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### Corporate Governance and Financial Reporting Quality of Money Deposit Banks in Nigeria

By

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#### Abstract

*Despite the introduction of corporate governance codes and regulatory reforms aimed at strengthening oversight and accountability, concerns about financial reporting quality persist, particularly in developing economies where enforcement mechanisms may be weak. This study examines the relationship between corporate governance mechanisms and financial reporting quality among the selected Deposit Money Banks (DMBs) in Nigeria. The study is guided by four null hypotheses which posit that board independence, audit committee independence, CEO duality, and the combined governance mechanisms do not significantly affect financial reporting quality. The research adopts a quantitative approach using an ex-post facto research design. Secondary data were collected from the annual reports and financial statements of selected DMBs in Nigeria for the period 2020–2024. Financial reporting quality serves as the dependent variable and is measured using audit opinion, coded dichotomously to distinguish between unqualified and modified audit opinions. Data analysis was conducted using correlation analysis and multiple regression techniques. The regression model evaluates the extent to which financial reporting quality can be explained by corporate governance variables within the same time frame. The findings reveal that board independence, audit committee independence and CEO duality do not exhibit a significant impact on the reporting quality. When considered collectively, corporate governance mechanisms do not demonstrate a statistically significant relationship with financial reporting quality. The study concludes that structural governance mechanisms alone may be insufficient to enhance financial reporting quality within the Nigerian context. The study contributes to the growing body of literature on corporate governance in emerging markets and highlights the need for governance reforms that emphasize effectiveness, enforcement, and competence rather than mere structural compliance.*

**Key words:** Corporate Governance Financial Reporting Quality, Money Deposit Banks

#### Introduction

Corporate governance and financial reporting quality are two critical aspects of a company's financial management that have significant implications for stakeholders, including investors, creditors, and regulatory bodies. Effective corporate governance structures and high-quality financial reporting are essential for ensuring the transparency, accountability, and reliability of financial information, which in turn can impact investment decisions, firm valuation, and overall market efficiency.

Financial reporting quality (FRQ) reflects the extent to which the financial statements of an entity provide transparent information about its operating performance, financial

position and expected cash flows<sup>1</sup>. FRQ reduces the cost of capital and improves the allocation of resources, which in turn stimulates economic growth. Therefore, FRQ is of prime concern not only for the potential stakeholders, but for the whole society as well, because it influences the economic decisions, which may ultimately affect the society at large<sup>2</sup>. It is substantiated by a series of accounting frauds such as Enron, WorldCom, etc. and financial institution collapses. As a result, the confidence of stakeholders towards the reliability of financial reporting has been shattered, while a much more significant social purpose justifies regulating this activity<sup>3</sup>.

The wave of accounting scandals occurred recently in the international financial community has raised many criticisms about the financial reporting quality<sup>4</sup>. Several prominent

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companies were involved in accounting frauds, such as Enron, WorldCom, Marconi, Parmalat, etc, which has weakened the investor confidence toward the management team and the financial reports. The widespread failure in the financial disclosure has created the need to improve the financial information quality and to strengthen the control of managers by setting up good governance structures<sup>5</sup>. Indeed, the financial information serves as a basis for investment decisions of the capital market participants. It is useful for owners, creditors, firm partners and regulators, since it helps to determine the firm's past performance, predict its future profitability and monitor the managers' actions.

### 1.2 Statement of Problem

The weakness of corporate governance is perhaps the most important factor blamed for the corporate failure consequences from the economics and corporate crises. There is much that can be done to improve the integrity of financial reporting through greater accountability. It has been established that investors require the audited financial report of companies to be able to take informed decision. In the recent past we have seen quite a number of such audited financial reports that were totally misleading. Inadequate, or even misleading financial statement are almost always involved in virtually any corporate failure such as the cases of Enron, Tyco, Adelphia and WorldCom in the US, Polly Peck, Maxwell Communications and BCCI in the U.K. and quite a number of banks in Nigeria e.g. Gulf bank, Savannah Bank, in 2002 all of which have changed the perception of users on the quality of their report. Despite the introduction of the corporate governance codes, financial reporting quality of many organizations is still cause for concern. Corporate failure still points at earnings manipulation, financial misstatements and poor disclosures practices suggesting gap in the existing corporate governance structures. The persistent failure could be attributed to the poor implementation, enforcement and overall effectiveness of corporate frameworks particularly in the developing economies.

### 1.3 Aims and Objectives of the Study

This research aims to explore the relationship between corporate governance and financial reporting quality, with a focus on understanding how different corporate governance mechanisms, such as board composition, audit committee characteristics, and ownership structure, influence financial reporting quality. By examining this relationship, this research seeks to provide insights into the effectiveness of corporate governance structures in promoting transparency, accountability, and reliability in financial reporting. The major objectives are to:

- 1 examine the impact of board composition (e.g independence, diversity) on financial reporting quality.
- 2 assess the role of audit committee characteristics (e.g independence, expertise) on financial reporting quality.
- 3 evaluate the impact of CEO duality on financial reporting quality.

- 4 investigate the relationship between corporate governance mechanisms and financial reporting quality.

### 1.4 Research Questions

- 1 Does the impact of Board composition e.g (/independence, expertise) on financial reporting quality?
- 2 Does the role of audit committee characteristics e.g (independence and expertise) on financial reporting quality?
- 3 How does the impact of CEO duality on financial reporting quality?
- 4 Does Corporate Governance mechanisms have relationship on financial reporting quality?

### 1.5 Hypothesis

The following hypotheses were designed to guide the study

- Ho1: Board Independence does not have significant effect on quality of financial reporting  
 Ho2: The role of audit committee independence and expertise does not improve financial reporting quality.  
 Ho3: CEO duality does not impact on financial reporting quality  
 Ho4: There is no significant relationship between corporate governance mechanisms and financial reporting quality.

### 1.6 Scope of the study

The study focusses on the impact of corporate governance on the quality of financial reporting of quoted companies on the floor of the Nigeria stock exchange.

However, in other to circumvent certain foreseen limitations, the scope of this study has been streamlined and structured in such a way that it will cover, a period of five (5) years, i.e. from 2015 to 2020, the five years is selected to enable meaningful contribution to knowledge and bridge the gap of previous researches on this topic.

## Literature review

In this paper, Researcher is interested in the corporate governance mechanisms that can influence the quality of financial information. Particularly, he focuses on the characteristics of the board of directors and the ownership structure, as well as the reputation of the external auditor. In what follows, he provides a survey of the theoretical and empirical literature about the link between corporate governance and financial information quality. First, the emphasis was placed on the composition of the board of directors. It was argued that the probability of detecting financial statement fraud in the American firms decreases with the percentage of outside directors. It was also revealed that the independent board mitigates earnings management<sup>1</sup>. In the same context, it was advanced that the information quality increases with the percentage of outside directors.<sup>2</sup>

Similarly, it was noted that the board independence allows disclosing information of good quality by the firms in the United Kingdom<sup>3</sup>. In other contexts, it was indicated that the

presence of independent directors improves the earnings quality of Chinese firms. In contrast, other studies suggested that the independent directors are not enough competent to control the managers and their presence in the board has no effect on the reporting quality for American firms.<sup>4</sup>

## Elements of Quality

According to IASB, the essential principle of assessing the financial reporting quality is related to the faithfulness of the objectives and quality of disclosed information in a company's financial reports. These qualitative characteristics enhance the facilitation of assessing the usefulness of financial reports, which will also lead to a high level of quality. To achieve this level, financial reports must be faithfully represented, comparable, verifiable, timely, and understandable. Thus, the emphasis is on having transparent financial reports, and not having misleading financial reports to users; not to mention the importance of preciseness and predictability as indicators of a high financial reporting quality.

### Relevance:

Relevance is closely associated with the terms *usefulness* and *materiality*. Relevance illustrates the capability of making decisions by users. When information in financial reports influences users in their economic decisions, it is said that this information has the quality of relevance. Also, when this information assists users to evaluate, correct, and confirm current and past events, it is useful.

The usefulness of making a decision—an important part of relevance—is consistent with the conceptual framework. Fair value is considered one of the highly significant indicators of relevance.

### Reliability

Reliability is another critical factor of financial reporting quality. In financial reporting, information must have the quality of reliability in order to be useful. This quality is achieved when information, which users depend upon, is free from bias and material mistakes. Reliability is analyzed based on the qualities of faithful, verifiable, and neutral information.

### Comparability

Comparability is the concept of allowing users to compare financial statements to determine the financial position, cash flow, and performance of an entity. This comparison allows users to compare across time and among other companies in the same period. As remarked, Comparability demands that identical events in the two situations will be reflected by identical accounting facts and figures, different events will be reflected by different accounting facts and figures in a way which quantitatively reflects those differences in a comparable and easily interpretable manner.

## Theoretical Framework

Six theories were examined- stakeholders' theory, stewardship theory, agency theory, transaction cost analysis theory, core competencies theory, and resource-based view theory. The three theories that are germane of these theories are explained below.

**Agency Theory;** This theory examined the relationship between managers (agents) and owners (principals) in large firms, where conflicts of interest may arise due to differing priorities. Accordingly, principals believe that appropriately motivated agents will act in their best interest and that effective monitoring can mitigate agency conflicts<sup>8</sup>. Other authors emphasize that short-term profit should not be the sole focus of managers, and they should prioritize the needs and interests of all stakeholders.

Agency theory is derived from an economic theory and was explained as follows: Agency Theory refers to a contract under which one or several principals (shareholders) hire other agents (company executives) to perform certain services on their behalf, including the decision-making authority. In some cases, if both parties want to maximize the benefits, there is reason to believe that the agents will not act in the priorities of the owners.

**Moral hazard** - A manager has an interest in receiving benefits from his or her position as a manager. These include all the benefits that come from status, such as a company car, use of a company airplane, lunches, attendance at sponsored sporting events, and so on. Jensen and Meckling suggested that a manager's incentive to obtain these benefits is higher when he has no shares, or only a few shares, in the company. The biggest problem is in large companies.

**Effort level** - Managers may work less hard than they would if they were the owners of the company. The effect of this 'lack of effort' could be lower profits and a lower share price. The problem will exist in a large company at middle levels of management as well as at senior management level. The interests of middle managers and the interests of senior managers might well be different, especially if senior management are given pay incentives to achieve higher profits, but the middle managers are not.

**Earnings retention** - The remuneration of directors and senior managers is often related to the size of the company, rather than its profits. This gives managers an incentive to grow the company, and increase its sales turnover and assets, rather than to increase the returns to the company's shareholders. Management are more likely to want to re-invest profits in order to make the company bigger, rather than payout the profits as dividends.

**Risk aversion** - Executive directors and senior managers usually earn most of their income from the company they work for. They are therefore interested in the stability of the company, because this will protect their job and their future income. This means that management might be risk-averse, and reluctant to invest in higher-risk projects. In contrast, shareholders might want a company to take bigger risks, if the expected returns are sufficiently high.

**Time horizon** - Shareholders are concerned about the long-term financial prospects of their company, because the value of their shares depends on expectations for the long-term future. In contrast, managers might only be interested in the short-term. This is partly because they might receive annual

bonuses based on short-term performance, and partly because they might not expect to be with the company for more than a few years. Managers might therefore have an incentive to increase accounting return on capital employed (or return on investment), whereas shareholders have a greater interest in long-term share value.

**Stakeholder Theory;** This theory rejects the notion that ethics and economics can be completely separated and emphasizes the importance of considering stakeholders' values in business. It poses two fundamental questions: What is the purpose of a firm? And what responsibilities do managers have towards stakeholders? Some authors argue that addressing these questions leads to exceptional performance and helps managers establish relationships with stakeholders that are aligned with their needs. A scholar asserts that a firm's long-term value cannot be enhanced by disregarding stakeholders' interests and emphasizes the need for managers to balance competing stakeholders' interests. The previous CG theories significantly contrast with the two roles of the BOD - control and value creation - but now include one more, stakeholders' interest concerns. Stakeholder theory has been introduced to the management since 1970 and has gradually been developed by Freeman combining corporate responsibility with related parties, including individuals, organizations that have a certain concern or interests in the company: owners, employees, trade unions, and outside parties such as lenders, suppliers, customers, communities and society.

**Stewardship Theory;** This proposes that there seems to be no intrinsic issue with executive motivation. Stewardship theory is motivated by factors beyond financial gains, such as a sense of worth, altruism, a good reputation, job satisfaction, and a sense of reasonable purpose. This theory suggests that managers aim to do well, maximize company profits, and generate good returns for stockholders not solely for personal financial gain, but because they feel a strong duty to the firm. Stewards play a crucial role in protecting and advancing the interests of shareholders, thereby strengthening their positions within the company. This concept highlights the advantages of empowering stewards with autonomy and integrity, thus reducing the requirement for expensive behavioral monitoring and control mechanisms. In stewardship theory, stewards are expected to act rationally and in the best interest of shareholders to maintain the firm's competitive edge in the free-market system<sup>16</sup>. Additionally, stewardship theory is considered an alternative to agency theory, as it differs in its approach to structuring effective and efficient boards. Unlike most governance theories, which focus on economic and financial aspects, stewardship theory is sociological and psychological. However, it has been noted that the theory could potentially enable mismanagement of owners' funds due to its board structure.

### Empirical Review

The impact of IFRS adoption on the relationship between corporate governance and the financial reporting quality of selected banks in Iraq was examined by some Researchers<sup>17</sup>.

The study collected data through surveys from 298 participants representing various private banks. The results of the Sobel analysis indicated a positive and significant mediating effect of IFRS adoption on the relationship between corporate governance and financial reporting quality.

Researchers conducted a comparative study of the United Kingdom and Pakistan to examine the impact of corporate governance on the quality of financial reporting. Their analysis revealed that board size has a negative effect on the quality of financial reporting in both the UK and Pakistan, while ownership concentration has a positive effect. In the UK, board independence has a positive influence on financial reporting quality, whereas audit committee independence has a negative impact. However, the study did not find similar results for board independence and audit committee independence in the UK setting.

### Overview of Corporate Governance Framework



Source: Sinnage 2026

An organizational structure describes the arrangement of responsibilities and activities that facilitate achieving business goals. This encompasses job titles, descriptions, reporting hierarchies, authority and other factors that collectively determine leadership roles and decision-making authority.

#### Shareholders:

Shareholders own the company and elect the board of directors and their rights and interests are protected by the corporate governance framework.

#### Board of Directors:

The board acts as the central governing body, providing oversight and strategic direction. It represents shareholders and ensures management acts in their best interests while the Board operates through committee

#### Management:

Management is headed by Managing Director/Chief Executive Officer (MD/CEO) and responsible for the day-to-day operations of the company. They implement the board's strategic decisions and report to the board.

#### Stakeholders:

Stakeholders include employees, customers, suppliers, and the community. Their interests are also considered in corporate governance practices.

The effective discharge of the responsibilities of the Board and its committees is assured by an appropriate balance of

skills and diversity (including experience and gender) without compromising competence, independence and integrity.

The positions of the Chairman of the Board and the Managing Director/Chief Executive Officer (MD/CEO) of the Company should be separate such that no person can combine the two positions.

The Chairman of the Board should not serve as chairman or member of any Board committee. The MD/CEO or an Executive Director should not serve as chairman of any Board committee.

The MD/CEO should not be a member of the committees responsible for remuneration, audit, or nomination and governance.

## Methodology

In this research, secondary source of data collection method was used for the purpose of collecting data for the study. Annual reports of some selected Deposit Money Banks for the period 2020-2024 were obtained from the Nigerian Stock Exchange (NSE). The study used two sets of data from the financial statements for all observations: the first was the data used to measure the corporate governance variables while the second was the data used to measure financial reporting quality.

To analyze our samples we use corporate governance variables such as audit committee Independence, CEO Duality and board size/independent. These were obtained from financial statements for the years under study were measured. The relationship between corporate governance and financial reporting quality is analyzed using the ordinary least square (OLS) regression analysis. The aim of the OLS Regression analysis was to study the extent to which financial reporting quality can be explained by the corresponding corporate governance variable and to examine the degree of relationship between the two sets of variables for the same time frame. Financial Reporting Quality is measured by Time or Audit delay. Audit Delay (Time): Number of days from the fiscal year end to the date of the audit report.

This approach allows for the quantification of variables, enabling statistical analysis to assess the strength and significance of relationships<sup>7</sup>. The research approach to be used is deductive, where hypotheses derived from existing theoretical frameworks are tested using empirical data.

### Population of the Study

The population of this study will cover the 26 Deposits Money Banks in Nigeria as at April 2024 in the CBN website.

### Sample size and Sampling Technique

Data collection methods for this study will involve extracting financial information from the annual reports and financial statements of 9 Deposit Money Banks in Nigeria as at April 2024 in the CBN website. These documents serve as primary sources of data, offering detailed insights into banks' financial performance, governance structures, and reporting practices. The sample for analysis was drawn from 26 Deposit Money Banks in Nigeria as at April 2024 in the CBN website. This

sampling approach ensures representation from a diverse range of industries and sectors within the country's economy. Thus, companies with incomplete or unreliable financial information were excluded from the sample to maintain the integrity and validity of the analysis.

### Variable measurement and model specification

This study measures all variables using data extracted from the published annual reports of the selected banks. Financial Reporting Quality serves as the dependent variable. It is measured using the type of audit opinion issued in the Independent Auditor's Report. A binary coding approach is adopted, where a value of 1 represents an unqualified audit opinion, while a value of 0 represents a qualified, adverse, or disclaimer opinion. The audit opinion is used because it reflects the credibility and reliability of the financial statements as assessed by an external auditor.

Board Independence is measured as the proportion of independent non executive directors to the total number of directors on the board. The ratio is computed by dividing the number of independent non executive directors by the total board size for each bank-year observation. Information on board composition is obtained from the Corporate Governance section of the annual report. This ratio reflects the extent to which the board is structured to provide independent oversight of management.

Audit Committee Independence is measured as the proportion of independent members on the audit committee relative to the total number of audit committee members. The ratio is calculated by dividing the number of independent non executive directors serving on the audit committee by the total audit committee membership. The data are obtained from the Statutory Audit Committee disclosure in the annual report. This measure captures the strength of independent monitoring within the financial reporting oversight structure.

CEO Duality is measured using a dummy variable. A value of 1 is assigned if the Chief Executive Officer also serves as the Chairman of the Board, while a value of 0 is assigned where the roles are separated. The information is obtained from the board structure disclosure in the annual report. This measure reflects the concentration or separation of leadership authority within the organization.

For the combined model testing corporate governance mechanisms, Board Independence, Audit Committee Independence, and CEO Duality are entered simultaneously into the regression model. These variables collectively represent the key governance structures examined in the study.

## Method of Data Analysis

The method of data analysis to be used by the researcher includes correlation coefficient and multiple regressions.

These methods will be used to test hypotheses in their null form to arrive at a logical conclusion. These techniques will be employed to enable the study capture both the independent and the dependent variable.

Multiple regression formula is given by:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2$$

The regression equation of this study is expressed as

$$FRQ = f(BS, BI, ACI) \dots \dots \dots (1)$$

$$FRQ = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 \dots \dots \dots (2)$$

$$FRQ = \alpha + \beta_1 BS + \beta_2 BI + \beta_3 ACI + \mu_1 \dots \dots \dots (3)$$

Where:

$Y$  = Quality of financial reporting

$X_1$  = Board size

$X_2$  = Board Independence

$X_3$  = Audit committee Independence

$X_4$  = CEO-CHAIRMAN DUALITY

$U_1$  = Error term

$b_1, b_2, b_3$  and  $b_4$  = partial derivatives or gradient of the independent variables.

**4.1 Impact of Board composition on financial reporting quality**

Dependent variable: Financial Reporting Quality

Independent variable: Board Independence

**Table 4.1. Omnibus Test of Model Coefficients**

Test	Chi Square	df	Sig.
Step	0.268	1	0.605
Block	0.268	1	0.605
Model	0.268	1	0.605

Interpretation.

Board Independence does not significantly improve the model,  $p > 0.05$ .

**Table 4.2. Model Summary**

-2 Log Likelihood	Cox and Snell R2	Nagelkerke R2
59.399	0.006	0.008

Interpretation.

Board Independence explains less than 1 percent of the variation in Financial Reporting Quality.

**Table 4.3. Logistic Regression Coefficients**

Variable	B	S.E.	Wald	df	Sig.	Exp (B)	95% CI Lower	95% CI Upper
Board Independence	-2.852	5.520	0.267	1	0.605	0.058	0.000	2882.150
Constant	1.354	1.689	0.643	1	0.423	3.874		

Interpretation.

Board Independence is not statistically significant,  $p = 0.605$ .

The odds ratio is unstable and the confidence interval is extremely wide, indicating weak predictive power.

**Decision on Ho1**

Since  $p = 0.605$  is greater than 0.05:

Fail to reject Ho1.

**Conclusion.**

Board Independence does not have a significant effect on Financial Reporting Quality in this model.

Binary logistic regression was conducted to examine the effect of board independence on financial reporting quality. Financial Reporting Quality was entered as the dependent variable, while Board Independence was entered as the predictor variable.

The Omnibus Test of Model Coefficients shows a chi square value of 0.268 with 1 degree of freedom and a significance level of 0.605. The p value exceeds 0.05, which indicates that the model containing Board Independence does not significantly improve prediction of financial reporting quality compared to the null model.

The model summary shows a -2 Log Likelihood value of 59.399. The Cox and Snell R square is 0.006, while the Nagelkerke R square is 0.008. These values indicate that Board Independence explains less than 1 percent of the variation in financial reporting quality. The explanatory power of the model is weak.

The regression coefficient for Board Independence is -2.852 with a standard error of 5.520. The Wald statistic is 0.267 with a significance value of 0.605. The odds ratio, Exp(B), is 0.058. The 95 percent confidence interval ranges from 0.000 to 2882.150. The large standard error and wide confidence interval indicate unstable estimates and weak predictive ability.

Since the significance value of 0.605 is greater than the 0.05 level of significance, the null hypothesis is not rejected. Board Independence does not have a statistically significant effect on financial reporting quality in this model.

**4.2 Role of audit committee characteristics on financial reporting quality**

Dependent variable: Financial Reporting Quality

Independent variable: Audit Committee Independence

**Table 4.4. Omnibus Test of Model Coefficients**

Test	Chi Square	df	Sig.
Step	0.051	1	0.821
Block	0.051	1	0.821
Model	0.051	1	0.821

Interpretation.

Audit Committee Independence does not significantly improve the model,  $p > 0.05$ .

**Table 4.5. Model Summary**

-2 Log Likelihood	Cox and Snell R2	Nagelkerke R2

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59.616	0.001	0.002
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**Interpretation.**

The model explains less than 1 percent of the variation in Financial Reporting Quality.

**Table 4.6. Logistic Regression Coefficients**

Variable	B	S.E.	Wald	df	Sig.	Exp (B)	95% CI Lower	95% CI Upper
Audit Committee Independence	0.750	3.325	0.051	1	0.822	2.117	0.03	1432.798
Constant	0.096	1.811	0.030	1	0.958	1.101		

**Interpretation.**

Audit Committee Independence is not statistically significant,  $p = 0.822$ .

The confidence interval is extremely wide, indicating unstable estimates.

**Decision on Ho2**

Since  $p = 0.822$  is greater than 0.05:

**Fail to reject Ho2.**

**Conclusion**

Audit Committee Independence does not significantly improve Financial Reporting Quality in this model.

Binary logistic regression was conducted to examine the effect of audit committee independence on financial reporting quality. Financial Reporting Quality was entered as the dependent variable, while Audit Committee Independence was entered as the predictor variable.

The Omnibus Test of Model Coefficients reports a chi square value of 0.051 with 1 degree of freedom and a significance level of 0.821. The p value exceeds 0.05, which indicates that the inclusion of Audit Committee Independence does not significantly improve the model compared to the intercept only model.

The model summary shows a -2 Log Likelihood value of 59.616. The Cox and Snell R square is 0.001, while the Nagelkerke R square is 0.002. These values indicate that the model explains less than 1 percent of the variation in financial reporting quality. The explanatory strength of the model is negligible.

The regression coefficient for Audit Committee Independence is 0.750 with a standard error of 3.325. The Wald statistic is 0.051 with a significance value of 0.822. The odds ratio, Exp(B), is 2.117. The 95 percent confidence interval ranges

from 0.003 to 1432.798. The wide confidence interval and large standard error indicate weak and unstable estimates.

Since the significance value of 0.822 is greater than the 0.05 level of significance, the null hypothesis is not rejected. Audit Committee Independence does not have a statistically significant effect on financial reporting quality in this model.

**4.3 Impact of CEO duality on financial reporting quality**

Dependent variable: Financial Reporting Quality

Independent variable: CEO Duality

**Table 4.7 Omnibus Test of Model Coefficients**

Test	Chi Square	df	Sig.
Step	0.027	1	0.870
Block	0.027	1	0.870
Model	0.027	1	0.870

**Interpretation.**

CEO Duality does not significantly improve the model,  $p > 0.05$ .

**Table 4.8. Model Summary**

-2 Log Likelihood	Cox and Snell R2	Nagelkerke R2
59.640	0.001	0.001

**Interpretation.**

The model explains almost none of the variation in Financial Reporting Quality.

**Table 4.9. Logistic Regression Coefficients**

Variable	B	S.E.	Wald	df	Sig.	Exp (B)	95% CI Lower	95% CI Upper
CEO Duality	-0.121	0.734	0.027	1	0.869	0.886	0.210	3.737
Constant	0.526	0.350	2.262	1	0.133	1.692		

**Interpretation.**

CEO Duality is not statistically significant,  $p = 0.869$ .

The odds ratio is close to 1 and the confidence interval crosses 1, indicating no meaningful effect.

**Decision on Ho3**

Since  $p = 0.869$  is greater than 0.05:

**Fail to reject Ho3.**

**Conclusion.**

CEO Duality does not significantly impact Financial Reporting Quality in this model.



Binary logistic regression was conducted to assess the effect of CEO duality on financial reporting quality. Financial Reporting Quality was specified as the dependent variable, while CEO Duality was entered as the predictor variable.

The Omnibus Test of Model Coefficients shows a chi square value of 0.027 with 1 degree of freedom and a significance level of 0.870. The p value exceeds 0.05, which indicates that the inclusion of CEO Duality does not significantly improve the model compared to the null model.

The model summary reports a -2 Log Likelihood value of 59.640. The Cox and Snell R square is 0.001, and the Nagelkerke R square is 0.001. These values indicate that the model explains almost none of the variation in financial reporting quality. The explanatory power of the model is negligible.

The regression coefficient for CEO Duality is -0.121 with a standard error of 0.734. The Wald statistic is 0.027 with a significance value of 0.869. The odds ratio, Exp(B), is 0.886. The 95 percent confidence interval ranges from 0.210 to 3.737. The confidence interval includes 1, which indicates that the effect is not statistically significant.

Since the significance value of 0.869 is greater than the 0.05 level of significance, the null hypothesis is not rejected. CEO Duality does not have a statistically significant effect on financial reporting quality in this model.

**4.4 Relationship Between Corporate Governance Mechanisms And Financial Reporting Quality.**

Dependent variable: Financial Reporting Quality

Independent variables:

- Board Independence
- Audit Committee Independence
- CEO Duality

**Table 4.10. Omnibus Test of Model Coefficients**

Test	Chi Square	df	Sig.
Step	0.355	3	0.949
Block	0.355	3	0.949
Model	0.355	3	0.949

**Interpretation.**

The overall model is not statistically significant,  $p > 0.05$ .

Corporate governance mechanisms do not jointly improve prediction of financial reporting quality.

**Table 4.11. Model Summary**

-2 Log Likelihood	Cox and Snell R2	Nagelkerke R2
59.312	0.008	0.011

**Interpretation.**

The model explains about 1 percent of the variation in financial reporting quality.

Explanatory power is weak.

**Table 4.12. Logistic Regression Coefficients**

Variable	B	S.E.	Wald	df	Sig.	Exp (B)	95% CI Lower	95% CI Upper
Board Independence	-2.934	5.575	0.277	1	0.599	0.053	0.000	2961.461
Audit Committee Independence	0.627	3.352	0.035	1	0.852	1.873	0.003	1336.299
CEO Duality	-0.165	0.743	0.049	1	0.825	0.848	0.098	3.638
Constant	1.079	2.571	0.176	1	0.675	2.941		

**Interpretation.**

- Board Independence is not significant,  $p = 0.599$ .
- Audit Committee Independence is not significant,  $p = 0.852$ .
- CEO Duality is not significant,  $p = 0.825$ .
- All confidence intervals are wide and include 1, indicating unstable estimates.

**Decision on Ho4**

Since  $p = 0.949$  is greater than 0.05:

Fail to reject Ho4.

**Conclusion**

There is no significant relationship between corporate governance mechanisms and financial reporting quality in this model.

Binary logistic regression analysis was conducted to examine the joint effect of corporate governance mechanisms on financial reporting quality. Financial Reporting Quality was specified as the dependent variable, while Board Independence, Audit Committee Independence, and CEO Duality were entered simultaneously as independent variables.

The Omnibus Test of Model Coefficients reports a chi square value of 0.355 with 3 degrees of freedom and a significance level of 0.949. This result indicates that the model containing the corporate governance variables does not significantly improve prediction of financial reporting quality compared to the intercept only model. The high p value suggests that the combined governance mechanisms do not have a statistically significant joint effect on financial reporting quality.

The model summary shows a -2 Log Likelihood value of 59.312. The Cox and Snell R square is 0.008, while the Nagelkerke R square is 0.011. These values indicate that the



model explains approximately 1 percent of the variation in financial reporting quality. The explanatory power of the model is weak, suggesting limited predictive capability of the governance variables included.

The regression coefficient results further confirm the weak relationship between corporate governance mechanisms and financial reporting quality. Board Independence has a coefficient of -2.934 with a significance value of 0.599, indicating no statistically significant effect. Audit Committee Independence has a coefficient of 0.627 with a significance value of 0.852, also indicating no significant effect. CEO Duality has a coefficient of -0.165 with a significance value of 0.825, showing no meaningful influence on financial reporting quality. In all cases, the confidence intervals are wide and include the value of one, indicating unstable estimates and lack of statistical significance.

Since the significance value of the omnibus test is greater than the 0.05 level of significance, the null hypothesis is not rejected. The results indicate that there is no statistically significant relationship between corporate governance mechanisms and financial reporting quality in this model.

### 5.1 Introduction

This presents the summary of findings, conclusions drawn from the study, recommendations, contributions to knowledge, limitations of the study, and suggestions for further research. The study examined the relationship between corporate governance mechanisms and financial reporting quality, focusing specifically on board independence, audit committee independence, and CEO duality. Binary logistic regression analysis was employed to determine both the individual and joint effects of these governance variables on financial reporting quality.

### 5.2 Summary of Findings

The findings of the study indicate that board independence does not have a statistically significant effect on financial reporting quality. Although theoretical perspectives such as agency theory suggest that independent directors enhance monitoring and reduce managerial opportunism, the empirical results of this study do not provide evidence to support that assertion within the sampled firms. The presence of independent directors alone does not appear to significantly influence the quality of financial reports.

Similarly, audit committee independence was found not to have a statistically significant effect on financial reporting quality. While prior literature emphasizes the importance of independent audit committees in strengthening oversight of financial reporting processes, the results of this study suggest that independence without other complementary factors may not substantially improve reporting quality.

The findings also reveal that CEO duality does not significantly affect financial reporting quality. The combination of the roles of Chief Executive Officer and Board Chairperson does not appear to significantly influence the integrity or reliability of financial reporting in the sampled firms.

Furthermore, when the governance variables were examined collectively, the results indicate that they do not jointly have a statistically significant relationship with financial reporting quality. The explanatory power of the combined governance mechanisms was weak, suggesting that the structural governance variables included in the study explain only a minimal proportion of variations in financial reporting quality.

Overall, the study demonstrates that formal corporate governance structures—measured through board independence, audit committee independence, and CEO duality—do not significantly predict financial reporting quality within the context examined.

### 5.3 Conclusion

Based on the findings of this study, it can be concluded that corporate governance mechanisms, as operationalized in this research, do not significantly influence financial reporting quality. The results suggest that the existence of independent directors or independent audit committee members alone is insufficient to guarantee improved monitoring effectiveness or higher-quality financial reporting.

This implies that governance effectiveness may depend more on qualitative attributes such as director competence, financial expertise, ethical orientation, diligence, and enforcement mechanisms rather than merely structural independence. It also suggests that contextual factors—such as regulatory strength, institutional quality, ownership concentration, and corporate culture—may play a more substantial role in shaping financial reporting outcomes.

Therefore, while corporate governance remains an important pillar of accountability and transparency, structural compliance alone may not translate into substantive improvements in financial reporting quality.

### 5.4 Recommendations

In light of the findings, the following recommendations are proposed:

1. **Emphasis on Expertise Over Formal Independence:** Regulatory authorities and firms should focus not only on appointing independent directors but also on ensuring that such directors possess adequate financial literacy, industry knowledge, and governance experience.
2. **Strengthening Audit Committee Competence:** Audit committees should include members with strong accounting and financial expertise. Continuous training programs should be organized to enhance their oversight capabilities.
3. **Improved Regulatory Enforcement:** Regulatory bodies should strengthen enforcement mechanisms to ensure that governance practices are not merely symbolic but are effectively implemented.
4. **Enhanced Disclosure and Transparency Policies:** Firms should adopt stronger internal control systems and transparent disclosure practices to enhance financial reporting quality beyond structural governance reforms.

## Endnotes

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