

Determinants of Financial Reporting Quality of Listed Deposit Money Banks in Nigeria

Prof, Nuruddeen Usman Miko¹, Dr Saifullahi Abdullahi Mazadu², Dr, Haruna Daddau³, Hassan Alhaji Tanko⁴

^{1,2,3,4}Karyna State Univernity

ABSTRACT: Financial reporting quality (FRQ) is central to corporate governance, transparency, and investor confidence, particularly in emerging markets. This study examines the impact of audit committee independence, audit committee meeting frequency, audit committee financial expertise, audit committee gender diversity, and audit committee tenure as determinants of FRQ of Nigerian listed deposit money banks between 2010 and 2024. The population comprises 14 listed deposit money banks on the Nigerian Exchange Group, of which 12 banks were purposively sampled due to data availability. Drawing on agency theory, which highlights conflicts of interest between shareholders and management, the study posits that effective audit committees mitigate opportunistic managerial behavior, such as earnings manipulation, thereby enhancing reporting integrity. Using panel data from the sampled banks and employing Panel-Corrected Standard Errors (PCSE) regression analysis, the study finds that audit committee independence and meeting frequency positively and significantly influence FRQ, while gender diversity and prolonged tenure exhibit negative effects. Financial expertise shows a positive but statistically insignificant effect. The findings underscore the critical role of audit committee design in strengthening oversight and safeguarding financial transparency. Practically, the study informs regulators and bank management on governance mechanisms that optimize reporting quality, while theoretically extending agency theory to the context of Nigerian financial institutions.

KEYWORDS: Audit committee, financial reporting quality, agency theory, deposit money banks, corporate governance, Nigeria

INTRODUCTION

Financial reporting is a core responsibility of corporate management and serves as a key measure of accountability for stewardship. Financial statements are essential tools for investors, regulators, and analysts, enabling informed decisions about an entity's performance and prospects (Yahaya & Adenola, 2011; Ma et al., 2022; Wu & Abeysekera, 2023). To fulfill this role effectively, financial reports must present a truthful and transparent representation of a firm's economic activities. Yet evidence shows that financial reports can be manipulated to mislead users, undermining confidence and market discipline (Abed et al., 2022).

Financial Reporting Quality (FRQ) refers to the reliability, transparency, and relevance of financial information. High-quality reports reflect the true economic condition of an entity, while low FRQ often results from earnings management, where managers manipulate accounting figures to achieve personal or organizational objectives (Lo et al. 2017). Earnings management is widely used as an inverse proxy for FRQ because higher levels of manipulation indicate weaker reporting integrity (Christensen et al., 2017; Trovato, 2017). Such practices undermine the effectiveness of financial information and can distort stakeholder decisions, especially in complex sectors like banking where disclosure reliability is critical (Sumiyana et al., 2023).

From 2010 to 2024, several Nigerian deposit money banks (DMBs) experienced challenges that highlight weaknesses in FRQ (Jameel et al., 2024). For example, Oceanic Bank Plc and Intercontinental Bank Plc were implicated in misstatements and poor disclosure practices prior to their mergers and takeovers, while Unity Bank Plc faced reporting lapses that raised questions about transparency. Skye Bank Plc was taken over by regulators in 2018 due to financial distress linked to weak reporting and governance failures, and Afribank Plc collapsed partly because of misreporting and inadequate internal controls. Even historically stable banks, such as FinBank and Union Bank, required intervention during the 2009–2011 banking crisis due to poor financial disclosure and governance lapses. These cases underscore the persistent FRQ challenges in Nigeria's banking sector and the potential risks to investor confidence and financial system stability.

The audit committee plays a central role in strengthening internal monitoring by overseeing financial reporting, internal control systems, and engagement with external auditors. Its effectiveness depends on attributes such as independence, meeting frequency, financial expertise, gender diversity, and tenure (Truong et al., 2024). Under the Companies and Allied Matters Act (CAMA) 2020,

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Nigerian law requires shareholder representation on audit committees, emphasizing independence and diligence in ensuring FRQ (Ahmed, 2017; Udo Udoma et al., 2021; Abdullahi, 2023).

Audit committee independence, measured as the proportion of non-executive members free from management influence, enhances objectivity and oversight. Studies show that independent committees are more effective at mitigating earnings management and improving FRQ (Almarayeh et al., 2021; Amarayeh et al., 2022), though evidence from emerging markets suggests effects can be mixed due to institutional constraints (Gerayli et al., 2021; Zadeh et al., 2023). Meeting frequency reflects diligence, enabling timely resolution of issues and closer interaction with external auditors (Almarayeh et al., 2021; Ngo & Le, 2021), though meeting counts alone do not guarantee improved reporting outcomes (Mardessi, 2021; Attia et al., 2025).

Financial expertise equips members to understand complex reports and challenge managerial assumptions, significantly enhancing FRQ (Cheung & Chung, 2022; Komal et al., 2021). Gender diversity introduces ethical scrutiny, balanced judgment, and risk awareness, with female members associated with stronger oversight and reduced earnings manipulation (Obeitoh et al., 2024). Tenure balances experience with independence; longer-serving members gain institutional knowledge, but excessive tenure may weaken oversight due to overfamiliarity with management (Ngo & Le, 2021).

Despite governance mechanisms, findings on the impact of audit committee attributes on FRQ remain fragmented. Some studies report positive relationships (Din et al., 2021; Cheung & Chung, 2022), while others find limited or insignificant effects, especially in environments with weak external monitoring (Almarayeh et al., 2021; Gerayli et al., 2021). This underscores the need for research focused on Nigerian listed DMBs, which face complex financial reporting challenges and remain vulnerable to lapses in transparency and investor confidence. The main objective of the study is to examine the determinants of financial reporting quality of listed deposit money banks in Nigeria. The specific objectives are to:

- i. Investigate the impact of audit committee independence on financial reporting quality of listed deposit money banks in Nigeria.
- ii. Examine the impact of audit committee meetings on financial reporting quality of listed deposit money banks in Nigeria.
- iii. Assess the impact of audit committee financial expertise on financial reporting quality of listed deposit money banks in Nigeria.
- iv. Evaluate the impact of audit committee gender diversity on financial reporting quality of listed deposit money banks in Nigeria.
- v. Examine the impact of audit committee tenure on financial reporting quality of listed deposit money banks in Nigeria.

LITERATURE REVIEW

Empirical Review

Audit Committee Independence and Financial Reporting Quality

Tijani et al. (2025) examined the effect of audit committee attributes on the financial reporting quality of listed manufacturing firms in Nigeria, focusing on the pre- and post-Companies and Allied Matters Act (CAMA) 2020 era. Using an ex-post facto research design with a purposive sample of 25 firms between 2017 and 2023. Findings of the study revealed that larger committees enhanced reporting quality before the enactment of CAMA 2020, but reduced committee size under the new law correlated with higher earnings variability, suggesting weakened reporting quality. Independence consistently enhanced reporting quality, regardless of regulatory changes, while financial expertise unexpectedly showed a positive association with earnings variability, implying that experts on audit committees did not necessarily constrain managerial discretion. Although significant, the study was limited to the manufacturing sector, which is less regulated compared to deposit money banks. It also overlooked the influence of ownership structures, such as institutional investors, which often shape governance outcomes by exerting pressure for accountability. This study addresses these gaps by focusing on the deposit money banks, where regulatory compliance is more critical, and by introducing institutional ownership as a moderating variable to test whether ownership concentration enhances or weakens the effectiveness of audit committees in safeguarding reporting quality.

Babalola et al. (2025) provided a conceptual analysis of audit committees as governance mechanisms designed to enhance the accuracy, reliability, and transparency of financial reporting. The study synthesized literature on committee independence, composition, and resource allocation, while proposing a conceptual model linking committee performance to financial reporting outcomes. It highlighted persistent challenges undermining audit committees such as conflicts of interest, insufficient resources, and weak regulatory support, and extended the analysis to cross-industry and cross-country contexts, illustrating variations in governance structures. Although useful, the study lacked empirical validation, relying instead on theoretical arguments and literature synthesis. Without empirical testing, its model remains speculative. Furthermore, it failed to consider how ownership concentration and institutional investors could strengthen or weaken the ability of committees to overcome resource and regulatory limitations. By empirically testing the moderating role of institutional ownership, the present study addresses this weakness into an evidence-based analysis grounded in the listed deposit money banks in Nigeria.

Audit Committee Meetings and Financial Reporting Quality

Majumder (2025) explored how audit committee independence, financial expertise, and meeting frequency influence financial reporting quality in 100 listed firms across financial and non-financial sectors. Using panel data between 2018 and 2022, the study found that independence and expertise enhanced reporting credibility, while frequent meetings reduced financial restatements,

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thereby improving accountability. Although robust, the study did not test moderating effects and generalized findings across sectors without accounting for industry-specific regulatory demands. This study overcomes these limitations by concentrating on deposit money banks, which operate under stricter governance codes, and by testing the moderating role of institutional ownership, which may alter the relative strength of independence, expertise, and meeting frequency in determining reporting quality.

Alruwaili (2024) investigated audit committee attributes in curbing earnings management among Saudi insurance firms and tested the moderating role of audit quality, measured by Big4 auditors. Using data from 2014 to 2021, the study found that committee independence, size, meetings, and commitment significantly reduced discretionary accruals, while committee experience showed no significant effect. Audit quality moderated the relationship between committee size and earnings management but did not affect other attributes. This study advanced governance debates in the Saudi context but remained industry-specific, limiting generalizability. Furthermore, its moderation analysis centered on audit quality rather than ownership dynamics, ignoring the role that institutional investors may play in shaping audit committee outcomes. By focusing on Nigeria's deposit money banks and incorporating institutional ownership as a moderator, this study builds on Alruwaili's framework but shifts attention to how ownership concentration affects the monitoring role of audit committees in a highly regulated, developing-economy context.

El-Deeb and Mohamed (2024) assessed Egyptian firms between 2018 and 2022 to examine how audit committee attributes influence integrated reporting quality, with board gender diversity as a moderator. They found that independence and frequency of meetings enhanced integrated reporting quality, while size and financial expertise were insignificant. Interestingly, board gender diversity moderated the link between meeting frequency and reporting quality. Although this study contributes to debates on audit committee effectiveness, it focuses on integrated reporting, which is broader than financial reporting quality. Furthermore, the moderating role explored was limited to gender diversity, excluding ownership structures. This study advances the discussion by narrowing the focus to financial reporting quality, a core indicator of credibility for deposit money banks, and by testing institutional ownership as a moderator, offering a more direct governance mechanism for regulating audit committee effectiveness in emerging markets.

Audit Committee Financial Expertise and Financial Reporting Quality

Kalembe et al. (2023) explored the interplay between CEO power, audit committee effectiveness, and earnings quality in regulated firms in Uganda. Using correlational and cross-sectional research designs with data collected from 136 firms through surveys administered to Chief Finance Officers and Chief Audit Executives, the authors found that CEO power negatively affected earnings quality, while effective audit committees positively influenced it. Audit committee effectiveness also mediated the relationship between CEO power and earnings quality, suggesting that strong audit committees can constrain powerful CEOs from eroding reporting credibility. However, the reliance on survey responses introduces subjectivity and possible bias, and the mediating model limits broader insights into moderating influences that might alter the strength of audit committee and reporting quality relationships. In addition, the study context of Uganda differs from Nigeria, where ownership structures are increasingly dominated by institutional investors. This study extends Kalembe et al.'s findings by using archival data from Nigerian deposit money banks and introducing institutional ownership as a moderator, which may enhance or weaken committee effectiveness in constraining managerial influence and safeguarding reporting quality.

Cheung and Chung (2022) examined the effect of seven types of audit committee expertise on real earnings management among Hong Kong firms between 2010 and 2015. They found that certain expertise profiles particularly legal and accounting could either mitigate or enable earnings management depending on the context. CFO expertise, in contrast, consistently constrained earnings manipulation. The study presents a wholistic view of expertise, but it does not extend to African or financial service sector. It also does not consider the moderating impact of institutional ownership. This research will build on their expertise classification while examining how such expertise interacts with institutional ownership to influence financial reporting quality in Nigeria's financial sector.

The effect of age diversity among audit committee financial experts (ACFEs) on earnings management in Chinese non-financial enterprises was investigated by Komal et al. in 2021. They discovered that younger ACFEs outperformed their older counterparts in terms of earning management mitigation, with state-owned businesses having the greatest impact. Their findings held up well against alternate earnings management measurements and endogeneity. Although the study broadens the discussion on demographic diversity, it only considers age, leaving out more general audit committee characteristics and neglecting to include institutional ownership as a moderator. By adding other audit committee attributes (such as gender, independence, and skill) and introducing institutional ownership as a moderating factor, this study broadens the focus, especially in a regulated sector like Nigerian deposit money banks.

Audit Committee gender and Financial Reporting Quality

Yahaya (2025) investigated gender diversity in audit committees and its effect on earnings quality in 150 Nigerian listed firms from 2014 to 2023. Using secondary panel data and random effects regression, the study revealed that higher female representation significantly reduced discretionary accruals, indicating enhanced reporting quality. This finding supports agency and resource dependence theories by showing that gender-diverse committees exert stronger oversight. While insightful, the study's narrow focus

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on gender diversity overlooks other committee attributes and does not account for ownership structures that can either support or constrain committee oversight. This study addresses this by examining multiple attributes; independence, size, expertise, and gender diversity, while integrating institutional ownership as a moderator to test whether it amplifies the benefits of diverse committees in deposit money banks.

Alqatamin and Alqatamin (2024) investigated the effect of audit committee characteristics on financial reporting quality in Jordan. Using panel regression analysis of non-financial firms between 2016 and 2023, they found that audit committee size, independence, gender diversity, and frequency of meetings were positively associated with reporting quality. The study provides robust evidence from an emerging market context but does not address ownership dynamics that could shape governance effectiveness. In addition, the focus on non-financial firms limits generalizability to more regulated industries. This study extends this evidence by contextualizing it within Nigeria's deposit money banks and introducing institutional ownership as a moderator, thereby providing insights into whether institutional ownership amplifies or dampens the positive effect of committee size, independence, and diversity on reporting quality.

Obaitoh et al. (2023) analyzed the effects of board and audit committee attributes on earnings management among 36 listed firms in Nigeria over a ten-year period. Using robust regression analysis, they found that size, independence, and expertise of female directors in the audit committee significantly reduced earnings management. However, board expertise had mixed results. Although this study is Nigeria-specific, it does not isolate the effects of audit committee characteristics from broader board dynamics, nor does it explore the influence of institutional ownership. This research narrows the scope to audit committee attributes and examines how institutional ownership moderates their relationship with financial reporting quality, which is essential in financial service environment where such committees play a direct oversight role.

Audit Committee Tenure and Financial Reporting Quality

Ayodele and Sarfadeen (2022) investigated the effect of audit committee expertise and tenure on the financial reporting quality of listed financial institutions in Nigeria, using an ex-post facto design with a sample of 50 firms drawn from a population of 57 and panel data covering 2015–2019. Financial reporting quality was measured through discretionary accruals estimated by the Modified Jones Model (1991), while the independent variables were audit committee expertise and tenure. The study found that financial expertise had a significant positive effect on reporting quality, highlighting the value of technical knowledge, whereas tenure had an insignificant negative effect, implying that prolonged service did not enhance reporting outcomes. Although these findings provide useful insights, the study is limited by its narrow focus on only two audit committee attributes, despite the fact that effectiveness is multidimensional and extends to independence, gender diversity, and meeting frequency. It also overlooked contextual or moderating factors that may influence the governance reporting link. This study addresses these gaps by incorporating a broader set of audit committee attributes including independence, expertise, gender diversity, and meetings and introducing institutional ownership as a moderating variable, which is particularly relevant in Nigeria where ownership structures may either reinforce or weaken the monitoring role of audit committees in shaping financial reporting quality.

Alawaqleh and Almasria (2021) studied the relationship between audit committee composition, performance, and financial reporting quality in Jordanian manufacturing firms. Survey responses from internal stakeholders confirmed that both audit committee structure and performance significantly influenced financial reporting quality. The study's reliance on perception-based data and lack of a moderating variable limits its empirical rigor. Furthermore, the financial service sector is excluded. This study strengthens empirical validity by using panel data and regression models on financial data from Nigerian deposit money banks, introducing institutional ownership as a moderator to the audit committee-financial reporting quality link.

Lutfi et al. (2022) analyzed how the characteristics of audit committee chairs influenced financial reporting quality in Jordanian firms. Using modified audit opinion as a proxy, they found that chair characteristics significantly affected financial reporting quality. The study focused narrowly on the chair and used only one proxy for financial reporting quality. It did not explore interaction effects with institutional ownership or broader committee characteristics. This study includes both chair and committee-level characteristics and investigates their interaction with institutional ownership, providing a more comprehensive understanding of financial reporting quality drivers in Nigerian deposit money banks.

THEORETICAL REVIEW

Agency Theory

Financial reporting quality (FRQ) is a critical dimension of corporate governance in the banking sector, particularly in ensuring transparency, accountability, and investor confidence. Agency theory, first articulated by Jensen and Meckling (1976), provides the theoretical foundation for examining the relationship between audit committee characteristics and FRQ. The theory conceptualizes the relationship between principals (shareholders) and agents (management), highlighting the potential for conflicts of interest, known as agency problems. These conflicts arise because management may pursue personal gains at the expense of shareholders, often leading to opportunistic behaviors such as earnings management, financial misstatements, or selective disclosure of information (Fama & Jensen, 1983).

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Audit committees serve as a key monitoring mechanism within the corporate governance framework, tasked with mitigating these agency conflicts. Their structure and functioning are designed to reduce information asymmetry between management and shareholders and to enhance the reliability, accuracy, and transparency of financial reports (Spencer Stuart, 2021). In line with agency theory, this study examines the extent to which audit committee characteristics—independence, meetings, financial expertise, gender diversity, and tenure—affect FRQ in Nigerian listed deposit money banks.

Independent audit committee members are less likely to have close personal or professional relationships with management, making them more capable of unbiased oversight. Agency theory posits that such independence reduces the likelihood of managerial opportunism by ensuring that financial statements are critically reviewed and that compliance with accounting standards is maintained (Hermalin & Weisbach, 2003). Accordingly, the study hypothesizes that audit committee independence positively influences financial reporting quality.

Agency theory underscores the importance of active monitoring to mitigate agency costs. The frequency of audit committee meetings represents the intensity of oversight. Regular meetings allow committee members to scrutinize financial reports, discuss emerging risks, and identify potential misstatements promptly (Beasley et al., 2009). Therefore, a higher number of meetings is expected to enhance FRQ by reducing opportunities for managerial opportunism.

A central tenet of agency theory is the presence of information asymmetry between management and shareholders. Audit committee members with financial or accounting expertise can critically evaluate complex transactions, detect earnings management, and ensure adherence to financial reporting standards (Klein, 2002). Thus, financial expertise strengthens the committee's capacity to monitor management effectively, thereby enhancing the quality of financial reports.

Diversity in the audit committee composition introduces varied perspectives, which can improve decision-making quality and oversight rigor. Agency theory suggests that committees with diverse members are more likely to challenge management assumptions, ask critical questions, and reduce groupthink (Adams & Ferreira, 2009). Gender diversity, in particular, is associated with increased diligence and attention to detail, which can positively impact FRQ.

Audit committee tenure can have a dual effect on monitoring effectiveness. Longer tenure allows members to gain experience and understand the intricacies of the bank's operations, which enhances oversight capabilities. However, excessive tenure may compromise independence due to overly close relationships with management (Bhagat & Bolton, 2008). Agency theory therefore implies that optimal tenure balances expertise accumulation with maintaining independence, ultimately affecting FRQ.

Thus, agency theory provides a robust framework for understanding how audit committee characteristics can mitigate agency problems and enhance financial reporting quality. Each specific characteristic of the audit committee represents a mechanism to align managerial actions with shareholders' interests, reduce information asymmetry, and strengthen corporate governance in Nigerian listed deposit money banks. This theoretical underpinning justifies the examination of independence, meeting frequency, financial expertise, gender diversity, and tenure as determinants of FRQ in this study.

RESEARCH METHODOLOGY

This study adopts correlation research design. This design has the ability of describing the expected statistical associations between two or more variables and allow for making predictions by testing of expected relationship between variables. The design is informed by the research paradigm which is the positivist philosophical paradigm. The population of this study consists of all listed deposit money banks in Nigeria Exchange Group as at December 2024 and whose data are available for the period of study, which is 2010-2024. The study covers the period of fifteen years 2010-2024 both years inclusive. In light of the above, Out of these 14 listed DMBs, Jaiz and Union Bank were filtered out as data for 2010 to 2017 and 2024 were not available. The remaining 12 banks were therefore used for this study.

Table 1 Population and Sample

S.No	Bank	Year of Incorporation	Year of Listing
1	Access Bank plc	1989	1998
2	Fidelity Bank plc	1987	2005
3	First Bank Nigeria Plc	1894	1971
4	First City Monument Bank plc (FCMB)	1983	2004
5	Guaranty Trust Bank plc (GTBank)	1990	1996
6	United Bank for Africa plc (UBA)	1961	1970
7	Zenith Bank plc	1990	2004
8	Wema Bank plc	1945	1990
9	Ecobank Nigeria plc	1985	2006
10	Unity Bank plc	1987	2005
11	Stanbic IBTC Bank plc	1989	2005
12	Sterling Bank plc	1960	1992
13	Jaiz Bank Plc	2011	2017

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14 Union Bank Plc

Sources: Compiled by the Authors, 2026.

Variables Definition, Measurement and Sources

The variables of the study consist of dependent variable which is financial reporting quality measured by abnormal loan loss provision model by Olowokure et al. (2016). This is done by conducting the analysis in two stages extracting the residuals from abnormal loan loss provision model first and then running the regression with the model of the study. Table 2 provide a concise summary of the measurement of dependent, independent, moderating and control variables as they will be used in this study.

Table 2 Variable Measurement and Definition

Variables	Definition	Measurement	Sources
Dependent Variable	Financial reporting Quality	Measured by abnormal loan loss provision.	Olowokure et al. (2016)
Determinant Variables			
ACI	Audit Committee independence	Measured as the proportion of AC members that are independent non-executive directors	Gerayli et al. (2021)
ACM	Audit Committee Meetings	Measured as number of meetings conducted by AC in a year	Almarayeh et al., (2021)
ACE	Audit Committee financial expertise	Measured as the proportion of AC members with financial, accounting and management knowledge	Obeitoh et al. (2024)
ACG	Audit Committee Gender Diversity	Measured as the proportion of women in the audit committee	Ali (2022)
ACT	Audit Committee Tenure	The number of years that AC chair has served as a chair in the same bank	Al-Refiay (2021)

Source: Compiled by the Researcher, (2026).

As shown in the Table above, this study employed the abnormal loan loss provision which is measured in line with (Dabor & Ibadin, 2013) as;

$$LLP = \alpha_0 + \alpha_1 LLAB + \alpha_2 NPLAB + \alpha_3 \Delta NPL + \alpha_4 NBLW + \alpha_5 \Delta TOTL + e_t$$

Where:

NPLAB = Non-Performing Loans at the beginning, LLP = Loan loss provisions, ΔNPL = Change in Non-performing Loans, NBLW = Net Bad Loans Written Off and $\Delta TOTL$ = Change in Total Loan Loss.

The variables of the study consist of dependent variable which is financial reporting quality measured by Chang *et al.* (2008) model and independent variables proxied by audit committee independence, meetings, expertise, gender diversity and tenure. The study adapts the model used in Alruwaili, (2024); Yahaya, (2025) and Babalola et al. (2025) with little modifications.

$$FRQ_{it} = \alpha_0 + \beta_1 ACI_{it} + \beta_2 ACM_{it} + \beta_3 ACE_{it} + \beta_4 ACG_{it} + \beta_5 ACT_{it} + \epsilon_{it} \dots \dots \dots (ii)$$

Where:

FRQ = Financial reporting quality, it = firm and year indicator, α_0 = constant, $\beta_1 - \beta_5$ = coefficients of the parameters, ACI = Audit Committee Independence, ACM = Audit committee meeting, ACE = Audit Committee financial expertise, ACG = Audit Committee Gender Diversity, ACT = Audit Committee Tenure, ϵ = Error term

RESULT AND DISCUSSION

Descriptive Statistics

Table 3 presents the descriptive statistics of the study variables, including Financial Reporting Quality (FRQ), audit committee independence (ACI), audit committee meetings (ACM), audit committee financial expertise (ACE), audit committee gender diversity (ACG), and audit committee tenure (ACT) for listed deposit money banks in Nigeria.

Table 3 Descriptive Statistics

Variable	Mean	SD	Min	Max
FRQ	0.2543	0.2570	0.0015	0.7988

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Variable	Mean	SD	Min	Max
ACI	0.1906	0.1256	0.0000	0.5000
ACM	4.0111	0.8587	2.0000	7.0000
ACE	0.4026	0.1776	0.1667	0.8328
ACG	0.1767	0.1623	0.0000	0.6000
ACT	3.3740	1.8856	1.0000	9.0000

Source: Stata 13 Output, 2026.

The results indicate that Financial Reporting Quality (FRQ) has a mean value of 0.2543 with a standard deviation of 0.2570, suggesting moderate variability in reporting quality across the sampled banks. The minimum and maximum values of 0.0015 and 0.7988, respectively, reveal substantial disparities in reporting practices among firms, indicating that while some banks exhibit very low reporting quality, others demonstrate relatively high levels of transparency and reliability.

Audit committee independence (ACI) shows a mean of 0.1906 and a standard deviation of 0.1256, implying that, on average, approximately 19.1% of audit committee members are independent. The minimum value of 0 and maximum of 0.5 indicate that some banks have no independent members, while others have up to 50% independence, reflecting inconsistencies in compliance with governance expectations. The mean value for audit committee meetings (ACM) is 4.0111 with a standard deviation of 0.8587. This suggests that audit committees meet approximately four times annually on average, with a range between 2 and 7 meetings. The relatively low dispersion indicates that most banks maintain a fairly consistent meeting frequency, aligning with regulatory expectations for periodic oversight.

For audit committee financial expertise (ACE), the mean is 0.4026 with a standard deviation of 0.1776, indicating that about 40.3% of audit committee members possess financial expertise. The values range from 0.1667 to 0.8328, suggesting that while some committees have limited expertise, others are composed largely of financially knowledgeable members, which may enhance their monitoring effectiveness. Audit committee gender diversity (ACG) records a mean of 0.1767 and a standard deviation of 0.1623. This implies that, on average, female representation on audit committees is relatively low (17.7%). The minimum value of 0 indicates that some committees have no female members, while the maximum of 0.6 shows that a few banks have achieved moderate gender diversity.

Lastly, audit committee tenure (ACT) has a mean value of 3.3740 with a standard deviation of 1.8856. This indicates that audit committee members serve for an average of approximately three to four years, with tenure ranging from 1 to 9 years. The relatively high standard deviation suggests considerable variation in tenure across firms, which may have implications for both experience and independence.

Kernel Density

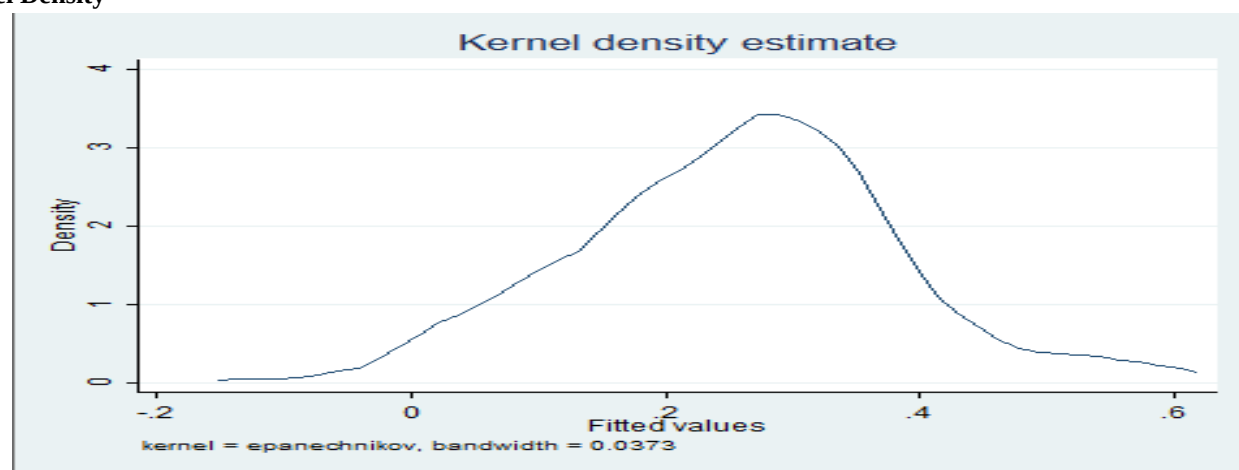


Figure 1 Kdensity

The kernel density plot of the fitted values from the regression model provides a non-parametric estimate of the distribution of predicted financial reporting quality (FRQ) among the sampled banks (Silverman, 1986; Wand & Jones, 1995). The x-axis represents the predicted FRQ values, while the y-axis shows the estimated density. The plot exhibits a right-skewed, single-peaked distribution with the highest density around 0.32–0.33, indicating that most banks have moderate predicted FRQ, consistent with the mean FRQ value of 0.2543 reported in the descriptive statistics. The tail extending toward higher values suggests that a few banks are predicted to have relatively high FRQ, highlighting variability in reporting quality across institutions. The smooth shape of the curve suggests

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that the model produces reasonably consistent predictions, although the right skewness indicates potential high-performing outliers. Practically, this implies that while most listed deposit money banks in Nigeria exhibit average reporting quality, some banks may achieve substantially higher transparency and reliability in their financial statements, which aligns with the observed range in the data (Min = 0.0015, Max = 0.7988). The bandwidth used (0.0373) ensures a balanced smoothness in the density estimation, providing a clear visualization of the distribution of predicted FRQ values.

Correlation Analysis

Table 4 Correlations Table

Variable	FRQ	ACI	ACM	ACE	ACG	ACT
FRQ	1.000					
ACI	0.220	1.000				
ACM	-0.324	-0.129	1.000			
ACE	0.026	0.311	-0.015	1.000		
ACG	-0.261	-0.084	-0.113	-0.088	1.000	
ACT	-0.043	0.072	0.246	0.056	0.226	1.000

Source: Stata 13 Output, 2026.

The results show that FRQ is positively correlated with audit committee independence (ACI) ($r = 0.220$). In contrast, FRQ exhibits a negative correlation with audit committee meetings (ACM) ($r = -0.324$). The relationship between FRQ and audit committee financial expertise (ACE) is positive but very weak ($r = 0.026$). Furthermore, FRQ is negatively correlated with audit committee gender diversity (ACG) ($r = -0.261$). Lastly, FRQ shows a very weak negative correlation with audit committee tenure (ACT) ($r = -0.043$). Importantly, none of the correlation coefficients exceed 0.80, suggesting the absence of multicollinearity among the independent variables and confirming their suitability for further regression analysis.

Multicollinearity Test

Table 5 Variance Inflation Factor (VIF) Test for Multicollinearity

Variable	VIF	1/VIF
ACT	1.17	0.8553
ACI	1.15	0.8702
ACM	1.13	0.8823
ACE	1.12	0.8968
ACG	1.11	0.8973
Mean VIF	1.14	—

Source: Stata 13 Output, 2026.

The results indicate that all variables have VIF values well below the conventional threshold of 10, with values ranging from 1.11 to 1.17. Specifically, audit committee tenure (ACT) recorded the highest VIF value of 1.17, followed by audit committee independence (ACI) at 1.15, audit committee meetings (ACM) at 1.13, audit committee financial expertise (ACE) at 1.12, and audit committee gender diversity (ACG) with the lowest VIF value of 1.11. Similarly, the corresponding tolerance values (1/VIF) range from 0.855 to 0.897, all of which are well above the minimum acceptable threshold of 0.10. These high tolerance values further confirm the absence of multicollinearity among the explanatory variables. The mean VIF of 1.14 reinforces the conclusion that multicollinearity is not a concern in this model. According to standard econometric guidelines, VIF values close to 1 indicate very low correlation among independent variables, suggesting that each variable provides unique information in explaining variations in financial reporting quality.

Table 6 Ramsey Test (Model Specification)

Test	F	df1	df2	p-value
RESET	1.68	3	171	0.1742

Source: Stata 13 Output, 2026.

To examine whether the regression model suffers from omitted variable bias or functional form misspecification, the Ramsey Regression Equation Specification Error Test (RESET) was conducted. The RESET test is widely used in econometric analysis to

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detect general specification errors, including omitted variables and incorrect functional form (Ramsey, 1969; Wooldridge, 2013). The results indicate that the model produced an F-statistic of 1.68 with an associated probability value (p-value) of 0.1742. Since the p-value exceeds the conventional significance level of 0.05, the null hypothesis that the model is correctly specified cannot be rejected.

This finding suggests that there is no statistical evidence of omitted variable bias or functional form misspecification in the model. In other words, the explanatory variables included in the model adequately capture the systematic variation in financial reporting quality. According to econometric theory, a correctly specified model enhances the reliability and validity of estimated coefficients and supports meaningful statistical inference (Gujarati & Porter, 2009; Wooldridge, 2013).

Table 7 Modified Wald Test for Groupwise Heteroskedasticity

Test	χ^2	df	p-value
Modified Wald	24,188.79	12	0.0000

Source: Stata 13 Output, 2026.

To examine the presence of heteroskedasticity in the panel data model, the Modified Wald test for groupwise heteroskedasticity in a fixed effects regression was employed. This test evaluates the null hypothesis that the variance of the error terms is constant across cross-sectional units (homoskedasticity) (Greene, 2012; Wooldridge, 2013).

The test results show a chi-square statistic of 24,188.79 with a corresponding p-value of 0.0000. Since the p-value is less than the conventional significance level of 0.05, the null hypothesis of homoskedasticity is rejected. This indicates the presence of heteroskedasticity across the cross-sectional units, meaning that the variance of the error terms differs among the sampled banks. In panel data analysis, such heterogeneity in variance can lead to inefficient estimates and biased standard errors, which may affect the validity of statistical inferences (Baltagi, 2005; Greene, 2012).

The implication of this result is that the model violates the assumption of constant error variance. To address this issue and ensure robust inference, it is necessary to employ panel-corrected standard errors (PCSE) heteronously, which adjust for unequal variances across panels (Beck & Katz, 1995; Wooldridge, 2013).

Regression Result

Table 8 Regression Results (PCSE)

Variable	Coefficient (β)	z-value	p-value
ACI	0.3209	2.39	0.017
ACM	-0.1103	-5.41	0.000
ACE	-0.0912	-0.93	0.352
ACG	-0.5081	-4.80	0.000
ACT	0.0154	1.59	0.113
_cons	0.7103	7.32	0.000

Source: STATA 13 OUTPUTS, (2025).

The overall model is statistically significant, with a Wald chi-square statistic of 53.58 ($p < 0.001$), and an R-squared of 0.2312, indicating that approximately 23.1% of the variation in FRQ is explained by the audit committee attributes included in the model. The results show that audit committee independence (ACI) has a positive and statistically significant effect on financial reporting quality (FRQ) ($\beta = 0.3209$, $p = 0.017$). Practically, this indicates that banks with higher proportions of independent audit committee members produce more reliable and transparent financial reports, reflecting stronger monitoring of managerial activities. This finding aligns with a priori expectations that independence enhances oversight and reduces managerial opportunism. Agency theory explains this relationship by suggesting that independent directors mitigate conflicts of interest between managers and shareholders, thereby improving the integrity of financial reporting (Jensen & Meckling, 1976). The null hypothesis (H_0 : Audit committee independence has no significant effect on FRQ) is rejected, and the alternative hypothesis (H_1 : Audit committee independence positively affects FRQ) is supported. Empirical studies support this positive effect; for example, Almarayeh et al. (2021) and Amarayeh et al. (2022) report that independent audit committees reduce earnings management and strengthen reporting quality. Conversely, some studies in emerging markets have reported mixed results, with Gerayli et al. (2021) and Zadeh et al. (2023) observing limited or insignificant effects of independence due to weak institutional enforcement.

Audit committee meetings (ACM) show a negative and statistically significant relationship with FRQ ($\beta = -0.1103$, $p < 0.001$). Practically, this suggests that frequent audit committee meetings in Nigerian banks may not necessarily improve financial reporting quality and could reflect reactive meetings in response to reporting issues rather than proactive oversight. The a priori expectation

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was positive, as frequent meetings are assumed to facilitate timely review and monitoring of financial statements. Agency theory emphasizes that regular interaction between the audit committee and management should reduce information asymmetry and agency conflicts; however, ineffective meetings can fail to achieve this goal. The null hypothesis (H_0 : Audit committee meetings have no significant effect on FRQ) is rejected; however, the effect is negative, which contradicts the expected positive direction (H_1). Supporting studies indicate that effective, substantive meetings improve reporting quality (Ngo & Le, 2021; Jameel et al., 2024), while other research shows that mere frequency without quality oversight may be ineffective, as noted by Mardessi (2021) and Attia et al. (2025).

The coefficient for audit committee financial expertise (ACE) is negative but statistically insignificant ($\beta = -0.0912$, $p = 0.352$), suggesting that the presence of financially knowledgeable members alone does not significantly enhance FRQ. Practically, this implies that expertise must be effectively applied within committee deliberations to impact reporting quality. The a priori expectation was positive, as expert members should critically evaluate complex financial statements. Agency theory predicts that such expertise mitigates agency conflicts by enabling better monitoring of managerial actions. The null hypothesis (H_0 : Audit committee financial expertise has no significant effect on FRQ) failed to be rejected, and the alternative hypothesis (H_1 : Financial expertise positively affects FRQ) is not supported. Studies supporting positive effects include Cheung and Chung (2022) and Komal et al. (2021), while Gerayli et al. (2021) and Zadeh et al. (2023) report insignificant effects in contexts where expertise is not paired with independence or authority.

Audit committee gender diversity (ACG) exhibits a significant negative relationship with FRQ ($\beta = -0.5081$, $p < 0.001$). Practically, this indicates that higher female representation in Nigerian banks' audit committees is associated with lower financial reporting quality, potentially due to tokenism, limited influence, or lack of applied expertise. A priori expectations were positive, as diverse perspectives are thought to enhance oversight, reduce risk-taking, and improve ethical scrutiny. Agency theory supports the idea that diverse committees mitigate agency conflicts by broadening the decision-making perspective. The null hypothesis (H_0 : Audit committee gender diversity has no significant effect on FRQ) is rejected, but the effect is negative, contrary to the expected positive direction (H_1). Supporting studies, such as Komal et al. (2021) and Obeitoh et al. (2024), report positive effects of female participation on FRQ, while studies like Gerayli et al. (2021) and Almarayeh et al. (2021) suggest that diversity without meaningful participation may fail to improve reporting outcomes, consistent with the present finding.

Audit committee tenure (ACT) has a positive but statistically insignificant effect on FRQ ($\beta = 0.0154$, $p = 0.113$). Practically, this suggests that longer tenure slightly enhances reporting quality, possibly through accumulated institutional knowledge, but not to a statistically meaningful extent. The a priori expectation was positive, as moderate tenure allows members to develop expertise and monitor management effectively. Agency theory posits that experienced directors can identify and mitigate managerial opportunism, yet overfamiliarity with management may reduce independence, explaining the weak effect observed. The null hypothesis (H_0 : Audit committee tenure has no significant effect on FRQ) failed to be rejected, and the alternative hypothesis (H_1 : Tenure positively affects FRQ) is not supported. Supporting evidence comes from Ngo and Le (2021) and El-Deeb and Mohamed (2024), while Almarayeh et al. (2021) and Gerayli et al. (2021) found that excessive tenure or contextual constraints limit its impact on FRQ.

CONCLUSION AND RECOMMENDATION

The study concludes that audit committee independence significantly improves the financial reporting quality of listed deposit money banks in Nigeria. Independent directors enhance oversight, reduce managerial opportunism, and ensure that financial statements provide a true and fair view of the bank's performance. Frequent audit committee meetings were found to have a significant negative relationship with financial reporting quality, suggesting that meeting frequency alone does not guarantee effective oversight. Poorly structured or reactive meetings may fail to detect reporting issues timely. Financial expertise within audit committees does not significantly influence financial reporting quality in the sampled banks. Simply having members with accounting or finance backgrounds is insufficient if their expertise is not actively applied in monitoring processes. Gender diversity in audit committees has a significant negative effect on financial reporting quality in this context, potentially due to tokenism or limited influence of female members. Diversity without meaningful authority does not automatically enhance oversight. Audit committee tenure has a positive but statistically insignificant effect on financial reporting quality. While longer tenure provides institutional knowledge, it does not necessarily improve oversight if overfamiliarity with management reduces independence.

Banks should prioritize appointing a higher proportion of independent members to audit committees, ensuring they have sufficient authority and training to exercise effective monitoring. Regulators may also consider enforcing stricter guidelines on audit committee independence to strengthen corporate governance. Audit committees should focus on the quality and substance of meetings rather than quantity. Banks should implement structured agendas, thorough pre-meeting preparations, and active follow-up mechanisms to ensure that meetings contribute meaningfully to oversight and reporting quality. Banks should ensure that financially expert members actively participate in discussions, challenge managerial assumptions, and interpret complex financial statements. Training programs and specialized workshops can enhance the effectiveness of audit committee expertise. Banks should promote genuine gender inclusion by giving female audit committee members adequate authority, representation, and access to

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training. Efforts should go beyond symbolic appointments to ensure that diverse perspectives contribute effectively to decision-making and reporting quality. Banks should aim for moderate tenure in audit committees, balancing continuity and expertise with independence. Policies could limit maximum tenure while encouraging staggered appointments to maintain institutional memory without compromising objectivity.

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Appendix – Stata 13 Output

```
_____ (R)
/___ / ___ / ___
___ / / ___ / /___ 13.0 Copyright 1985-2013 StataCorp LP
Statistics/Data Analysis      StataCorp
                             4905 Lakeway Drive
MP - Parallel Edition         College Station, Texas 77845 USA
                             800-STATA-PC      http://www.stata.com
                             979-696-4600     stata@stata.com
                             979-696-4601 (fax)
```

3-user 8-core Stata network perpetual license:

Determinants of Financial Reporting Quality of Listed Deposit Money Banks in Nigeria

Serial number: 501306208483

Licensed to:

Kaduna

Notes:

1. (/v# option or -set maxvar-) 5000 maximum variables

. edit

. *(8 variables, 180 observations pasted into data editor)

. xtset id year, yearly

panel variable: id (strongly balanced)

time variable: year, 2010 to 2024

delta: 1 year

. sum frq aci acm ace acg act

Variable	Obs	Mean	Std. Dev.	Min	Max
-----+					
frq	180	.2542854	.2569994	.0014553	.7987855
aci	180	.1905556	.1256282	0	.5
acm	180	4.011111	.8586653	2	7
ace	180	.4025899	.1775852	.1666667	.832845
acg	180	.1766667	.1622659	0	.6
-----+					
act	180	3.373963	1.885645	1	9

. corr frq aci acm ace acg act
(obs=180)

	frq	aci	acm	ace	acg	act
-----+						
frq	1.0000					
aci	0.2196	1.0000				
acm	-0.3239	-0.1285	1.0000			
ace	0.0257	0.3113	-0.0148	1.0000		
acg	-0.2613	-0.0840	-0.1131	-0.0877	1.0000	
act	-0.0427	0.0717	0.2458	0.0555	0.2261	1.0000

. reg frq aci acm ace acg act

Source	SS	df	MS	Number of obs =	180
-----+					F(5, 174) = 10.47
Model	2.7335736	5	.54671472	Prob > F	= 0.0000
Residual	9.08913825	174	.052236427	R-squared	= 0.2312
-----+					Adj R-squared = 0.2091
Total	11.8227119	179	.06604867	Root MSE	= .22855

frq	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
-----+					
aci	.3209144	.1457673	2.20	0.029	.0332148 .6086141

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```
acm | -.1103209 .02118 -5.21 0.000 -.1521237 -.068518
ace | -.091187 .1015768 -0.90 0.371 -.2916684 .1092943
acg | -.5080876 .1111364 -4.57 0.000 -.7274366 -.2887386
act | .0153534 .0097959 1.57 0.119 -.0039807 .0346876
_cons | .7103137 .1001181 7.09 0.000 .5127115 .907916
```

```
. hettest
```

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of frq

chi2(1) = 2.10

Prob > chi2 = 0.1471

```
. vif
```

Variable	VIF	1/VIF
act	1.17	0.855285
aci	1.15	0.870215
acm	1.13	0.882305
ace	1.12	0.896845
acg	1.11	0.897332
Mean VIF	1.14	

```
. ovtest
```

Ramsey RESET test using powers of the fitted values of frq

Ho: model has no omitted variables

F(3, 171) = 1.68

Prob > F = 0.1742

```
. predict e
```

(option xb assumed; fitted values)

```
. kdensity e
```

```
. xtreg frq aci acm ace acg act, fe
```

Fixed-effects (within) regression	Number of obs =	180
Group variable: id	Number of groups =	12

R-sq: within = 0.0847	Obs per group: min =	15
between = 0.2481	avg =	15.0
overall = 0.1591	max =	15

	F(5,163)	=	3.02
corr(u_i, Xb) = 0.1206	Prob > F	=	0.0124

frq	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
-----	-------	-----------	---	------	----------------------

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```
-----+-----
aci | .2103132 .1349467 1.56 0.121 -.0561558 .4767823
acm | -.045015 .0256454 -1.76 0.081 -.095655 .005625
ace | .1785762 .1186789 1.50 0.134 -.05577 .4129224
acg | -.3398792 .1336285 -2.54 0.012 -.6037453 -.076013
act | .0020496 .0084822 0.24 0.809 -.0146996 .0187988
_cons | .3760062 .1218674 3.09 0.002 .1353638 .6166485
```

```
-----+-----
sigma_u | .16262952
sigma_e | .18603054
rho | .43318399 (fraction of variance due to u_i)
```

```
-----
F test that all u_i=0: F(11, 163) = 9.06 Prob > F = 0.0000
```

```
. estimate store fe
```

```
. xtreg frq aci acm ace acg act, re
```

```
Random-effects GLS regression      Number of obs   =   180
Group variable: id                 Number of groups  =   12
```

```
R-sq: within = 0.0826      Obs per group: min =   15
      between = 0.3315      avg =   15.0
      overall = 0.1909      max =   15
```

```
Wald chi2(5) = 19.31
corr(u_i, X) = 0 (assumed)      Prob > chi2 = 0.0017
```

```
-----+-----
frq | Coef. Std. Err. z P>|z| [95% Conf. Interval]
-----+-----
aci | .2276236 .1330746 1.71 0.087 -.0331979 .4884451
acm | -.0591638 .0241107 -2.45 0.014 -.1064199 -.0119078
ace | .1242634 .11232 1.11 0.269 -.0958798 .3444067
acg | -.362696 .1263009 -2.87 0.004 -.6102411 -.1151508
act | .0036986 .0084401 0.44 0.661 -.0128438 .020241
_cons | .4497934 .1218084 3.69 0.000 .2110534 .6885334
```

```
-----+-----
sigma_u | .1424668
sigma_e | .18603054
rho | .36967678 (fraction of variance due to u_i)
```

```
. estimate store re
```

```
. hausman fe
```

```
---- Coefficients ----
| (b) (B) (b-B) sqrt(diag(V_b-V_B))
| fe re Difference S.E.
-----+-----
aci | .2103132 .2276236 -.0173103 .0223999
acm | -.045015 -.0591638 .0141488 .0087385
ace | .1785762 .1242634 .0543128 .0383261
```

Determinants of Financial Reporting Quality of Listed Deposit Money Banks in Nigeria

```
acg | -.3398792   -.362696   .0228168   .0436425
act |  .0020496   .0036986   -.001649   .0008439
```

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\chi^2(5) = (b-B)'[(V_b - V_B)^{-1}](b-B) = 4.07$$

$$\text{Prob} > \chi^2 = 0.5388$$

(V_b-V_B is not positive definite)

```
. xttest0
```

Breusch and Pagan Lagrangian multiplier test for random effects

$$\text{frq}[\text{id}, t] = Xb + u[\text{id}] + e[\text{id}, t]$$

Estimated results:

	Var	sd = sqrt(Var)
frq	.0660487	.2569994
e	.0346074	.1860305
u	.0202968	.1424668

Test: Var(u) = 0

$$\text{chibar2}(01) = 101.58$$

$$\text{Prob} > \text{chibar2} = 0.0000$$

```
. xttest3
```

Modified Wald test for groupwise heteroskedasticity
in fixed effect regression model

H0: $\sigma(i)^2 = \sigma^2$ for all i

$$\chi^2(12) = 24188.79$$

$$\text{Prob} > \chi^2 = 0.0000$$

```
. xtpcse frq aci acm ace acg act, hetonly
```

Linear regression, heteroskedastic panels corrected standard errors

Group variable: id	Number of obs	=	180
Time variable: year	Number of groups	=	12
Panels: heteroskedastic (balanced)	Obs per group: min	=	15
Autocorrelation: no autocorrelation	avg	=	15
	max	=	15
Estimated covariances	=	12	R-squared = 0.2312
Estimated autocorrelations	=	0	Wald $\chi^2(5)$ = 53.58
Estimated coefficients	=	6	Prob > χ^2 = 0.0000

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	Het-corrected						
frq	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]		
-----+-----							
aci	.3209144	.1342362	2.39	0.017	.0578163	.5840125	
acm	-.1103209	.0203867	-5.41	0.000	-.1502781	-.0703636	
ace	-.091187	.0979081	-0.93	0.352	-.2830833	.1007093	
acg	-.5080876	.10596	-4.80	0.000	-.7157654	-.3004098	
act	.0153534	.0096836	1.59	0.113	-.003626	.0343329	
_cons	.7103137	.096995	7.32	0.000	.5202071	.9004203	

.