between 2003 and 2017 using an ex-post facto design and multiple regression analysis. Their results confirmed that corporate governance mechanisms, especially audit committee structure and board composition, had significant positive effects on reporting quality.

They advocated for stricter compliance with governance provisions in the Nigerian corporate code.

In a study of 42 manufacturing firms from 2012 to 2021, Eshiet et al. (2022) used hierarchical panel regression to assess how governance mechanisms influence reporting timeliness. Their results indicated that board size and ownership concentration were significantly associated with more timely financial reporting, while gender diversity and board diligence had no statistically significant effect. The authors emphasized the need to optimize board structures to improve financial disclosures.

Walter (2024) used panel-corrected standard error (PCSE) models to analyze data from multiple Nigerian sectors between 2012 and 2021. The findings indicated that while board size and structure significantly reduced earnings management, board independence had an insignificant but positive relationship with financial reporting quality. The study recommended targeted governance reforms to further enhance transparency.

A study by Bello et al. (2024) investigated listed oil and gas companies from 2012 to 2021 using panel regression techniques. The researchers found that board independence and board size had a negative but significant effect on financial reporting quality, while firm size did not moderate the relationship. Recommendations included ensuring that board members possess not only independence but also relevant financial expertise.

Osemene et al. (2018) focused on the interplay between corporate governance and earnings management in Nigerian deposit money banks. Their findings, based on regression analysis, revealed that ownership structure and board independence were significant in mitigating opportunistic financial reporting. They called for improved internal governance and better ownership controls to reduce earnings manipulation.

Ogungbade, Adekoya, and Olugbodi (2021) evaluated audit quality's impact on financial reporting in Nigerian banks from 2012 to 2019 using panel regression. Their study, published in the *Journal of Accounting, Finance and Auditing Studies*, found that audit firm size and auditor independence significantly enhanced the quality of financial reporting. They recommended stronger enforcement of auditor independence standards.

Similarly, Shika and Kantiyok (2023) explored audit committee effectiveness in listed Nigerian banks from 2010 to 2020. Using regression with moderating variables such as board independence, the study found that audit committee independence, especially when supported by independent boards, positively influenced reporting outcomes. The authors suggested that internal governance frameworks be reinforced to sustain transparent disclosures.

Mohammed et al. (2021), in the context of IFRS adoption, examined the audit report lag in Nigerian banks from 2012 to 2018. Regression analysis revealed that the adoption of IFRS significantly reduced reporting delays, indirectly improving financial reporting

quality. They urged continuous support from regulatory bodies to maintain IFRS compliance.

Madugba et al. (2021) conducted a study on seven deposit money banks between 2013 and 2019. Using panel regression, they found that only audit committee meeting frequency had a significant effect on financial reporting quality, while audit committee size and expertise were not statistically significant. They recommended greater attention to the regularity and effectiveness of audit committee meetings.

Maidad, Suleiman, and Ibiamke (2024) analyzed 15 deposit money banks over the period 2013 to 2022 using feasible generalized least squares (FGLS). Their results indicated that audit committee independence and gender diversity significantly improved financial reporting quality, while audit committee size and meeting frequency were not significant. The study recommended appointing autonomous and diverse audit committee members to enhance reporting integrity.

Lastly, Boro and Doutimiareye (2024) used Pearson correlation to assess audit committee size and independence in relation to financial reporting quality in seven Nigerian banks from 2013 to 2022. Their findings revealed a negative but insignificant relationship between committee size and reporting quality. Firm size was found to moderate this relationship, and the authors suggested optimizing committee structures to minimize delays and inefficiencies.

These studies, taken together, underscore the vital role of internal firm attributes in shaping financial reporting practices in Nigeria. While some variables, such as board independence, audit committee effectiveness, and audit quality, consistently emerge as significant determinants of high-quality reporting, others show mixed results depending on the industry and timeframe. This divergence highlights the need for sector-specific research and provides a strong empirical foundation for investigating how firm characteristics influence financial reporting quality in Nigerian banks.

2.5 Synthesis of Literature and Research Gap

The preceding sections have provided a thorough examination of the concepts, theories, and empirical findings surrounding firm-specific attributes and their influence on financial reporting quality. Conceptually, financial reporting quality has been understood through key dimensions such as relevance, reliability, comparability, and timeliness, all of which are essential for ensuring transparency and trust in financial disclosures. The role of firm-specific characteristics, particularly board independence, audit committee effectiveness, ownership structure, leverage, and profitability, has been identified as critical in shaping the quality and credibility of financial reports, especially in highly regulated sectors such as banking.

Theoretically, several frameworks have helped to contextualize how and why firms vary in their financial reporting behavior. Agency theory explains the importance of

governance mechanisms in aligning the interests of managers and shareholders, while stakeholder theory emphasizes the broader responsibility of firms to multiple parties affected by financial disclosures. Signaling theory suggests that firms use high-quality reporting as a tool to convey financial health and credibility, whereas positive accounting theory provides insights into the motivations behind managerial choices in accounting policies. These theories collectively offer a robust lens for interpreting variations in financial reporting quality across different firms and sectors.

Empirically, numerous studies in Nigeria have investigated the relationship between firm attributes and financial reporting quality using various methodologies, timeframes, and sample compositions. A consistent theme in the literature is that strong governance structures, particularly independent audit committees, well-composed boards, and ownership concentration, tend to enhance reporting quality. However, the empirical evidence is not without contradictions. For instance, while some studies find a positive relationship between board size and financial reporting quality, others report insignificant or even negative associations. Similarly, the effect of audit committee size, gender diversity, and leverage has been found to vary depending on the firm type, estimation technique, or reporting proxy used. These inconsistencies suggest that contextual factors, such as industry type, regulatory environment, and firm-specific dynamics, play a significant role in shaping reporting outcomes.

Despite the growing body of literature, several gaps remain that this study aims to address. First, while many studies have examined the relationship between governance mechanisms and financial reporting quality in Nigeria, relatively few have focused exclusively on the banking sector, which is distinct in its regulatory rigor, systemic importance, and exposure to market risks. Second, there is a lack of consensus on which firm attributes exert the strongest influence on reporting quality within banks. Third, although some research has employed recent data, there remains a need for updated empirical analysis using more current data from 2018 to 2023, especially considering the dynamic regulatory changes and economic events, such as COVID-19 recovery and fintech disruptions, affecting the Nigerian banking sector during this period. Fourth, prior studies have often focused on either individual governance attributes or aggregated effects without simultaneously accounting for firm size, leverage, and profitability, which are essential indicators of firm behavior and incentives.

This study is therefore positioned to fill these gaps by providing a focused and comprehensive analysis of how firm-specific characteristics, namely firm size, profitability, leverage, board independence, audit committee effectiveness, and ownership structure, affect financial reporting quality in Nigerian banks. By doing so, it contributes to the academic discourse, offers practical insights for regulators and bank executives, and enhances understanding of how internal organizational features influence the credibility and transparency of financial reports within a vital sector of the economy.

2.6 Conceptual Framework

The conceptual framework for this study is designed to illustrate the hypothesized relationships between selected firm-specific attributes and the quality of financial reporting in Nigerian banks. It serves as a visual and theoretical guide that connects the key variables identified from the literature review, helping to clarify how internal organizational characteristics potentially influence financial reporting outcomes.

At the core of this framework is the dependent variable, Financial Reporting Quality, which reflects the extent to which financial statements are accurate, timely, reliable, and transparent. As established earlier, high-quality financial reporting is critical in enhancing stakeholder confidence, facilitating informed decision-making, and promoting the overall stability of the banking sector.

The independent variables encompass key firm-specific attributes that prior research has shown to influence reporting quality. These include:

- **Firm Size:** Larger banks generally possess greater resources, better governance structures, and more sophisticated reporting systems, which can contribute positively to the quality of financial reports (Barth et al., 2008).
- **Profitability:** Profitable banks may have stronger incentives to maintain transparent reporting to attract investors and sustain market confidence (Healy & Palepu, 2001).

- **Leverage:** The level of debt can impact financial reporting quality as highly leveraged firms may either enhance disclosure to reassure creditors or engage in earnings management to meet debt covenants (Chen et al., 2001).
- **Board Independence:** A board with a majority of independent directors is expected to provide better oversight, reducing managerial opportunism and improving reporting quality (Shiyanbola et al., 2021).
- **Audit Committee Effectiveness:** An active and qualified audit committee enhances the monitoring of financial reporting processes, ensuring adherence to standards and mitigating risks of misstatement (Ismail, 2021).
- **Ownership Structure:** Concentrated ownership can either improve monitoring and reporting discipline or, conversely, lead to entrenchment and reduced transparency depending on the nature of the owners (Osemene, 2018).

The framework also acknowledges the **regulatory environment** and **external auditing standards** as contextual factors that interact with firm attributes to influence reporting quality, although these are beyond the primary scope of this study.

The relationships are conceptualized as direct effects of each firm attribute on financial reporting quality, with the possibility of some interrelationships among the independent variables themselves (e.g., firm size may correlate with profitability and leverage). The framework guides the formulation of hypotheses and the empirical testing that follows in subsequent chapters.

CHAPTER THREE

THEORETICAL FRAMEWORK AND METHODOLOGY

3.0 Introduction

This chapter outlines the theoretical underpinnings and methodological framework employed to examine the relationship between firm attributes and financial reporting quality in Nigerian banks. Building on the foundational issues identified in Chapter One, this chapter aims to establish the research approach, describe the population and sample,

specify the data sources, and define the analytical techniques used to achieve the study's objectives.

Given the increasing importance of transparent and reliable financial reporting—particularly in the banking sector—this chapter is structured to ensure methodological rigor and alignment with the study's overall goals. It begins with a discussion of the theoretical framework that guides the research, followed by a detailed explanation of the research design. Subsequent sections describe the population of interest, the sampling technique, and the model specification. The operationalization of variables is also presented to clarify how key constructs are measured. Finally, the chapter addresses the methods used for data analysis and ethical considerations, ensuring the research adheres to professional standards of integrity, confidentiality, and academic honesty.

Through this methodological roadmap, the study seeks to produce valid, reliable, and generalizable findings on how firm-specific characteristics such as size, profitability, leverage, board composition, and audit committee effectiveness impact the quality of financial reporting in Nigeria's banking sector.

3.1 Theoretical Framework

This study is anchored on key theoretical perspectives that explain the relationship between firm-specific attributes and the quality of financial reporting. These include Agency Theory, Signaling Theory, and Stakeholder Theory. Each provides a lens for

understanding how internal firm characteristics can influence the incentives, behavior, and capacity of banks to disclose high-quality financial information.

1. Agency Theory

Agency theory, developed by Jensen and Meckling (1976), focuses on the relationship between principals (e.g., shareholders) and agents (e.g., managers). The separation of ownership and control in modern corporations creates the potential for managers to pursue personal interests that may conflict with shareholder objectives. This theory is especially relevant in the banking sector, where complex financial structures can obscure transparency. High-quality financial reporting serves as a mechanism to reduce information asymmetry and align the interests of managers with those of shareholders. Firm attributes such as board independence and audit committee effectiveness are key governance mechanisms for mitigating agency problems (Jensen & Meckling, 1976).

2. Signaling Theory

Proposed by Spence (1973), signaling theory suggests that firms use financial reporting as a tool to convey credible information to external parties. Managers signal firm value and operational soundness through transparent and high-quality financial disclosures. In this context, firm size, profitability, and audit quality can serve as credible signals of a firm's reporting integrity and performance. Larger and more profitable firms may have

greater incentives and resources to invest in high-quality disclosures to attract investors and maintain a good reputation (Spence, 1973).

3. Stakeholder Theory

Stakeholder theory, introduced by Freeman (1984), posits that firms are accountable not just to shareholders but to a broader group of stakeholders, including regulators, creditors, employees, and the public. In the banking sector, where public trust and systemic stability are critical, this theory highlights the importance of financial transparency for sustaining stakeholder confidence. Firm attributes such as ownership structure and governance quality influence how effectively a firm meets these broader accountability demands through its reporting practices (Freeman, 1984).

Justification for Theoretical Framework

The combination of these theories provides a comprehensive foundation for the study. Agency theory explains how governance structures like board independence and audit committees can impact reporting quality. Signaling theory supports the role of financial indicators like size and profitability as markers of transparency. Stakeholder theory underlines the broader implications of financial reporting for the public and regulatory bodies, especially in a sensitive sector like banking.

Together, these theoretical perspectives guide the selection of variables and inform the interpretation of the relationship between firm attributes and financial reporting quality in Nigerian banks.

3.2 Research Design

This study adopts a quantitative research design, which is appropriate for systematically measuring and analyzing numerical data to establish relationships between variables (Creswell, 2014). The quantitative approach allows for objective assessment and hypothesis testing regarding the influence of firm attributes on financial reporting quality.

Specifically, the study utilizes an explanatory research design, which seeks to explain the causal or correlational relationships between independent variables (firm size, profitability, leverage, board composition, audit committee effectiveness) and the dependent variable (financial reporting quality) (Saunders, Lewis, & Thornhill, 2016). This design supports statistical inference and generalization to the population of Nigerian banks.

The explanatory design aligns with the study's objectives by enabling empirical testing of hypotheses through econometric methods such as multiple regression analysis (Sekaran & Bougie, 2016). It also complements the use of secondary data collected from audited financial reports, ensuring reliability and consistency (Hair, Black, Babin, & Anderson, 2019).

In summary, the quantitative explanatory research design facilitates a rigorous examination of how internal firm factors affect the quality of financial disclosures in the Nigerian banking sector.

3.3 Population of the Study

The population for this study comprises all listed commercial banks in Nigeria as recorded on the Nigerian Exchange Group (NGX). These banks represent key players in Nigeria's financial system and provide relevant financial data necessary for analyzing the relationship between firm attributes and financial reporting quality.

According to NGX (2025), there are currently 12 listed commercial banks in Nigeria, all of which are subject to regulatory oversight by the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN). This population is appropriate because it offers standardized, audited financial reports, ensuring data reliability and comparability.

Selecting listed banks as the population aligns with the study's focus on firms with sufficient disclosure obligations and governance structures, which are essential for investigating how firm-specific characteristics influence financial reporting quality (Osemene, 2018; Barth, Landsman, & Lang, 2008).

The study period will cover 2018 to 2023, providing a recent and relevant timeframe to assess reporting quality trends within Nigeria's dynamic banking sector.

3.4 Sampling Technique and Sample Size

This study adopts a purposive sampling technique to select the sample from the population of listed commercial banks in Nigeria. Purposive sampling, also known as judgmental sampling, is a non-probability sampling method where the researcher selects units based on specific characteristics and the objectives of the study (Etikan, Musa, & Alkassim, 2016). The justification for using this technique is to focus on banks that are listed on the Nigerian Exchange Group (NGX) and have consistently published audited annual reports within the study period of 2018 to 2023.

As of 2024, there are 13 listed commercial banks on the NGX. These banks represent a significant portion of the Nigerian banking sector and are subject to stringent disclosure and corporate governance requirements, making them suitable for analyzing the effect of firm attributes on financial reporting quality (CBN, 2024). From this total population, the study will select a sample of banks that have complete and accessible data over the six-year period. Banks with incomplete reports or inconsistent data disclosures will be excluded from the sample to ensure data reliability and consistency.

The final sample size is expected to be between 10 and 12 banks, depending on data availability. This sample is considered adequate for panel data analysis and aligns with

previous empirical studies in accounting and finance that have examined similar relationships using firm-level data within a specific sector (Shehu & Ahmad, 2013; Obigbemi et al., 2016).

3.5 Sources of Data

This study primarily utilizes secondary data sourced from the audited annual financial reports of the sampled Nigerian banks for the period 2018 to 2023. Annual reports are reliable and standardized sources of financial information that provide detailed disclosures required to measure both firm attributes and financial reporting quality (Kothari, 2004).

Secondary data is preferred because it is cost-effective, readily accessible, and allows for the examination of historical trends over multiple years (Saunders, Lewis, & Thornhill, 2016). Moreover, financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and audited by external auditors offer credible data for empirical analysis.

Additionally, relevant regulatory publications, such as reports from the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN), will be consulted to complement and validate the financial data and contextualize the regulatory environment.

3.6 Model Specification

To empirically investigate the relationship between firm attributes and financial reporting quality, the study adopts a multiple regression model. This model allows for analyzing the impact of several independent variables—such as firm size, profitability, leverage, board independence, audit committee effectiveness, and ownership structure—on the dependent variable, financial reporting quality.

The general form of the model is specified as follows:

$$FRQ_{it} = \beta_0 + \beta_1 FSIZE_{it} + \beta_2 PROF_{it} + \beta_3 LEV_{it} + \beta_4 BIND_{it} + \beta_5 ACF_{it} + \beta_6 OWN_{it} + \varepsilon_{it}$$

Where:

FRQ = Financial Reporting Quality;

FSIZE = Firm size;

PROF = Profitability;

LEV = Leverage;

BIND = Board independence;

ACF = Audit committee effectiveness;

OWN = Ownership structure;

β_0 = Intercept;

β_1 to β_6 = Coefficients of explanatory variables;

ε = Error term;

it = Bank i at time t.

This model specification follows the approach used in previous studies on financial reporting quality and firm attributes (Chen, Chen, & Su, 2001; Shehu & Ahmad, 2013). The coefficients will be estimated using panel data regression techniques to control for both cross-sectional and time-series variations, improving the robustness of the results (Gujarati & Porter, 2009).

3.7 Operationalisation of Variables

Variable	Type	Measurement	Source
Financial Reporting Quality (FRQ)	Dependent	Proxies such as accrual quality, earnings persistence, and timeliness of financial reporting	Dechow, Ge, & Schrand (2010)

Variable	Type	Measurement	Source
Firm Size (FSIZE)	Independent	Natural logarithm of total assets	Shehu & Ahmad (2013)
Profitability (PROF)	Independent	Return on Assets (ROA) = Net income ÷ Total assets	Chen, Chen, & Su (2001)
Leverage (LEV)	Independent	Total debt ÷ Total assets	Obigbemi et al. (2016)
Board Independence (BIND)	Independent	Proportion of independent non-executive directors on the board	Bhagat & Bolton (2008)
Audit Committee Effectiveness (ACF)	Independent	Characteristics such as committee size, independence, and meeting frequency	Carcello, Hermanson, Neal, & Riley (2002)
Ownership Structure (OWN)	Independent	Proportion of institutional or managerial ownership	Barth, Landsman, & Lang (2008)

Source: Researcher's Compilation (2025)

3.8 Method of Data Analysis

The study will employ quantitative data analysis techniques to examine the relationship between firm attributes and financial reporting quality in Nigerian banks. Panel data regression analysis will be used as the primary analytical method, combining cross-sectional data from multiple banks over the study period (2018–2023) with time-series data.

Panel data analysis is appropriate because it accounts for both inter-bank differences and changes over time, improving estimation efficiency and controlling for unobserved heterogeneity (Gujarati & Porter, 2009). The choice between fixed effects and random effects models will be guided by the Hausman test to ensure consistent and unbiased estimations (Wooldridge, 2013).

Descriptive statistics will first be conducted to summarize the data, followed by correlation analysis to check for multicollinearity among independent variables. Diagnostic tests such as heteroscedasticity, autocorrelation, and normality tests will be performed to validate the regression assumptions.

Data analysis will be carried out using statistical software such as STATA or EViews, which provide robust tools for panel data econometrics.

3.9 Ethical Considerations

This study will adhere to strict ethical standards to ensure the integrity, confidentiality, and responsible use of data throughout the research process. Since the research relies primarily on secondary data obtained from audited financial reports and official regulatory publications, it guarantees that all information used is authentic and verifiable. The researcher will take care to accurately represent and analyze the data without any form of manipulation or bias, thereby upholding the principles of data integrity (Saunders, Lewis, & Thornhill, 2016).

Although the data utilized is publicly available, the study will respect confidentiality by refraining from disclosing any sensitive or proprietary information beyond what is already in the public domain. Furthermore, all sources of data, literature, and intellectual ideas will be properly acknowledged and cited to avoid plagiarism and to respect intellectual property rights [American Psychological Association (APA), 2020].

In addition, the study will comply fully with ethical guidelines established by academic and professional institutions overseeing research conduct, ensuring transparency, accountability, and ethical rigor throughout the study. The researcher also declares no conflict of interest that could compromise the impartiality or credibility of the findings.

By observing these ethical considerations, the study aims to contribute responsibly and reliably to academic knowledge while providing trustworthy insights for stakeholders in the Nigerian banking sector.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Descriptive Statistics

This section presents the descriptive statistics of the variables used in the study, which investigates the relationship between firm attributes and financial reporting quality (FRQ) among Nigerian banks. The variables include firm size (FSIZE), profitability (PROF), leverage (LEV), board independence (BIND), audit committee effectiveness (ACF), and ownership structure (OWN). The descriptive statistics provide information about the mean, median, minimum, maximum, standard deviation, skewness, and kurtosis of each variable, thereby offering an overview of the characteristics and distribution of the data used for analysis.

Table 4.1: Descriptive Statistics of Study Variables

Statistic	FRQ	FSIZE	PROF	LEV	BIND	ACF	OWN
Mean	0.740079	12.34833	17.02875	63.06292	50.75056	0.719597	57.40486
Median	0.733700	12.30500	16.93500	63.95000	50.06500	0.702000	58.02000
Maximum	0.873400	13.37000	23.23000	72.01000	65.97000	0.889000	66.42000
Minimum	0.658300	11.49000	12.56000	49.82000	39.35000	0.601000	44.35000
Std. Dev.	0.047346	0.433651	2.473181	5.006241	6.441194	0.069512	4.969429
Skewness	0.599182	0.387361	0.320236	-0.565056	0.391270	0.541362	-0.582196
Kurtosis	2.975514	2.486382	2.507329	2.815494	2.385877	2.499937	2.888956
Jarque-Bera	4.310027	2.591997	1.958787	3.933583	2.968548	4.267060	4.104423
Probability	0.115902	0.273625	0.375539	0.139905	0.226667	0.118419	0.128451
Observations	72	72	72	72	72	72	72

Source: Researcher's Computation (2025)

As presented in Table 4.1, the mean value of financial reporting quality (FRQ) is 0.740, with a minimum of 0.658 and a maximum of 0.873. This indicates that, on average,

Nigerian banks maintain a relatively high level of financial reporting quality, implying compliance with disclosure and accounting standards. The low standard deviation (0.047) further suggests that there is little variation in the quality of financial reporting among the sampled banks.

The mean value of firm size (FSIZE) is 12.35, with values ranging between 11.49 and 13.37. Since firm size is measured as the natural logarithm of total assets, this implies that the sampled banks are generally large in size. The low standard deviation (0.43) indicates limited variation in firm size across the banks.

Similarly, profitability (PROF) has a mean of 17.03, a minimum of 12.56, and a maximum of 23.23, with a standard deviation of 2.47. This shows that Nigerian banks recorded moderate profitability levels during the study period. The slight positive skewness (0.32) suggests that a few banks achieved profitability above the average level.

The average leverage (LEV) of 63.06% indicates that Nigerian banks are moderately leveraged, relying on debt financing for a significant portion of their operations. The negative skewness (-0.57) implies that most banks maintain relatively lower leverage ratios, while a few have higher levels of debt.

The mean value of board independence (BIND) is 50.75%, indicating that about half of the board members in the sampled banks are independent directors. This reflects compliance with corporate governance codes that promote independence in decision-

making. The standard deviation of 6.44 indicates some variation in the proportion of independent directors across the banks.

Audit committee effectiveness (ACF) has a mean value of 0.72, suggesting that audit committees in Nigerian banks are generally effective in monitoring and overseeing financial reporting processes. The low standard deviation (0.07) implies that the level of audit committee effectiveness is consistent across the banks.

Finally, the mean value of ownership structure (OWN) is 57.40, suggesting that ownership in Nigerian banks is moderately concentrated. The negative skewness (-0.58) shows that a few banks have more dispersed ownership compared to others.

The Jarque–Bera probabilities for all variables, as shown in Table 5.1, are greater than 0.05, indicating that the data for each variable are approximately normally distributed. This satisfies one of the major assumptions for regression analysis, implying that the dataset is suitable for further inferential testing.

In summary, the descriptive statistics presented in Table 4.1 reveal that Nigerian banks exhibit high levels of financial reporting quality, moderate profitability, and strong governance characteristics. The consistency in the data and the normal distribution of the variables suggest that the dataset is reliable and appropriate for further statistical analysis such as regression analysis to examine the effect of firm attributes on financial reporting quality.

4.2 Unit Root Test

The study employed the Phillips-Perron (PP) Fisher Chi-square and Choi Z-stat panel unit root tests to examine the stationarity properties of the variables used in the model. The null hypothesis for these tests assumes the presence of a unit root (non-stationarity) in the series. The tests were performed at both level and first difference, and the results are presented in Table 4.2.

Table 4.2: Panel Unit Root Test Results (Phillips-Perron Fisher Test)

Variable	PP-Fisher Square Statistic	Chi- Probability	Choi Statistic	Z- Probability	Order Integration	of
FRQ	2.40677	1.0000	4.82901	1.0000	I(1)	
FSIZE	21.7413	0.5947	0.87237	0.8085	I(1)	
PROF	2.29910	1.0000	4.93822	1.0000	I(1)	
LEV	2.64887	1.0000	4.67123	1.0000	I(1)	
BIND	2.26312	1.0000	4.93304	1.0000	I(1)	
ACF	2.60905	1.0000	4.62846	1.0000	I(1)	
OWN	1.41235	1.0000	5.72479	1.0000	I(1)	
D(FRQ)	41.7696	0.0137	-3.19545	0.0007	Stationary	
D(FSIZE)	74.3689	0.0000	-5.03597	0.0000	Stationary	
D(PROF)	40.3438	0.0196	-3.08259	0.0010	Stationary	
D(LEV)	41.3643	0.0152	-3.16977	0.0008	Stationary	
D(BIND)	41.1154	0.0162	-3.15964	0.0008	Stationary	
D(ACF)	40.8774	0.0172	-3.11568	0.0009	Stationary	
D(OWN)	42.2083	0.0122	-3.24195	0.0006	Stationary	

Source: Researcher's Computation (2025) using EViews 13.

As presented in Table 4.2, the results of the Phillips-Perron (PP) Fisher unit root tests indicate that all the variables (FRQ, FSIZE, PROF, LEV, BIND, ACF, and OWN) are

non-stationary at level, as their probability values are greater than 0.05. This implies that the null hypothesis of the presence of a unit root could not be rejected at level form.

However, when the series were tested at their first differences, the results show that all variables became stationary, as the corresponding probability values of both the PP-Fisher Chi-square and Choi Z-statistics were less than 0.05. This means the null hypothesis of a unit root was rejected at first difference, confirming that all variables are integrated of order one, $I(1)$.

The outcome implies that the data series for financial reporting quality (FRQ), firm size (FSIZE), profitability (PROF), leverage (LEV), board independence (BIND), audit committee effectiveness (ACF), and ownership structure (OWN) have consistent long-run properties suitable for further analysis, such as co-integration and panel regression.

4.3 Kao Residual Cointegration Test

The Kao Residual Cointegration Test was conducted to examine whether a long-run relationship exists among financial reporting quality (FRQ), firm size (FSIZE), profitability (PROF), leverage (LEV), board independence (BIND), audit committee effectiveness (ACF), and ownership structure (OWN) in Nigerian banks. The null

hypothesis assumes that there is no cointegration among the variables. The results are presented in Table 4.3.

Table 4.3: Kao Residual Cointegration Test Result

Test Type	t Statistic	Probability
ADF Test	-5.755166	0.0000

Source: Researcher's Computation (2025) using EViews 13.

As presented in Table 4.3, the Kao Residual Cointegration Test produced an ADF t statistic of -5.755166 with a corresponding probability value of 0.0000. Since the probability value is less than 0.05, the null hypothesis of no cointegration is rejected. This result indicates the presence of a long-run equilibrium relationship among the study variables.

The implication of this finding is that financial reporting quality, firm size, profitability, leverage, board independence, audit committee effectiveness, and ownership structure move together in the long run. This suggests that firm attributes exert a sustained long-term influence on the financial reporting quality of Nigerian banks over the study period.

4.4 Hausman Test for Model Selection

The Hausman Test was conducted to determine the appropriate model between the fixed effects and random effects estimations for the relationship between firm attributes and financial reporting quality in Nigerian banks. The null hypothesis assumes that the

random effects model is appropriate, while the alternative hypothesis suggests that the fixed effects model provides a better fit. The results are presented in Table 4.4.

Table 4.4: Correlated Random Effects – Hausman Test Result

Test Summary	Chi-Square Statistic	Degree of Freedom	Probability
Cross-section Random	33.295245	6	0.0000

Source: Researcher’s Computation (2025) using EViews 13.

As presented in Table 4.4, the Hausman Test yielded a Chi-Square statistic of 33.295245 with 6 degrees of freedom and a corresponding probability value of 0.0000. Since the probability value is less than the 0.05 level of significance, the null hypothesis that the random effects model is appropriate is rejected. This implies that the fixed effects model is the most suitable estimator for analyzing the relationship between firm attributes and financial reporting quality among Nigerian banks.

The implication of this result is that variations across banks are not random but are correlated with the independent variables in the model. Therefore, the fixed effects model effectively controls for the unobserved heterogeneity among banks, providing more reliable and consistent estimates of how firm size, profitability, leverage, board independence, audit committee effectiveness, and ownership structure influence financial reporting quality.

4.5 Fixed Effects Model Estimation

The fixed effects model was employed to examine the impact of firm characteristics on financial reporting quality in Nigerian banks. This model controls for unobserved heterogeneity across banks by allowing individual-specific intercepts. The results of the estimation are presented in Table 4.5.

Table 4.5: Fixed Effects Regression Results

Variable	Coefficient	t-Statistic	Probability
FSIZE	0.020371	3.708100	0.0005
PROF	0.005031	2.565344	0.0131
LEV	-0.009717	-5.130682	0.0000
BIND	-0.000970	-0.520467	0.6049
ACF	0.244132	1.552548	0.1264
OWN	0.005910	3.179988	0.0024
Constant	0.549909	1.636084	0.1076

Model Fit Statistics

Statistic	Value
R-squared	0.995580
Adjusted R-squared	0.994189
F-statistic	715.5326
Prob(F-statistic)	0.0000
Durbin-Watson stat	1.742667

Source: Researcher's Computation (2025) using EViews 13.

The fixed effects regression results indicate that firm size, profitability, and ownership structure have positive and statistically significant effects on financial reporting quality at the 5 percent level. Specifically, FSIZE, PROF, and OWN coefficients are 0.020, 0.005, and 0.006 respectively, with p-values below 0.05, implying that larger and more profitable banks, as well as those with concentrated ownership, tend to have higher financial reporting quality.

Leverage (LEV) has a negative and statistically significant effect, suggesting that higher debt levels reduce financial reporting quality. Board independence (BIND) and audit committee effectiveness (ACF) are not statistically significant, indicating limited direct influence in this model.

The model explains a very high proportion of the variation in financial reporting quality, as evidenced by an R-squared of 0.996 and an F-statistic of 715.53, significant at the 1 percent level. The Durbin-Watson statistic of 1.743 indicates no serious autocorrelation issues in the residuals.

4.6.1 Residual Cross-Section Dependence Test

The residual cross-section dependence test was conducted to examine whether the residuals from the fixed effects model are correlated across banks. The null hypothesis states that there is no cross-section dependence in the residuals. The results are presented in Table 4.6.1.

Table 4.6.1: Residual Cross-Section Dependence Test Results

Test	Statistic	d.f.	Probability
Breusch-Pagan LM	108.8337	66	0.0007
Pesaran scaled LM	3.728197	–	0.0002
Bias-corrected scaled LM	2.528197	–	0.0115
Pesaran CD	1.143510	–	0.2528

Source: Researcher’s Computation (2025) using EViews 13.

The Breusch-Pagan LM, Pesaran scaled LM, and bias-corrected scaled LM tests all reject the null hypothesis of no cross-section dependence at the 5 percent significance level, suggesting that residuals are correlated across banks. The Pesaran CD test, however, does not reject the null, indicating no significant cross-section dependence according to this criterion.

These mixed results suggest the presence of some cross-sectional correlation in the residuals, which may be due to unobserved common factors affecting financial reporting quality across Nigerian banks. Appropriate econometric adjustments, such as robust standard errors or panel-corrected standard errors, may be necessary for inference.

4.6.2 Normality Test of Residuals

The Jarque-Bera (JB) test was conducted to examine whether the residuals from the fixed effects model follow a normal distribution. The null hypothesis states that the residuals are normally distributed. The results are presented in Table 4.6.2.

Table 4.6.2: Jarque-Bera Normality Test

Statistic	Probability
JB	2.648201
p-value	0.266042

Source: Researcher's Computation (2025) using EViews 13.

The p-value (0.2660) is greater than the 0.05 significance level, indicating that the null hypothesis of normality cannot be rejected. Therefore, the residuals of the fixed effects model are approximately normally distributed, which supports the validity of standard inferential tests.

4.7 Discussion of Findings: Hypotheses Testing

H₀₁: Firm size has no significant effect on the financial reporting quality of banks

The study rejects H₀₁, indicating that firm size has a significant positive effect on financial reporting quality. Larger banks tend to have better internal control systems, more resources, and greater capacity to produce reliable and transparent reports. This is consistent with the findings of Walter (2024) and Alhassan (2021), who observed that larger firms in Nigeria are more capable of maintaining high reporting standards. Firm size appears to be a key determinant of reporting quality in the banking sector.

H₀₂: Firm profitability has no significant relationship with financial reporting quality in the banking sector

H₀₂ is rejected because profitability shows a significant positive relationship with financial reporting quality. Profitable banks are better able to invest in audit processes,

staff training, and compliance activities, which enhance the credibility of their financial statements. This aligns with the studies by Alhassan (2021) and Kwàrà et al. (2021), which reported that financially stronger firms tend to produce higher quality reports.

H₀₃: Board independence does not significantly influence financial reporting quality in banks

H03 is not rejected, suggesting that board independence does not have a statistically significant effect on financial reporting quality in the sampled banks. This finding contrasts with previous research by Alhassan (2021), Amah and Ekwe (2021), and Shiyambola et al. (2021), which showed positive effects of independent directors on reporting quality. The result may indicate that board independence in Nigerian banks is limited in practical influence, possibly due to entrenched managerial control or insufficient board engagement.

H₀₄: Audit committee effectiveness has no significant impact on the financial reporting quality of banks

H04 is not rejected, indicating that audit committee effectiveness does not significantly affect reporting quality in this study. This finding differs from research by Shika and Kantiyok (2023) and Maidad et al. (2024), which emphasized the positive role of audit committees in enhancing financial reporting integrity. The lack of significance may reflect a formalistic approach to audit committee functions or variations in expertise and meeting regularity in the sampled banks.

H₀₅: Leverage does not significantly affect the financial reporting quality of banks

H₀₅ is rejected because leverage exhibits a significant negative effect on financial reporting quality. Banks with higher leverage may experience pressure to manipulate earnings or engage in opportunistic reporting to meet debt obligations. This finding aligns with agency theory and highlights the role of financial structure in shaping reporting practices.

Overall, the hypotheses testing shows that firm-specific financial characteristics, including size, profitability, and leverage, significantly affect financial reporting quality in Nigerian banks. Corporate governance mechanisms such as board independence and audit committee effectiveness, however, are not statistically significant in this context. This suggests that financial capacity and risk exposure may have a more immediate impact on reporting quality than governance structures alone.

4.8 Policy Implications

The findings of this study carry several important implications for regulators, bank management, and policymakers in the Nigerian banking sector.

Strengthening Bank Size and Profitability Measures

Since firm size and profitability significantly enhance financial reporting quality, policymakers should encourage practices that strengthen bank capacity and financial performance. Regulatory bodies such as the Central Bank of Nigeria could provide

incentives for banks to maintain robust capital bases and improve operational efficiency. Larger and more profitable banks are better able to adopt advanced reporting systems, hire skilled personnel, and maintain rigorous internal controls.

Addressing	Leverage	Risks
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The significant negative impact of leverage on reporting quality highlights the need for stricter monitoring of bank debt levels. Regulators should implement policies that ensure banks do not over-leverage, thereby reducing the pressure to manipulate financial statements. Guidelines could include leverage thresholds or enhanced disclosure requirements for highly leveraged banks to protect stakeholders and maintain market confidence.

Re-evaluating	Governance	Structures
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The lack of significant effects of board independence and audit committee effectiveness suggests that formal governance mechanisms alone may not guarantee improved reporting quality. Policymakers should focus not only on structural compliance but also on the functionality and effectiveness of boards and audit committees. This could involve:

- Enhancing training and capacity building for board and committee members.
- Ensuring that independent directors have adequate authority and expertise to influence decision-making.
- Regular evaluation of committee performance to strengthen oversight.

Encouraging	Sector-Specific	Governance	Practices
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Given that governance mechanisms showed mixed effects, regulators and banks should tailor governance policies to the unique characteristics of the banking sector. This includes emphasizing risk management, internal audit quality, and transparency initiatives that directly influence reporting outcomes rather than relying solely on formal governance codes.

Promoting	Holistic	Reporting	Quality	Frameworks
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Policymakers should advocate for integrated frameworks that combine financial strength, internal governance, and regulatory compliance to enhance reporting quality. Such frameworks would ensure that banks maintain reliable, timely, and transparent financial information, supporting investor confidence and financial stability.

In summary, these policy implications underscore the need for a balanced approach that combines strong financial fundamentals, prudent leverage management, and functional governance mechanisms to enhance financial reporting quality in Nigerian banks.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Summary of Findings

This study examined the effect of firm characteristics on financial reporting quality in Nigerian banks, focusing on firm size, profitability, board independence, audit committee effectiveness, and leverage. The key findings are:

- 1. Firm Size and Financial Reporting Quality**

Firm size was found to have a positive and statistically significant effect on financial reporting quality. Larger banks tend to adopt better reporting practices and maintain stronger internal controls.

2. Profitability and Financial Reporting Quality

Profitability was positively associated with financial reporting quality and was statistically significant. Profitable banks are better positioned to maintain high-quality reporting standards.

3. Board Independence and Financial Reporting Quality

Board independence did not have a statistically significant effect on financial reporting quality, suggesting that independence alone is insufficient without active engagement and expertise.

4. Audit Committee Effectiveness and Financial Reporting Quality

Audit committee effectiveness was not statistically significant in influencing financial reporting quality, indicating that formal committee structures alone do not guarantee improved reporting.

5. Leverage and Financial Reporting Quality

Leverage had a statistically significant negative impact on financial reporting quality. Banks with higher debt levels may face pressure to manipulate reports, affecting transparency.

5.2 Conclusion

The study concludes that financial attributes such as firm size, profitability, and leverage significantly influence the quality of financial reporting in Nigerian banks, while structural governance mechanisms like board independence and audit committee effectiveness did not show significant impact. Enhancing financial reporting quality requires a combination of strong financial fundamentals, prudent leverage management, and effective governance practices.

5.3 Recommendations

1. Firm Size

Banks should leverage their resources to strengthen internal reporting systems and controls, ensuring that large-scale operations translate into high-quality financial disclosures.

2. Profitability

Management should prioritize profitability through efficient operations and revenue growth, as financially strong banks are better positioned to maintain accurate and reliable reporting practices.

3. Board Independence

Banks should ensure that independent directors are actively engaged, financially literate, and empowered to influence decision-making, rather than relying solely on formal board composition.

4. Audit Committee Effectiveness

Audit committees should be strengthened with competent and experienced members, conduct regular oversight, and focus on practical monitoring of reporting quality rather than formal compliance.

5. Leverage

Banks should adopt prudent leverage policies and maintain appropriate debt levels, as excessive leverage can create incentives for misreporting and undermine reporting quality.

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APPENDIX

Descriptive Statistics

	FRQ	FSIZE	PROF	LEV	BIND	ACF	OWN
Mean	0.740079	12.34833	17.02875	63.06292	50.75056	0.719597	57.40486
Median	0.733700	12.30500	16.93500	63.95000	50.06500	0.702000	58.02000
Maximum	0.873400	13.37000	23.23000	72.01000	65.97000	0.889000	66.42000
Minimum	0.658300	11.49000	12.56000	49.82000	39.35000	0.601000	44.35000
Std. Dev.	0.047346	0.433651	2.473181	5.006241	6.441194	0.069512	4.969429
Skewness	0.599182	0.387361	0.320236	-0.565056	0.391270	0.541362	-0.582196
Kurtosis	2.975514	2.486382	2.507329	2.815494	2.385877	2.499937	2.888956
Jarque-Bera	4.310027	2.591997	1.958787	3.933583	2.968548	4.267060	4.104423
Probability	0.115902	0.273625	0.375539	0.139905	0.226667	0.118419	0.128451
Sum	53.28570	889.0800	1226.070	4540.530	3654.040	51.81100	4133.150
Sum Sq. Dev.	0.159158	13.35180	434.2802	1779.434	2945.717	0.343069	1753.361

Observations	72	72	72	72	72	72	72

Unit Root

@ Level

Null Hypothesis: Unit root (individual unit root process)

Series: FRQ

Date: 10/23/25 Time: 18:31

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 60

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	2.40677	1.0000
PP - Choi Z-stat	4.82901	1.0000

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Intermediate Phillips-Perron test results FRQ

Cross Section	Prob.	Bandwidth	Obs
Access Bank	0.7401	4.0	5
GTBank	0.8880	3.0	5
Zenith Bank	0.8077	1.0	5
UBA	0.9557	4.0	5
First Bank	0.9116	4.0	5
Fidelity Bank	0.9441	4.0	5
Stanbic IBTC	0.9187	3.0	5

Union Bank	0.9565	4.0	5
Sterling Bank	0.9371	4.0	5
FCMB	0.9518	4.0	5
Wema Bank	0.9340	4.0	5
Unity Bank	0.9393	4.0	5

Null Hypothesis: Unit root (individual unit root process)

Series: FSIZE

Date: 10/23/25 Time: 18:36

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 60

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	21.7413	0.5947
PP - Choi Z-stat	0.87237	0.8085

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Intermediate Phillips-Perron test results FSIZE

Cross Section	Prob.	Bandwidth	Obs
Access Bank	0.7536	4.0	5
GTBank	0.1197	4.0	5
Zenith Bank	0.4450	4.0	5
UBA	0.9606	4.0	5
First Bank	0.4583	4.0	5
Fidelity Bank	0.9107	4.0	5
Stanbic IBTC	0.0059	4.0	5

Union Bank	0.8665	2.0	5
Sterling Bank	0.7095	4.0	5
FCMB	0.6157	4.0	5
Wema Bank	0.7373	4.0	5
Unity Bank	0.7192	4.0	5

Null Hypothesis: Unit root (individual unit root process)

Series: PROF

Date: 10/23/25 Time: 18:38

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 60

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	2.29910	1.0000
PP - Choi Z-stat	4.93822	1.0000

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Intermediate Phillips-Perron test results PROF

Cross Section	Prob.	Bandwidth	Obs
Access Bank	0.9039	3.0	5
GTBank	0.8693	1.0	5
Zenith Bank	0.7143	1.0	5
UBA	0.8931	2.0	5
First Bank	0.9409	3.0	5
Fidelity Bank	0.9438	4.0	5
Stanbic IBTC	0.9045	2.0	5

Union Bank	0.9367	2.0	5
Sterling Bank	0.9599	4.0	5
FCMB	0.9535	4.0	5
Wema Bank	0.9561	4.0	5
Unity Bank	0.9598	4.0	5

Null Hypothesis: Unit root (individual unit root process)

Series: LEV

Date: 10/23/25 Time: 18:40

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 60

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	2.64887	1.0000
PP - Choi Z-stat	4.67123	1.0000

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Intermediate Phillips-Perron test results LEV

Cross Section	Prob.	Bandwidth	Obs
Access Bank	0.7635	2.0	5
GTBank	0.8773	2.0	5
Zenith Bank	0.8026	1.0	5
UBA	0.9637	4.0	5
First Bank	0.9308	3.0	5
Fidelity Bank	0.9135	3.0	5
Stanbic IBTC	0.8149	2.0	5

Union Bank	0.9658	4.0	5
Sterling Bank	0.9317	4.0	5
FCMB	0.9470	4.0	5
Wema Bank	0.9312	4.0	5
Unity Bank	0.9337	4.0	5

Null Hypothesis: Unit root (individual unit root process)

Series: BIND

Date: 10/23/25 Time: 18:42

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 60

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	2.26312	1.0000
PP - Choi Z-stat	4.93304	1.0000

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Intermediate Phillips-Perron test results BIND

Cross Section	Prob.	Bandwidth	Obs
Access Bank	0.9225	4.0	5
GTBank	0.9490	3.0	5
Zenith Bank	0.8533	2.0	5
UBA	0.9865	4.0	5
First Bank	0.9127	2.0	5
Fidelity Bank	0.8506	1.0	5
Stanbic IBTC	0.8069	2.0	5

Union Bank	0.8957	2.0	5
Sterling Bank	0.9344	3.0	5
FCMB	0.9598	4.0	5
Wema Bank	0.9309	3.0	5
Unity Bank	0.9343	3.0	5

Null Hypothesis: Unit root (individual unit root process)

Series: ACF

Date: 10/23/25 Time: 18:43

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 60

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	2.60905	1.0000
PP - Choi Z-stat	4.62846	1.0000

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Intermediate Phillips-Perron test results ACF

Cross section	Prob.	Bandwidth	Obs
Access Bank	0.7507	2.0	5
GTBank	0.9393	4.0	5
Zenith Bank	0.7829	1.0	5
UBA	0.9069	4.0	5
First Bank	0.9049	4.0	5
Fidelity Bank	0.9535	4.0	5
Stanbic IBTC	0.8975	3.0	5

Union Bank	0.9401	4.0	5
Sterling Bank	0.9398	4.0	5
FCMB	0.9389	4.0	5
Wema Bank	0.9250	4.0	5
Unity Bank	0.9120	4.0	5

Null Hypothesis: Unit root (individual unit root process)

Series: OWN

Date: 10/23/25 Time: 18:45

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 60

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	1.41235	1.0000
PP - Choi Z-stat	5.72479	1.0000

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Intermediate Phillips-Perron test results OWN

Cross section	Prob.	Bandwidth	Obs
Access Bank	0.9247	3.0	5
GTBank	0.9006	2.0	5
Zenith Bank	0.8798	2.0	5
UBA	0.9591	4.0	5
First Bank	0.9450	2.0	5
Fidelity Bank	0.9278	2.0	5
Stanbic IBTC	0.9197	3.0	5

Union Bank	0.9681	4.0	5
Sterling Bank	0.9824	4.0	5
FCMB	0.9551	4.0	5
Wema Bank	0.9781	4.0	5
Unity Bank	0.9804	4.0	5

@ First Difference

Null Hypothesis: Unit root (individual unit root process)

Series: D(FRQ)

Date: 10/23/25 Time: 18:34

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 48

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	41.7696	0.0137
PP - Choi Z-stat	-3.19545	0.0007

** Probabilities for Fisher tests are computed using an

asymptotic Chi-square distribution. All other tests

assume asymptotic normality.

Intermediate Phillips-Perron test results D(FRQ)

Cross section	Prob.	Bandwidth	Obs
Access Bank	0.0771	0.0	4
GTBank	0.1660	0.0	4
Zenith Bank	0.2336	0.0	4

UBA	0.1371	0.0	4
First Bank	0.1652	0.0	4
Fidelity Bank	0.2145	0.0	4
Stanbic IBTC	0.2674	0.0	4
Union Bank	0.1639	0.0	4
Sterling Bank	0.1965	0.0	4
FCMB	0.1663	0.0	4
Wema Bank	0.2034	0.0	4
Unity Bank	0.2010	0.0	4

Null Hypothesis: Unit root (individual unit root process)

Series: D(FSIZE)

Date: 10/23/25 Time: 18:37

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 48

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	74.3689	0.0000
PP - Choi Z-stat	-5.03597	0.0000

** Probabilities for Fisher tests are computed using an

asymptotic Chi-square distribution. All other tests

assume asymptotic normality.

Intermediate Phillips-Perron test results
D(FSIZE)

Cross section	Prob.	Bandwidth	Obs
Access Bank	0.0356	1.0	4
GTBank	0.0000	3.0	4
Zenith Bank	0.0306	2.0	4

UBA	0.4360	1.0	4
First Bank	0.6784	0.0	4
Fidelity Bank	0.1575	0.0	4
Stanbic IBTC	0.1782	0.0	4
Union Bank	0.0119	0.0	4
Sterling Bank	0.0802	0.0	4
FCMB	0.0446	1.0	4
Wema Bank	0.0878	1.0	4
Unity Bank	0.0864	0.0	4

Null Hypothesis: Unit root (individual unit root process)

Series: D(PROF)

Date: 10/23/25 Time: 18:38

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 48

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	40.3438	0.0196
PP - Choi Z-stat	-3.08259	0.0010

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Intermediate Phillips-Perron test results
D(PROF)

Cross section	Prob.	Bandwidth	Obs
Access Bank	0.1984	0.0	4
GTBank	0.1530	0.0	4

Zenith Bank	0.1567	0.0	4
UBA	0.1742	0.0	4
First Bank	0.2366	0.0	4
Fidelity Bank	0.1626	0.0	4
Stanbic IBTC	0.2086	0.0	4
Union Bank	0.1717	0.0	4
Sterling Bank	0.2019	0.0	4
FCMB	0.1837	0.0	4
Wema Bank	0.1960	0.0	4
Unity Bank	0.2090	0.0	4

Null Hypothesis: Unit root (individual unit root process)

Series: D(LEV)

Date: 10/23/25 Time: 18:40

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 48

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	41.3643	0.0152
PP - Choi Z-stat	-3.16977	0.0008

** Probabilities for Fisher tests are computed using an

asymptotic Chi-square distribution. All other tests

assume asymptotic normality.

Intermediate Phillips-Perron test results D(LEV)

Cross section	Prob.	Bandwidth	Obs
Access Bank	0.0948	1.0	4
GTBank	0.2106	0.0	4

Zenith Bank	0.1754	0.0	4
UBA	0.1349	0.0	4
First Bank	0.1824	0.0	4
Fidelity Bank	0.2375	0.0	4
Stanbic IBTC	0.1683	0.0	4
Union Bank	0.1951	0.0	4
Sterling Bank	0.2052	0.0	4
FCMB	0.1791	0.0	4
Wema Bank	0.2076	0.0	4
Unity Bank	0.2031	0.0	4

Null Hypothesis: Unit root (individual unit root process)

Series: D(BIND)

Date: 10/23/25 Time: 18:42

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 48

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	41.1154	0.0162
PP - Choi Z-stat	-3.15964	0.0008

** Probabilities for Fisher tests are computed using an

asymptotic Chi-square distribution. All other tests

assume asymptotic normality.

Intermediate Phillips-Perron test results D(BIND)

Cross section	Prob.	Bandwidth	Obs
Access Bank	0.1874	1.0	4
GTBank	0.1413	0.0	4

Zenith Bank	0.2367	0.0	4
UBA	0.2083	0.0	4
First Bank	0.1852	0.0	4
Fidelity Bank	0.1655	0.0	4
Stanbic IBTC	0.1900	0.0	4
Union Bank	0.1594	0.0	4
Sterling Bank	0.1837	0.0	4
FCMB	0.1605	0.0	4
Wema Bank	0.1799	0.0	4
Unity Bank	0.1836	0.0	4

Null Hypothesis: Unit root (individual unit root process)

Series: D(ACF)

Date: 10/23/25 Time: 18:44

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 48

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	40.8774	0.0172
PP - Choi Z-stat	-3.11568	0.0009

** Probabilities for Fisher tests are computed using an

asymptotic Chi-square distribution. All other tests

assume asymptotic normality.

Intermediate Phillips-Perron test results D(ACF)

Cross section	Prob.	Bandwidth	Obs
Access Bank	0.1233	0.0	4
GTBank	0.2110	0.0	4

Zenith Bank	0.2730	0.0	4
UBA	0.1273	0.0	4
First Bank	0.2752	0.0	4
Fidelity Bank	0.1906	0.0	4
Stanbic IBTC	0.2173	0.0	4
Union Bank	0.1658	0.0	4
Sterling Bank	0.1672	0.0	4
FCMB	0.1774	0.0	4
Wema Bank	0.1671	0.0	4
Unity Bank	0.1570	0.0	4

Null Hypothesis: Unit root (individual unit root process)

Series: D(OWN)

Date: 10/23/25 Time: 18:46

Sample: 2018 2023

Exogenous variables: Individual effects

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 48

Cross-sections included: 12

Method	Statistic	Prob.**
PP - Fisher Chi-square	42.2083	0.0122
PP - Choi Z-stat	-3.24195	0.0006

** Probabilities for Fisher tests are computed using an

asymptotic Chi-square distribution. All other tests

assume asymptotic normality.

Intermediate Phillips-Perron test results D(OWN)

Cross section	Prob.	Bandwidth	Obs
Access Bank	0.2747	0.0	4
GTBank	0.1627	0.0	4

Zenith Bank	0.2243	0.0	4
UBA	0.0994	0.0	4
First Bank	0.1627	0.0	4
Fidelity Bank	0.1398	0.0	4
Stanbic IBTC	0.2036	0.0	4
Union Bank	0.1392	0.0	4
Sterling Bank	0.2106	0.0	4
FCMB	0.1224	0.0	4
Wema Bank	0.1991	0.0	4
Unity Bank	0.2072	0.0	4

Cointegration Test

Kao Residual Cointegration Test

Series: FRQ FSIZE PROF LEV BIND ACF OWN

Date: 10/23/25 Time: 18:50

Sample: 2018 2023

Included observations: 72

Null Hypothesis: No cointegration

Trend assumption: No deterministic trend

User-specified lag length: 1

Newey-West automatic bandwidth selection and Bartlett kernel

	t-Statistic	Prob.
ADF	-5.755166	0.0000
Residual variance	1.56E-05	
HAC variance	1.28E-05	

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(RESID)

Method: Least Squares

Date: 10/23/25 Time: 18:50

Sample (adjusted): 2020 2023

Included observations: 48 after adjustments

Variable	Coefficient t	Std. Error	t-Statistic	Prob.
RESID(-1)	-1.098727	0.188405	-5.831715	0.0000
D(RESID(-1))	0.326766	0.134134	2.436109	0.0188
Mean dependent				-
R-squared	0.459227	var		0.00022
Adjusted	R-			2
squared	0.447472	S.D. dependent	var	0.00404
				8
				-
S.E. of regression	0.003009	Akaike info criterion		8.73369
				1
				-
Sum squared resid	0.000416	Schwarz criterion		8.65572
				4
				-
Log likelihood	211.6086	Hannan-Quinn		8.70422
Durbin-Watson		criter.		7
stat	2.122962			

Hausman Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	33.295245	6	0.0000

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
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FSIZE	0.020371	0.009442	0.000015	0.0049
PROF	0.005031	0.003258	0.000003	0.2684
LEV	-0.009717	-0.009270	0.000001	0.6717
BIND	-0.000970	-0.003474	0.000002	0.0660
ACF	0.244132	0.148608	0.012571	0.3942
OWN	0.005910	-0.000391	0.000003	0.0001

Cross-section random effects test equation:

Dependent Variable: FRQ

Method: Panel Least Squares

Date: 10/23/25 Time: 19:15

Sample: 2018 2023

Periods included: 6

Cross-sections included: 12

Total panel (balanced) observations: 72

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.549909	0.336113	1.636084	0.1076
FSIZE	0.020371	0.005494	3.708100	0.0005
PROF	0.005031	0.001961	2.565344	0.0131
LEV	-0.009717	0.001894	-5.130682	0.0000
BIND	-0.000970	0.001864	-0.520467	0.6049
ACF	0.244132	0.157246	1.552548	0.1264
OWN	0.005910	0.001859	3.179988	0.0024

Effects Specification

Cross-section fixed (dummy variables)

		Mean dependent	0.74007
R-squared	0.995580	var	9
Adjusted	R-		0.04734
squared	0.994189	S.D. dependent var	6
			-
			8.19833
S.E. of regression	0.003609	Akaike info criterion	0
			-
			7.62916
Sum squared resid	0.000703	Schwarz criterion	4

			-
		Hannan-Quinn	7.97174
Log likelihood	313.1399	criter.	4
			1.74266
F-statistic	715.5326	Durbin-Watson stat	7
Prob(F-statistic)	0.000000		

Fixed Effect Model (FEM) Estimation

Dependent Variable: FRQ
Method: Panel Least Squares
Date: 10/23/25 Time: 19:17
Sample: 2018 2023
Periods included: 6
Cross-sections included: 12
Total panel (balanced) observations: 72

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FSIZE	0.020371	0.005494	3.708100	0.0005
PROF	0.005031	0.001961	2.565344	0.0131
LEV	-0.009717	0.001894	-5.130682	0.0000
BIND	-0.000970	0.001864	-0.520467	0.6049
ACF	0.244132	0.157246	1.552548	0.1264
OWN	0.005910	0.001859	3.179988	0.0024
C	0.549909	0.336113	1.636084	0.1076

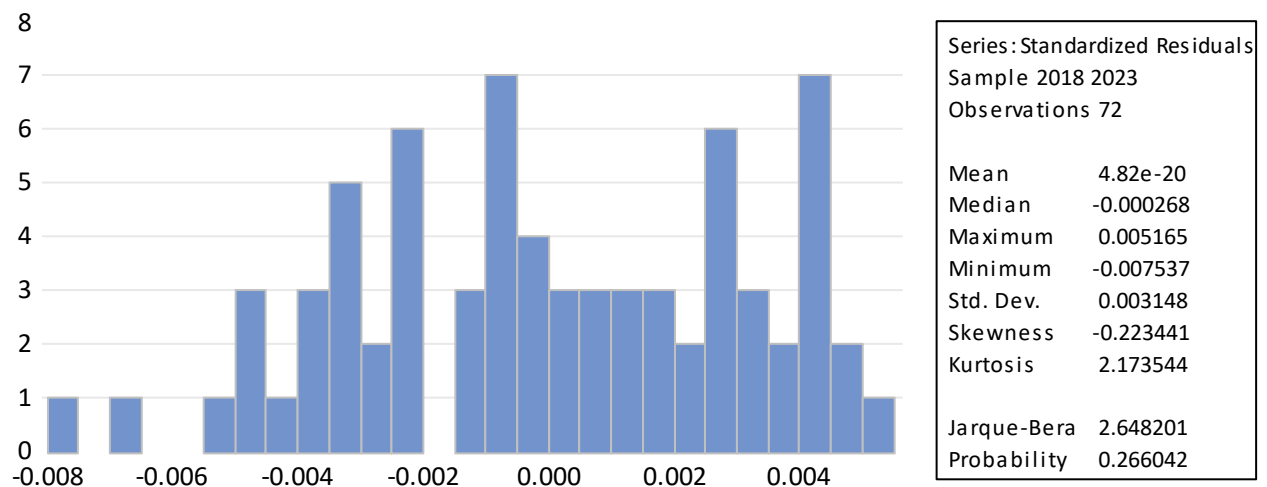
Effects Specification

Cross-section fixed (dummy variables)

		Mean dependent	0.74007
R-squared	0.995580	var	9
Adjusted	R-		0.04734
squared	0.994189	S.D. dependent var	6
			-
S.E. of regression	0.003609	Akaike info criterion	8.19833

			0
			-
			7.62916
Sum squared resid	0.000703	Schwarz criterion	4
			-
		Hannan-Quinn	7.97174
Log likelihood	313.1399	criter.	4
			1.74266
F-statistic	715.5326	Durbin-Watson stat	7
Prob(F-statistic)	0.000000		

Normality Test



Cross-Sectional Dependence Test

Residual Cross-Section Dependence Test

Null hypothesis: No cross-section dependence (correlation) in residuals

Equation: Untitled

Periods included: 6

Cross-sections included: 12

Total panel observations: 72

Cross-section effects were removed during estimation

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	108.8337	66	0.0007
Pesaran scaled LM	3.728197		0.0002
Bias-corrected scaled LM	2.528197		0.0115
Pesaran CD	1.143510		0.2528

Dataset

Bank	Year	FRQ	FSIZE	PROF	LEV	BIND	ACF	OWN
Access Bank	2018	0.7289	12.32	16.27	63.78	52.07	0.736	54.73
Access Bank	2019	0.7627	12.48	17.39	61.86	53.23	0.761	53.87
Access Bank	2020	0.7389	12.54	15.89	64.08	51.83	0.728	56.01
Access Bank	2021	0.7808	12.73	18.05	59.53	55	0.775	52.47
Access Bank	2022	0.7998	12.84	19.27	58.69	56.32	0.791	50.76
Access Bank	2023	0.8065	12.95	20	57.9	56.96	0.802	49.61
GTBank	2018	0.7967	12.11	18.91	55.04	60.53	0.836	48.9
GTBank	2019	0.8168	12.29	19.82	53.82	62.11	0.852	47.48
GTBank	2020	0.7884	12.41	18.24	55.94	60.98	0.832	49.07
GTBank	2021	0.8415	12.55	21.33	52.45	63.47	0.86	46.78
GTBank	2022	0.8598	12.69	21.98	50.96	64.72	0.878	45.66
GTBank	2023	0.8734	12.82	23.23	49.82	65.97	0.889	44.35
Zenith Bank	2018	0.7523	12.51	16.83	61.12	55.27	0.769	58.21

Zenith Bank	2019	0.761	12.66	17.94	60.18	56	0.779	57.44
Zenith Bank	2020	0.7329	12.74	15.81	62.34	54.23	0.752	59.32
Zenith Bank	2021	0.7744	12.89	18.54	59	57.13	0.778	56.09
Zenith Bank	2022	0.7885	13.02	19.42	58.14	58.31	0.791	54.99
Zenith Bank	2023	0.8027	13.11	20.15	56.96	59.06	0.808	53.82
UBA	2018	0.6988	11.92	14.69	67.3	46.81	0.668	61.46
UBA	2019	0.7206	12.04	15.89	65.77	48.23	0.69	59.69
UBA	2020	0.7091	12.17	14.33	66.43	47.51	0.678	60.3
UBA	2021	0.7323	12.31	16.74	64.2	49.3	0.7	58.45
UBA	2022	0.7495	12.45	17.81	62.95	50.63	0.718	57.23
UBA	2023	0.7642	12.57	18.93	61.81	52.01	0.728	55.93
First Bank	2018	0.7166	12.2	15.21	64.82	50.27	0.702	59.11
First Bank	2019	0.7367	12.33	16.34	63.51	51.53	0.714	57.59
First Bank	2020	0.7202	12.47	14.79	65.2	50.02	0.688	58.86
First Bank	2021	0.7507	12.62	17.03	62.15	52.44	0.721	56.17
First Bank	2022	0.7702	12.75	18.41	60.85	53.62	0.743	54.9
First Bank	2023	0.7784	12.87	19.46	59.68	54.83	0.75	53.37
Fidelity Bank	2018	0.6922	11.8	13.62	68.21	44.1	0.647	63
Fidelity Bank	2019	0.7119	11.95	14.89	67.14	45.56	0.663	61.35
Fidelity Bank	2020	0.6888	12.02	14.02	69.12	43.23	0.646	62.78
Fidelity Bank	2021	0.7216	12.15	16.17	65.83	47.01	0.683	59.87

Fidelity Bank	2022	0.7439	12.3	17.36	64.25	48.24	0.7	58.65
Fidelity Bank	2023	0.7573	12.41	18.12	63.3	49.77	0.713	57.13
Stanbic IBTC	2018	0.7709	12.9	19.24	59.01	56.78	0.785	54.09
Stanbic IBTC	2019	0.7813	13.04	20.01	57.86	57.92	0.798	53.11
Stanbic IBTC	2020	0.7594	13.12	18.83	60.03	55.34	0.776	54.67
Stanbic IBTC	2021	0.7932	13.22	20.79	56.41	59.23	0.807	51.89
Stanbic IBTC	2022	0.8114	13.31	21.66	55.37	60.47	0.823	50.74
Stanbic IBTC	2023	0.8219	13.37	22.49	54.45	61.54	0.833	49.84
Union Bank	2018	0.6957	11.88	14.55	66.13	47.34	0.672	61.01
Union Bank	2019	0.7152	12.04	15.78	64.69	48.9	0.689	59.43
Union Bank	2020	0.7008	12.14	14.62	65.95	47.22	0.675	60.29
Union Bank	2021	0.7281	12.29	16.84	63.02	50.11	0.702	57.88
Union Bank	2022	0.7456	12.42	17.92	61.49	51.44	0.718	56.61
Union Bank	2023	0.7591	12.56	19.13	60.27	52.66	0.728	55.33
Sterling Bank	2018	0.6761	11.72	13.47	69.54	42.12	0.632	64.2
Sterling Bank	2019	0.6928	11.86	14.58	68.23	43.35	0.648	62.98
Sterling Bank	2020	0.6753	11.94	13.55	70.11	41.87	0.632	63.7
Sterling Bank	2021	0.7064	12.06	15.91	66.87	45.32	0.666	60.82

Sterling Bank	2022	0.7248	12.19	17.15	65.32	46.59	0.681	59.44
Sterling Bank	2023	0.7345	12.29	18.03	64.4	47.73	0.692	58.01
FCMB	2018	0.691	11.87	14.15	67.22	45.67	0.664	61.73
FCMB	2019	0.7094	12.01	15.39	65.81	47.01	0.679	60.05
FCMB	2020	0.6985	12.09	14.28	66.95	46.06	0.669	60.93
FCMB	2021	0.7227	12.23	16.6	63.82	49.15	0.702	58.03
FCMB	2022	0.7401	12.35	17.86	62.39	50.35	0.717	56.79
FCMB	2023	0.7512	12.45	18.74	61.43	51.52	0.726	55.51
Wema Bank	2018	0.6607	11.49	12.56	71.45	39.75	0.601	66.42
Wema Bank	2019	0.6759	11.62	13.74	70.12	40.98	0.617	65.13
Wema Bank	2020	0.6583	11.69	12.65	72.01	39.35	0.602	65.83
Wema Bank	2021	0.6869	11.82	15.02	68.73	43.01	0.639	62.92
Wema Bank	2022	0.7042	11.94	16.3	67.13	44.25	0.654	61.52
Wema Bank	2023	0.7131	12.03	17.17	66.23	45.46	0.663	60.17
Unity Bank	2018	0.6769	11.73	13.68	69.52	42.19	0.633	64.13
Unity Bank	2019	0.6926	11.87	14.8	68.17	43.46	0.65	62.85
Unity Bank	2020	0.6757	11.95	13.74	70.01	41.88	0.632	63.55
Unity Bank	2021	0.7073	12.08	16.16	66.78	45.31	0.666	60.78
Unity Bank	2022	0.7251	12.21	17.46	65.21	46.61	0.681	59.36
Unity Bank	2023	0.7346	12.31	18.34	64.27	47.8	0.69	58.01