# Firm Characteristics and Quality of Financial Reporting in Nigerian Banks

**Iyafekhe Christian PhD\* Adjarho-Eku Ese Faith\*\* Daudu Omiose Eugene\*\***
Department of Accounting, Faculty of Management Sciences, University of Benin, Edo State, Nigeria\*
Department of Accounting, College of Social and Management Sciences, School of Post Graduate Studies, Wellspring University, Benin City, Edo State, Nigeria\*\*
christian.iyafekhe@uniben.edu.ng

**Abstract: This study determined the effect of firm characteristics on the quality of financial reporting of listed deposit money banks in Nigeria, using firm size, firm profitability and firm leverage as the independent variables. The data were extracted from seven selected deposit money banks in Nigeria. Pool regression analysis was employed to test the hypotheses. The study revealed that firm size and firm profitability have significant effect on financial reporting quality of listed deposit money banks in Nigeria at 5% level of significance. Firm leverage has no significant effect on financial reporting quality of listed deposit money banks in Nigeria at 5% level of significance. Conclusively, firm characteristics have significant effect on financial reporting quality in deposit money banks in Nigeria. Based on the findings, the study recommended that the banks should establish effective internal controls and robust reporting mechanisms to mitigate potential negative effect on financial reporting quality.**

**Keywords: Firm Size, Firm Profitability, Firm Leverage and Financial Reporting Quality.**

## INTRODUCTION

The transition of business systems to digital formats has integrated advanced technological tools, pushing innovations in diverse operations conducted by organizations (Afsay et al. 2023). This process, driven by the increasing access to large databases and the ease of direct communication among them, reflects the current digital revolution. The integration of artificial intelligence (AI), big data, and cloud computing is consolidating a paradigm shift in organizational processes and how current professionals conduct their activities (Shapovalova et al. 2023). AI encompasses various capabilities, including real-time information processing, trend identification, and task automation (Jagatheesaperumal et al. 2022). It is defined as "a system's ability to correctly interpret external data, to learn from such data, and to use those learning's to achieve specific goals and tasks through flexible adaptation" (Kaplan & Haenlein 2019). Therefore, integrating data-driven insights and automated processes enhances productivity and efficiency, complementing human decision-making (Seethamraju & Hecimovic 2023). AI is being used by accounting firms to enhance audit processes, risk assessments, transaction tests, analytics, and audit work-paper preparation for improved accuracy and compliance (Munoko et al. 2020). Big data introduces a revolutionary approach to handling large amounts of information, materialized by the ability to collect, store, and process data on a large scale and allowing organizations to anticipate trends, identify patterns, and make reasoned decisions (Agustí & Orta-Pérez 2023).

The effectiveness of the audit report and financial reporting quality reflects the true state of an organization's going concern. External auditors are responsible for assessing their clients' ability to survive without raising doubts about their going concern. A going concern audit opinion arises when auditors question a company's ability to maintain viability (Utami & Abriandi, 2018). Gardi et al. (2023) emphasizes the pivotal role of financial reporting quality in instilling confidence among stakeholders in banks' financial reports and bolstering their optimism about the prospects of banks. Farouk and Hassan (2014) assert that the attainment of quality financial reporting hinges largely on the external audit's support

for both financial reporting quality and the continued viability of an organization. External auditors not only review financial statements and opine on reporting quality but also evaluate a company's sustainability into the foreseeable future. Kabajeh et al. (2012) highlight the significance of the audit report as an essential informational tool for various stakeholders in organizations.

The quality of financial report is very crucial to every management since the only means by which outside shareholders and investors keep themselves informed about the level of the firm is through the disclosure of the reports (Olumide, Tanko & Nyor, 2015). Despite the benefits of financial reporting, there are different reasons which have been advanced for the presentation of misleading financial statements which may range from the demand for higher returns by shareholders, and the quest to maintain a giant corporate status in the eye of the business community or sporadic changes in competition, and the need to satisfy the greed of company's insiders (Shehu, 2013).

Ukavwe and Oke (2024) examined the effect of firm attributes on financial reporting quality of listed non-financial firms in Nigeria. Richmell (2024) assessed how firm characteristics such as Firm size, Firm age, and ROA influence the relationship between corporate governance and the quality of financial reporting. Amirah, Mohammed and Zakari (2023) examined the effect of corporate attributes and financial reporting quality of listed non-financial entities in Nigeria for the period 2011-2020. Yayangida et al. (2023) examined the effect of audit fees on financial reporting quality (FRQ) of quoted non-financial firms in Nigeria. Osuji and Okwuagwu (2022) used ten (10) listed companies in Nigeria's industrial products sector to study the features and reporting quality of Nigerian corporations from 2011 to 2020. Olowookere, Ajiboye and Ibrahim (2021) examined the effect of firm characteristics on the quality of financial reporting of listed consumer goods companies in Nigeria from 2014 to 2019. To the best our knowledge, there are alimited studies on firm characteristics on financial reporting quality deposit money banks in Nigeria with the current paper's scope of study. However, the prior studies ended on 2021.  It is against this backdrop, the present study seek to determine the effect of firm characteristics on the quality of financial reporting of listed deposit money banks in Nigeria. Specifically, the study sought:

To examine the effect of firm size has on the quality of financial reporting of listed deposit money banks in Nigeria.

To examine how affect the firm profitability on quality of financial reporting of listed deposit money banks in Nigeria.

To investigate the effect of firm leverage on quality of financial reporting of in listed deposit money banks Nigeria.

## REVIEW OF RELATED LITERATURE
### Firm Characteristics

Firm characteristics encompass various attributes intrinsic to a company, influencing its operations, strategic decisions, overall performance, and potential success (De Laan et al., 2017; Klai & Omri, 2011). These traits can be quantifiable, typically represented in numerical or financial terms, or qualitative, describing the company's inherent and often intangible features. This study only assesses the quantifiable aspect of firm characteristics. These firm characteristics interact and influence others, contributing to the company's unique identity and trajectory (Ipino & Parbonetti, 2017). They are vital in shaping the firm's strategies and outcomes, competitiveness, and attractiveness to investors. One quantifiable characteristic is the firm's size, typically measured by indicators such as total sales, total assets, or the number of employees (Činčalová & Hedija, 2020; Ozcan et al., 2017). The size of a firm plays a significant role in various aspects of its operations (Ozcan et al., 2017). Larger firms often have better access to resources, allowing them to invest more in research and development, marketing, or human capital. Larger firms also often benefit from economies of scale, leading to reduced costs per unit as the volume of production increases (Činčalová & Hedija, 2020). Additionally, the size of a company often implies market power, with larger companies usually exerting more influence over market prices and competition.

Another quantifiable characteristic is the firm's age, denoting the duration since its establishment (Horbach & Jacob, 2018). Firm age can impact its ability to adapt to market changes and its operational stability and credibility in the market. Older firms often have more experience, which can be an asset when navigating market dynamics. These firms also typically have established reputations, which can be beneficial when seeking to secure financial resources or attract clients.

The firm characteristics are described by Zou and Stan (1998) as the firm's managerial and demographic parameters which, in turn, comprised part of the firm's internal environment. This study considered firm size, the board size, leverage, liquidity, profitability, and firm growth.

Firm size is defined as the total resources owned by a company, which could be represented by average total assets, average sales, total assets, and number of sales. Firm size can also be measured by the natural logarithm of total assets (Abdelkarim & Zuriqi, 2020). The best proxy for the firm size of a company is asset size (Collins et al., 2017; Abdelkarim & Zuriqi, 2020). It is mostly argued the larger the firm the less likely they are involved in manipulating activities and there are possibilities of getting more concerned with the quality of their financial reporting. Similarly, this also measures firm size as a log of total assets.

Leverage is defined as the extent to which debt is used in financing a business, it has associated costs and benefits to the organization and hence the covenants associated with it may influence the decisions of the management (Collins et al., 2017). A firm's financial leverage is the use of money borrowed from an outside source to acquire additional assets for the business operations (Bragg, 2021). The level of leverage a firm employs can have a significant impact on its financial reporting quality, studies like Chen et al. (2003) and Beatty and Weber (2006) suggested that firms with high leverage are more likely to engage in earnings management and have lower financial reporting quality. Hence leverage refers to the use of debt financing in a firm's capital structure.

Profitability is defined as the excess of revenue over expenses (Hwang & Lin, 2008). It is a firm attribute identified to have a great influence on financial reporting quality. The profitability of a firm is measured by its profit after tax to total assets (Hwang & Lin, 2008). It is a way of financial measurement to evaluate the ability of a firm to generate income. When a firm is profitable, it will be proud to disclose all relevant information to the general public to create a good impression in the minds of its existing and potential shareholders regarding its financial performance at the end of a financial year. Unprofitable firms will be less inclined to release more information to hide their poor performance. Measures of profitability include net income, profit margin, return on assets, and return on equity information (Soyemi & Olawale, 2019).

The quality of financial report is very crucial to every management since the only means by which outside shareholders and investors keep themselves informed about the level of the firm is through the disclosure of the reports (Olumide, Tanko & Nyor 2015). Despite the benefits of financial reporting, there are different reasons which have been advanced for the presentation of misleading financial statements which may range from the demand for higher returns by shareholders, and the quest to maintain a giant corporate status in the eye of the business community or sporadic changes in competition, and the need to satisfy the greed of company's insiders (Shehu, 2013). Things about a company, like its size and how it's managed, are called firm characteristics (Egbunike & Okerekeoti, 2018). They are characteristics which have significant role in explaining firm level earnings quality because they are variables that affect the firm's decision both internally and externally (Kenny & Lugman 2019).

## Financial Reporting Quality (FRQ)

Financial reporting quality pertains to the precision and pertinence of a company's reported financial information, reflecting how accurately the financial statements portray the economic reality of the organization and the usefulness of the information for stakeholders in

decision making (Gardi et al., 2023). Quality financial reporting fosters transparency, resulting in well-founded annual reports through thorough reporting (Kalagbor, Amah & Evwienure, 2021). Literature has proposed various measures of Financial Reporting Quality (FRQ), including metrics like earnings aggressiveness, accrual-based indicators, value relevance, and loss avoidance.

Deschow et al. (2010) underscored that earnings features encompass aspects such as persistence, smoothness, meeting target expectations, discretionary accruals derived from accrual modeling, and timely recognition of losses. In this study, financial reporting quality is represented by discretionary accruals. Researchers such as Hussaini and Gugong (2015), Olowookere et al. (2022), and Olthof (2017) have employed discretionary accruals as a measure of financial reporting quality. Soyemia and Olawalea (2019) defined it as the provision of relevant, complete, and reliable information to diverse users. However, in respect of this study, FRQ refers to the quality of the information contained in the financial statements of the sample firms.

## EMPIRICAL REVIEW

Ukavwe and Oke (2024) examined the effect of firm attributes on financial reporting quality of listed non-financial firms in Nigeria spanned from 2012 to 2021. The data were collated from the financial statements of a sample of 74 nonfinancial listed firms, drawn from a population of 140 non-financial firms listed on the Nigerian Exchange Group. Both descriptive and inferential statistical tools were used to analyze the data collected. The study revealed that firm attributes measures (firm size, economic value added, firm profitability and revenue growth) has significantly affected financial reporting quality of listed firms in Nigeria. Richmell (2024) determined how firm characteristics such as firm size, firm age, and ROA effect the association between corporate governance and the quality of financial reporting. Regression analysis based on balanced panel data of 598 observations from 46 companies in Ghana with full annual reports from 2009 to 2021. The linear regression results suggest that Board Size significantly predict IFRS compliance with a coefficient of 0.003 and p-value of 0.028. Amirah, Mohammed and Zakari (2023) examined the effect corporate attributes and financial reporting quality of listed non-financial entities in Nigeria for the period 2011-2020. The study adopted the correlational research design using secondary data extracted from the annual report and accounts of listed non-financial in Nigeria and panel multiple regression analysis was used as a technique for data analysis. The findings showed that company size, board size, and profitability have a significant positive impact except company size which is negatively determining the FRQ of non-financial entities in Nigeria. Leverage and growth showed a non-significant impact on the financial reporting quality of listed non-financial firms in Nigeria. Yayangida et al. (2023) ascertained the effect of audit fees on financial reporting quality (FRQ) of quoted non-financial firms in Nigeria using audit committee independence as a moderating variable. The study used discretionary accrual as a measure of FRQ. 30 non-financial firms were employed in this study covering 10 years' period from 2011-2021. Descriptive statistics and multiple regressions were used to analyze the data gathered for this study. The findings from the study revealed that audit fees do not have significant influence on FRQ. The study also revealed that audit fees on FRQ has significant when it is being moderated by audit committee independence. Dijeh et al. (2022) analyzed the nexus between audit traits and FRQ of quoted insurance firm in Nigeria. Audit tenure, audit type, audit specialization, audit fees and joint audit on financial reporting quality were used as measures of audit attributes. The study employed 22 sampled insurance companies for a period of 2011-2020. Inferential (panel regression) and descriptive statistics were used to analyze the data gathered for this study. The result disclosed that audit type has no effect on FRQ whereas audit fees have a negative significant effect on FRQ of quoted FRQ. Anugerah, Toni and Sitepu (2022) studied the effect of audit quality, financial condition, and discretionary accrual on the going concern audit opinion with corporate mechanism as mediating variable on ,49 manufacturing firms in the Indonesian Stock Exchange covering a period of 3 years ranging from 2018-2020. Regression analysis was

used to analyze the data gathered in the study. The outcome of the study revealed that financial condition and discretionary accrual has a significant influence on going concern audit opinion. Osuji and Okwuagwu (2022) used ten (10) listed companies in Nigeria's industrial products sector to study the features and reporting quality of Nigerian corporations from 2011 to 2020. Using a total of 100 company year observations, the study employed a panel technique. Discretionary accruals was the dependent variable used to gauge high-quality reporting, while financial leverage, firm size, profitability, and ownership structure made up the four variables being evaluated. The study's panel regression results, which are consistent with previous research, demonstrated that ownership structure, business size, profitability, and financial leverage all had a major impact on the high-quality reporting of listed industrial good enterprises in Nigeria. Olowookere, Ajiboye, and Ibrahim (2021) examined the effect of firm characteristics on the quality of financial reporting of listed consumer goods companies in Nigeria from 2014 to 2019 was studied by The aim of the research was to investigate the relationship between the financial reporting quality of listed consumer goods companies in Nigeria and firm characteristics such as firm size, leverage, board composition, institutional shareholding, profitability, and liquidity. This study used a longitudinal panel research design. Data were sourced from annual financial reports of 13 selected consumable goods companies in Nigeria from 2014 to 2019. The study adopted panel least square regression analysis. The results showed how institutional shareholding, board makeup, and liquidity all positively and significantly affect the quality of financial reporting. The quality of financial reporting is negatively and considerably impacted by the size of the organization; on the other hand, profitability and leverage had a positive but insignificant effect. Aigienohuwa and Ezejiofor (2021) explored the link between a company's financial leverage (reliance on debt) and the timeliness of its financial reporting in Nigeria. The study examined 145 publicly traded companies over a ten-year period (2010-2019). Interestingly, they found no statistically significant relationship between these two factors. Rathnayake, Rajapakse, and Lasantha (2021) determined the relationship between the quality of a company's financial reporting and its performance in Sri Lanka. During the course of six years (2013–2018), their research concentrated on listed businesses outside of the banking, finance, and insurance industries. The study found that, although there was no direct relationship between these variables at the level of individual companies, there was an overall statistically significant relationship between the quality of financial reporting and different performance measures (market-to-book ratio, return on equity, and return on assets). Lucky, Emmanuel, and Clifford (2020) studied how profitability ratios affected the quality of earnings and how IFRS adoption affected profitability in Nigerian businesses. Their investigation of the relationship between return on equity (ROE) and return on assets (ROA) and earnings quality used quantitative techniques, particularly multiple regression analysis. A t-test of mean difference was performed to compare the means of the profitability ratios before and after the adoption of IFRS in order to evaluate the impact of the adoption. Oyedokun, Olatunji and Musa (2020) studied the effect of audit committee attributes on the financial reporting quality of indexed consumer goods firms in Nigeria for 2013 to 2018. The study population was twenty-one (21) firms listed on the Nigerian Stock exchange. Their result display that audit committee expertise and frequency of meeting had positive and vast impact on financial reporting quality, whilst audit committee size and audit committee gender had any vast association with financial reporting quality. Erin and Adegboye (2020) examined the impact of corporate attributes on the integrated reporting quality of the top 100 firms listed in South Africa. The study uses a sample of the top 100 listed firms in South Africa and used the International Integrated Reporting Council (IIRC) framework of 2013 to measure the reporting quality while firm attributes, board committee attributes, and audit committee attributes represent corporate characteristics. Ordered probit regression analysis and logistic regression analysis were used for data analysis. The results show a positive and significant effect of the firm attributes, attributes of the board committee, and audit committee attributes on the quality of integrated reporting.

Cut and Mirna (2019) looked at how business size, profitability, and leverage affected the discretionary accruals used to determine the quality of financial reporting. 36 companies were selected as the study's samples, all of which were property and real estate companies listed on the Indonesian Stock Exchange (IDX) between 2015 and 2017. Multiple regression analysis of the data was done. The results of the study indicated that firm size had no discernible effect on the quality of financial reporting, but leverage and profitability did. Echobu et al. (2019) examined the relationship between firm characteristics and FRQ of Agriculture firms in Nigeria. The study applies the Yoon et al. (2012) model to measure FRQ and cover the period 2008- 2016. Secondary data was extracted from the financial statements of firms under study; the data were analyzed using a regression model. The results revealed that gearing and solvency have a significant influence on FRQ, however, the size of the board and frequency of board meetings have positive but non-significant impacts on FRQ of Agricultural firms in Nigeria. Farouk et al. (2019) examined the effect of characteristics of firms from dimensions of different structures including firm structure, board & and ownership structure, and performance on the quality of financial reporting of industrial goods companies listed in Nigeria.

**METHODOLOGY**

Ex-Post Facto exploration was used in this design. By analyzing events or past information for potential counterproductive factors, Ex-Post Facto identifies factors related to certain conditions, situations, events, or behaviors.

Population of the study consist of seven deposit money banks in Nigeria, namely; access bank plc, Fidelity bank Plc, First bank plc, First City Monument banks plc, Union banks plc, and Unity bank plc. The researcher used all the five agricultural firms quoted on the Nigerian Exchange Group for the sample size .

This study involves the collection of data from the annual financial reports of deposit money banks in Nigeria. The data extracted are; firm size, firm profitability and firm leverage for independent variables and Discretionary accruals for dependent variable. The data covers eleven (13) years from 2012 to 2024.

**Model Specification**

The study modified the model Amirah, Mohammed and Zakari  (2023), the model stated as follows;

$$DA_{it} = \beta_0 + \beta_1 CS_{it} + \beta_2 BS_{it} + \beta_3 LEV_{it} + \beta_4 PROF_{it} + \beta_5 GRWT_{it} + \beta_6 CA_{it} + \varepsilon_i$$

Where;
DA is discretionary accrual
CS is Company Size
BS is Board Size
LEV is Debt ratio
PROF is Profitability
GRWT is Sales growth
CA is Company Age
The Model was modified as follows
TACC= Discretionary accruals = f (FSZ, PRT, LEV)

$$TACC_{it} = \beta_0 + \beta_1 FSZ_{it} + \beta_2 FPF_{it} + \beta_3 FLV_{it} + \mu - - --- \quad - \quad - \quad - \quad - \quad - i$$

TACC= Discretionary accruals.
FSZit= firm size of firm i in period t
FPFit= Firm profitability i in period t
FLVit= Firm leverage i in period t
β0 and μ are the constant and error term respectively while β1, and β3, are the coefficient of macroeconomic variable on the performance.

**Measuring Dependent Variable**

This study used the modified Jones's model (Dechow et al., 1995) to measure the level of financial reporting quality or discretionary accruals (DTAC). This model used total accruals

(TAC) that are classified as discretionary components (DTAC) and non-discretionary components (NDTAC). Thus, defined as follows:

TAC = NDTAC + DTAC

Where:

TAC = Total accrual period t

NDTAC = Value of non-discretionary accruals

DTAC = Discretionary accrual

Under the cash flow approach, total accruals are measured as follows:

$$TACC_{it} = EBXT_{it} - OCF_{it} \quad (1)$$

Where:

$EBXT_{it}$ = Earnings before extraordinary items and discontinued operations period t

$OCF_{it}$ = Operating cash flow for period t

## Method of Data Analysis

Descriptive statistics was employed to summarily describe the mean, median, standard deviation, kurtosis and skewness of the study variables. Inferential statistics will also be utilized with the aid of E-Views 9 using:

> Multiple regressions analysis: Regression analysis envisages the value of the dependent variable based on the value of the independent variable and clarifies the effect of variations in the values of the variables.

## Decision

The study's hypotheses were tested with a 5 percent margin of error. Therefore, when the p-statistic appeared at or equal to the critical level of 0.05, we accepted the alternative hypothesis and confirmed that a significant association existed. But when the P-statistic appeared above the critical level of 0.05, we accepted the null hypothesis and rejected the alternative hypothesis.

## Data Analysis

Table 1: Descriptive Statistics

|              | TACC_AIT   | LOGFSZ    | ROA       | LEV       |
|--------------|------------|-----------|-----------|-----------|
| Mean         | -0.135470  | 9.781572  | 0.013964  | 0.680157  |
| Median       | -0.064820  | 9.694970  | 0.014647  | 0.868173  |
| Maximum      | 0.091550   | 10.60828  | 0.025419  | 0.914618  |
| Minimum      | -1.134790  | 9.241913  | 9.70E-06  | 0.000904  |
| Std. Dev.    | 0.301564   | 0.428461  | 0.008503  | 0.374598  |
| Skewness     | -2.772709  | 0.453450  | -0.666697 | -1.268514 |
| Kurtosis     | 9.532262   | 2.078686  | 2.115415  | 2.624264  |
| Jarque-Bera  | 278.3921   | 6.336960  | 9.708304  | 24.94039  |
| Probability  | 0.000000   | 0.042067  | 0.007796  | 0.000004  |
| Sum          | -12.32777  | 890.1231  | 1.270712  | 61.89432  |
| Sum Sq. Dev. | 8.184658   | 16.52209  | 0.006508  | 12.62910  |
| Observations | 91         | 91        | 91        | 91        |

From table 1, the descriptive statistics indicates that the mean of financial reporting quality (TACC_AIT) of the sampled banks is -0.135470; the maximum of 0.092 with a minimum of –1.135 and standard deviation of 0.302. Firm size (LOGFSZ) has mean value of 9.782, a standard deviation of 0.428; maximum value of 10.608 with a minimum value of 9.242. The mean of firm profitability (ROA) from the sampled observations is 0.014; the standard deviation value is 0.009; a maximum observation of 0.025 with a minimum value of 9.700. The mean of firm leverage (LEV) is 0.680; standard deviation of 0.375; a maximum value of 0.915 with a minimum value of 0.001.

Skewness is the measure of how much the probability distribution of a random variable deviates from the normal distribution. Table 1 sketches that the probability distribution for TACC_ait = 0.000; LOGFSZ= 0.042; ROA= 0.008; and LEV =0.000 are positive and statistically significant at 0.05. From Table above, the Jarque-Bera (JB) which

test for normality or the existence of outlier or extreme values among the variables shows that all our variables are normally distributed and not skewed distribution, significant at 5% level and the result could be generalized. This also indicates that a least square regression can be used to estimate the regression models.

**Correlation Analysis**

In examining the association among the variables, the study used the Pearson correlation coefficient (correlation matix) and the results are presented in Table 2.

Table 2: Pearson Correlation Matrix

| | TACC_AIT | LOGFSZ | ROA | LEV |
|---|---|---|---|---|
| TACC_AIT | 1 | | | |
| LOGFSZ | 0.06657 | 1 | | |
| ROA | -0.16981 | -0.91875 | 1 | |
| LEV | -0.10340 | -0.76961 | 0.88410 | 1 |

Source: E-view 9 Output (2025)

The use of correlation matrix in most regression analysis is to check for multicolinearity and to explore the association between the each explanatory variables and the dependent variable. Table 4.2 focused on the correlation between financial reporting quality, (TACC_Ait) as our dependent variable and our independent variables which consists of firm size (LOGFSZ), firm profitability (ROA), and firm leverage (LEV). The findings from the correlation matrix table show that some of our independent variables were positively and negatively correlated with our dependent variable. LOGFSZ = 0.067 is positively correlated with financial reporting quality. However, ROA= -0.170 and LEV = -0.103 are negatively correlated with financial reporting quality.

In checking for multicolinearity, we notice that no two explanatory variables were perfectly correlated.  This means that there is the absence of multicolearity problem in our model. Multicolinearity between explanatory variables may result to wrong signs or implausible magnitudes in the estimated model coefficient, and the bias of the standard errors of the coefficients.

**Test of Hypotheses**

Regression analysis showing the effect between LOGFSZ, ROA, LEV and TACC

Table 3:  Panel Least Squares Estimation Output

Dependent Variable: TACC_AIT

Method: Panel Least Squares

Date: 09/14/25   Time: 10:59

Sample: 2012 2024

Periods included: 13

Cross-sections included: 7

Total panel (balanced) observations: 91

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 4.813581 | 1.933631 | 2.489400 | 0.0147 |
| LOGFSZ | -0.470152 | 0.185870 | -2.529473 | 0.0132 |
| ROA | -38.58810 | 12.79693 | -3.015418 | 0.0034 |
| LEV | 0.277314 | 0.179628 | 1.543826 | 0.1263 |

| | | | | |
|---|---|---|---|---|
| R-squared | 0.284680 | Mean dependent var | | -0.135470 |
| Adjusted R-squared | 0.273807 | S.D. dependent var | | 0.301564 |

| | | | |
|---|---|---|---|
| S.E. of regression | 0.390222 | Akaike info criterion | 0.406617 |
| Sum squared resid | 7.327888 | Schwarz criterion | 0.516984 |
| Log likelihood | -14.50107 | Hannan-Quinn criter. | 0.451143 |
| F-statistic | 3.390655 | Durbin-Watson stat | 2.273128 |
| Prob(F-statistic) | 0.021546 | | |

Source: Researcher's Computation (2025)

In table 3, the regression analysis was conducted to test the effect between firm characteristics and financial reporting quality. Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the table 3, the value of adjusted R squared was 0.27, an indication that there was variation of 27% on financial reporting quality due to changes in firm characteristics. This implies that only 27% changes in financial reporting quality of the firms could be accounted for by independent variables; LOGFSZ, ROA and LEV, while 73% was explained by unknown variables that were not included in the model. The Durbin-Watson Statistic of 2.273 proposes that the model contain serial correlation. The F-statistic of the regression is equal to 3.390655 and the associated F-statistical probability is equal to 0.022, implies that firm characteristics has statistically significant effect on financial reporting quality of the companies in Nigeria, so the alternative hypothesis was accepted and the null hypothesis was rejected.

**Hypothesis One**
HO1: Firm size has no significant effect on the quality of financial reporting of listed deposit money banks in Nigeria.
The probability of the slope coefficients indicate that; P-value =0.013<0.05). The co-efficient value of; $\beta_1$= -0.470; t = -2.529, implies that firm size is negatively related to financial reporting quality and also statistically significant at 5%.

**Decision**
Since the P-value of 0.013 is less than the critical value of 5% (0.05), then, it would be upheld that firm size has significant effect on financial reporting quality of listed deposit money banks in Nigeria at 5% level of significance.

**Hypothesis Two**
Ho1: Firm profitability has no significant effect on the quality of financial reporting of listed deposit money banks in Nigeria.
The probability of the slope coefficients indicate that; P-value =0.003<0.05). The co-efficient value of; $\beta_1$= -13.588; t = -3.015, implies that firm profitability is negatively related to financial reporting quality and also statistically significant at 5%.

**Decision**
Since the P-value of 0.003 is less than the critical value of 5% (0.05), then, it would be upheld that firm profitability has significant effect on financial reporting quality of listed deposit money banks in Nigeria at 5% level of significance.

**Hypothesis Three**
To investigate the effect of firm leverage on the quality of financial reporting of in listed non-financial firms Nigeria.
The probability of the slope coefficients indicate that; P-value =0.126<0.05). The co-efficient value of; $\beta_1$= 0.277; t = 1.544, implies that firm leverage is positively related to financial reporting quality and not statistically significant at 5%.

**Decision**
Since the P-value of 0.126 is greater than the critical value of 5% (0.05), then, it would be upheld that firm leverage has no significant effect on financial reporting quality of listed deposit money banks in Nigeria at 5% level of significance.

**DISCUSSION OF FINDINGS**

Hypothesis one the P-value of 0.013 is less than the critical value of 5% (0.05), then, it would be upheld that firm size has significant effect on financial reporting quality of listed deposit money banks in Nigeria at 5% level of significance. Implies challenges in maintaining high-quality financial reporting. This finding is in agreement with Ukavwe and Oke (2024) who revealed that firm size, has significantly affected financial reporting quality of listed firms in Nigeria. Amirah, Mohammed and Zakari (2023) showed that company size, has a significant positive impact except company size which is negatively determining the FRQ of non-financial entities in Nigeria. in contrary, Cut and Mirna (2019) results that indicated that firm size had no significant effect on the quality of financial reporting.

Hypothesis two showed that P-value of 0.003 is less than the critical value of 5% (0.05), then, it would be upheld that firm profitability has significant effect on financial reporting quality of listed deposit money banks in Nigeria at 5% level of significance. Ukavwe and Oke (2024) revealed that firm profitability has significantly affected financial reporting quality of listed firms in Nigeria. Amirah, Mohammed and Zakari (2023) showed that firm profitability has a significant positive impact on the FRQ of non-financial entities in Nigeria. In contrary, Cut and Mirna (2019) whose results revealed that firm profitability has no significant effect on the quality of financial reporting.

Hypothesis three revealed that the P-value of 0.126 is greater than the critical value of 5% (0.05), then, it would be upheld that firm leverage has no significant effect on financial reporting quality of listed deposit money banks in Nigeria at 5% level of significance. This result is in line with Cut and Mirna (2019) whose results revealed that firm leverage has no significant effect on the quality of financial reporting. Putri and Indriani (2019) results revealed a significant effect of firm leverage on FRQ. However, the findings revealed no significant effect between the size of the firm and FRQ.

**CONCLUSION**

This study determined the effect of firm characteristics on the quality of financial reporting of listed deposit money banks in Nigeria, using firm size, firm profitability and firm leverage as the independent variables. The data were extracted from seven selected deposit money banks I Nigeria. Pool regression analysis was employed to test the hypotheses. The study revealed that firm size and firm profitability have significant effect on financial reporting quality of listed deposit money banks in Nigeria at 5% level of significance. Firm leverage has no significant effect on financial reporting quality of listed deposit money banks in Nigeria at 5% level of significance. Conclusively, firm characteristics have significant effect on financial reporting quality in deposit money banks in Nigeria.

Based on the findings, the study recommended the followings;

The banks should establish effective internal controls and robust reporting mechanisms to mitigate potential negative effect on financial reporting quality.

The management needs to conduct regular financial analysis to identify trends and areas for improvement.

The bank should prioritize high-quality financial reporting practices, including transparent disclosure and accurate representation of financial performance.

**REFERENCES**

Abdelkarim, N. & Zuriqi, K. (2020). Corporate governance and earnings management: Evidence from listed firms at Palestine exchange. Asian Economic and Financial Review, 10(2), 200–217. https://doi.org/10.18488/journal.aefr.2020.102.200.217

Afsay, Akram, Arash Tahriri, & Zabihollah Rezaee. (2023). A meta-analysis of factors affecting acceptance of information technology in auditing. International Journal of Accounting Information Systems 49: 1–27.

Agustí, María A., & Manuel Orta-Pérez. (2023). Big data and artificial intelligence in the fields of accounting and auditing: A bibliometric analysis. Revista Espanola de Financiacion y Contabilidad 52: 412–38.

Aigienohuwa, O. O., & Ezejiofor, R. A. (2021). Leverage and timeliness of financial reports in Nigerian quoted companies. International Journal of Advanced Academic Research. 7(10), ISSN: 2488-9849 (October, 2021) | www.ijaar.org.

Amirah J. A., Mohammed, I. & Zakari, Y. G. (2023). Firm characteristics and financial reporting quality of listed non-financial firms in Nigeria. International Journal of Intellectual Discourse (IJID) 6(3). ISSN: 2636-4832.

Anugerah Hulu, Y., Toni, N. & Sitepu, W. R. B. (2022). The effect of audit quality, financial condition and earnings management on the going concern audit opinion with corporate mechanism as a moderating variable. Oblik ifinansi, 3(97), 119-128.

Egbunike, C. F., & Okerekeoti, C.U. (2018). Macroeconomic factors, firm characteristics and financial performance of selected quoted manufacturing firms in Nigeria. Asian Journal of Accounting Research 3(2), 142-168.

Farouk, M. A. & Hassan, S.U. (2014). Impact of audit quality and financial performance of quoted cement firms in Nigeria. International Journal of Accounting and Taxation. 2 (2):1-22.

Chen, H. C., Chiang, H.-T., & Voren, D. (2023). The Impact of the COVID-19 Pandemic on Quality of Financial Reports. Journal of Applied Finance & Banking, 13(4), 1-29.

Collins, D. W., Pungaliya, R. S., & Vijh, A. M. (2017). The effects of firm growth and model specification choices on tests of earnings management in quarterly settings. The Accounting Review, 92(2), 69–100. https://doi.org/10.2308/accr-51551.

Činčalová, S., & Hedija, V. (2020). Firm characteristics and corporate social responsibility: The case of Czech transportation and storage industry. Sustainability, 12(5), 1992.

Dijeh, C.T., Ofor, T.N. & Odubuasi, A.C. (2022). Effect of audit attributes on the financial reporting quality of Nigerian insurance companies. Journal of Accounting and Financial Management. 8 (5).

De Laan, A., Buitendag, N., & Fortuin, G.S. (2017). Firm characteristics and excellence in integrated reporting. South African Journal of Economic and Management Sciences, 20(1), 1-8.

Dechow, P., Ge, W., & Schrand, C. (2010). Understanding earnings quality: A review of the proxies, their determinants and their consequences. Review, 60,1-12.

Echobu, J., Audi, A. M. & Mailafia, L. (2019). Effect of corporate attributes on financial reporting quality: application of yoon, kim and woodruff model. Fudma International Journal of Social Sciences (FUDIJOSS), 1 (1) p31-51.

Farouk, M. A., Magaji, I. G. & Egga, K. A. (2019). Impact of characteristics of firm on quality of financial reporting of quoted industrial goods companies in Nigeria. Amity Journal of Corporate Governance, 4(2), 42-57.

Gardi, B.; Aga, M.; & Abdullah, N.N. (2023). Corporate governance and financial reporting quality: The mediation role of IFRS. Sustainability Journal, 15, 9869.

Hussaini, B., & Gugong, B.K. (2015). Audit committee characteristics and earnings quality of listed food and beverage firms in Nigeria. International Journal of Accounting, Auditing and Taxation, 2(8), 216-227.

Ipino, E., & Parbonetti, A. (2017). Mandatory IFRS adoption: the trade-off between accrual-based and real earnings management. Accounting and Business Research, 47(1), 91-121.

Jagatheesaperumal, Senthil Kumar, Mohamed Rahouti, Kashif Ahmad, Ala Al-Fuqaha, and Mohsen Guizani. 2022. The Duo of Artificial Intelligence and Big Data for Industry

4.0: Applications, Techniques, Challenges, and Future Research Directions. IEEE Internet of Things Journal 9: 12861–85.

Kabajeh, M.A.M, Shanti, A.I., Dahmash A.M., & Hardan, A.S. (2012). Informational content of auditor's report and its impact on making decisions from lenders and management's view in the Jordanian Industrial Public Firms. International Journal of Humanities and Social Sciences, 2(14): 93 – 103.

Kaplan, Andreas, and Michael Haenlein. 2019. Siri, Siri, in my hand: Who's the fairest in the land? On the interpretations, illustrations, and implications of artificial intelligence. Business Horizons 62: 15–25.

Kenny, A. S., & Luqman, S. O. (2019). Firm characteristics and financial reporting quality: Evidence from non-financial firms in Nigeria. International Journal of Economics, Management and Accounting, 27(2), 445-472.

Klai, N., & Omri, A. (2011). Corporate governance and financial reporting quality: The case of Tunisian firms. International Business Research, 4(1), 158-166. [

Munoko, Ivy, Helen L. Brown-Liburd, & Miklos Vasarhelyi. (2020). The Ethical Implications of Using Artificial Intelligence in Auditing. Journal of Business Ethics 167: 209–34.

Ozcan, I., Unal, E. A., & Yener, U. (2017). The effect of firm size on profitability: evidence from Turkish manufacturing sector. Journal of Business Economics and Finance, 6(4), 301-308.

Olowookere, J. K., Ajiboye, O. O., & Ibrahim, J. (2021). Firm Characteristics and Financial Reporting Quality of Listed Consumable Goods Companies in Nigeria. Journal of Contemporary Issues in Accounting, 1(1), 41–55. DOI: https://journals.unizik.edu.ng/jocia/article/view/891.

Olowookere, J. K., Ajiboye, O. O., & Ibrahim, J. (2022). Firm performance attributes and quality of financial reporting of listed non-financial firms. Izvestiya. Journal of Economics, Management and Informatics, 66 (3–4), 213 – 227

Osuji, C.C., & Okwuagwu, P. N. (2022). Firms' Characteristics and Quality of Financial Reports of Firms in Nigeria Industrial Goods Sector, International Journal of Management and Commerce Innovations, 10(1), 283-292. DOI: https://doi.org/10.5281/zenodo.6646687.

Oyedokun, G., & Olatunji L., & Musa, F. (2020). Effect of Audit Committee Characteristics on Financial Reporting Quality of Quoted Consumer Goods Companies in Nigeria, University of Benin Journal of Accounting. 4(1). 12-27.

Rathnayake, S., Rajapakse, R., & Lasantha, R. (2021). The Impact of Financial Reporting Quality on Firm Performance. Journal of Business and Technology. DOI: 10.4038/jbt.v5i0.53.

Richmell B. A. (2024). Examining the Moderating Role of Firm Characteristics in the Corporate Governance-Financial Reporting Quality Nexus: Evidence From a Developing Country. Business Ethics and Leadership, 8(1), ISSN (online) – 2520-6311; ISSN (print) – 2520-6761

Seethamraju, Ravi, & Angela Hecimovic. (2023). Adoption of artificial intelligence in auditing: An exploratory study. Australian Journal of Management 48: 780–800.

Shapovalova, Alla, Olena Kuzmenko, Oleh Polishchuk, Tetyana Larikova, & Zoriana Myronchuk. (2023). Modernization of the National Accounting and Auditing System Using Digital Transformation Tools. Financial and Credit Activity: Problems of Theory and Practice 4: 33–52.

Shehu, U.H., & Bello, A. (2013). Firm characteristics and financial reporting quality of listed manufacturing firms in Nigeria. International Journal of Accounting, Banking and Management, 1(6), 47-63.

Shehu, U. H. & Farouk, M. A (2014). Firm attributes and earnings quality of listed oil and gas companies in Nigeria. Research Journal of Finance and Accounting, 5(17), 10-16. Retrieved from https://www.iiste.org/Journals/index.php/RJFA/article/view/15819

Soyemi, K. A., & Olawale L. S. (2019). Firm characteristics and financial reporting quality. Evidence from non-financial firms in Nigeria. International Journal of Economics, Management, and Accounting, 27(2), 445-472.

Utami, V. T., & Abriandi, A. (2018). Pengaruh Kondisi Financial Distress terhadap Penerimaan Opini Audit Going Concern dengan Good Corporate Governance sebagai Variabel Pemoderasi. Journal Akuntansi Dan Manajemen, 15(02), 129–146.

Ukavwe H. & Okolie  A. O. (2024).   Firm Attributes and Financial Reporting Quality of Listed Non-Financial Companies in Nigeria. Journal of Accounting and Financial Management. 10(10), E-ISSN 2504-8856 P-ISSN 2695-2211. www.iiardjournals.org IIARD – International Institute of Academic Rese arch and Development Page 116.

Yayangida, A.S., Ahmed, M.N., Nyor, T. & Yahaya, O.A. (2023). Audit fees and financial reporting quality of listed non-financial services firms in Nigeria: Moderating role of audit committee independence. Journal of Management, 10 (1).

Zou, S. & Stan, S. (1998). Voluntary disclosure of accounting information: The case of Jordan." Ph.D dissertation, University of Aberdeen.