

Impact of Corporate Governance on Financial Reporting Quality of Listed Nigerian Industrial Goods Companies

Ephraim Sunday and Adamu Sa'idu

Department of Accounting, Faculty of Management Sciences, Federal University of Kashere (FUK), Gombe State, Nigeria.

Corresponding author: sundayephramin@gmail.com

Abstract

This study examined the impact of corporate governance on financial reporting quality of listed industrial goods firms in Nigeria. The study used expo-facto and correlational as the research designs for the study while employing secondary and quantitative as the source of data collection and research approach for the study respectively. Furthermore, this study was conducted for the period of ten (10) years from 2012 to 2021. The population of this study comprised of thirteen (13) industrial goods firms listed in Nigerian. The sample comprised the (10) listed industrial goods firms in Nigeria as at 31st December, 2021. For the techniques of data analysis, the Feasible Generalized List Square (FGLS) regression was employed to analyze the data. The findings revealed that board size, Chief executive Compensation, audit committee independence and firm size have statistical positive and significant impact on financial reporting quality of listed industrial goods firms in Nigeria. However, it was found that board independence, board professional expertise, board gender and board shareholding are jointly, negatively and insignificantly related with financial reporting quality of listed industrial goods firms in Nigeria. Therefore, it is recommended that the board of directors of the listed industrial goods firms in Nigeria should be effectively constituted with reasonable members, an autonomous audit committee while the chief executive officer (CEO) should be adequately compensated as they are empirically found to have significant impact on the financial reporting quality of listed industrial goods firms in Nigeria.

Keywords: Corporate Governance, Financial Reporting Quality, Industrial Goods, Nigeria.

Introduction

Corporate governance can be defined as the system, procedure, structure or mechanism established by cooperate body with the aim of controlling the affairs of the entity to a path that will maximize value to its shareholders (Habiba & Mahbub, 2019). Corporate governance is a set of control mechanisms that an organization adopts to prevent or constraint potential self-benefiting managers from engaging in activities that harm the interests of stakeholders and shareholders (Sharifah et al., 2016). The laws, policies, and directives introduced by corporate governance affect a corporation's way of controlling and monitoring (Sarah & Khalid, 2020). It also enhances transparency and clarity in the relationship between the corporation and its stakeholders to obviate conflicting interests (Jensen & Meckling, 1976). Corporations that have established a strong corporate governance mechanism can enhance their corporate value in the long term and secure

competitive advantages that contribute to increasing their social wealth (Cao & Liang, 2021).

According to a survey by Titilope et al. (2022), investors place corporate governance at par with financial indicators when evaluating investment decisions; in fact, many investors are willing to pay a premium for a well-governed company. Joyce (2016) suggested that when corporate governance is considered, there is concentration on mechanisms of governance that include concentrated shareholding, board independence, and director shareholding and auditor reputation. Corporate governance is a tool that is used to reduce the agency cost that arises as a result of the conflicting interest that exists between managers and shareholders. This is as a result of the separation of ownership from control of the modern day business places the managers at an advantage position that gives them the right to take decisions that could either impact negatively or positively the value maximization objective of the firm.

One significant component of firms' information system is financial reporting. No doubt, through financial reporting enterprises can convey facts about their financial affairs to interested parties who may be external to such firms. Stewardship assertions are produced through financial reporting, which produces both financial and non-financial data through statements that show the outcomes of an entity's operations and transactions across time (Arshad et al., 2020; Benard et al., 2017). Financial reporting center is on information disclosure for the purpose of decision making by various users.

Corporate governance relates to the way and financial, material and human resources available to an organization are effectively and resourcefully deployed by management in the pursuit of the overall goals/objectives of organizations. Yuanto et al. (2016) view corporate governance as instituted systems, procedures, structures or mechanisms deliberately established by firms with the aim of controlling their several concerns and directing all activities towards the path that guarantees efficient maximization of shareholders' wealth. Corporate governance is believed to keep the firm in business, create a great prospect for future opportunities. It enables company, shareholders and other stakeholders to have more confidence over their investments (Mervi & Cemil, 2016). It was further argued that corporate governance is about building credibility and ensuring transparency as well maintaining a channel of information disclosure (Titilope et al., 2022).

Statement of the Problem

Several studies have been conducted on corporate governance but most are conducted in places like Germany, Bangladesh, Japan, UK, France, etc. Empirical studies have provided the connection between corporate governance and financial reporting quality. Hasan (2010), assessed the influence of corporate governance on corporate financial reporting disclosures in Bangladesh, Arshad et al. (2020) examined the influence of corporate governance attributes on firms' financial performance in Malaysia, Merve and Cemil (2016) assessed corporate governance and financial reporting. Titilope et al. (2022) investigated

the nexus between corporate governance and financial reporting quality: A comparative study.

While in Nigeria, Sarah and Khalid (2020), studied corporate governance mechanism and firms' performance, while Sarah and Khalid (2020) focused on the quality of financial reporting in Cement Company. Shehu and Abubakar (2012); Corporate Governance, Earnings Management and Financial Performance: A Case of Nigerian Manufacturing Firms. Indeed, Ahmed (2019) examined the impact of corporate governance on the quality of financial reporting in quality the Nigerian Consumer Goods Industry. Temitope (2008) assessed corporate governance and financial reporting in the Nigerian banking industry. Samuel et al. (2017) focused on impact of corporate governance on the of financial reporting in the Nigerian chemical and paint Industry. Remond et al. (2022) examined corporate governance practices and financial reporting quality of quoted firms in Nigeria.

These studies provide evidence from corporate governance. Very little research on the impact of corporate governance on financial reporting quality of firms has been conducted in Nigeria. Therefore, it is evident that there is a need for research on the impact of corporate governance on financial reporting quality of listed industrial goods firms in Nigeria.

Research Questions

Based on the foregoing, it was formulated thus, what is the impact of corporate governance on financial reporting quality of listed industrial goods firms in Nigeria?

Research Objectives

The main objective of the study is to examine the impact of corporate governance on the financial reporting quality of listed industrial goods firms in Nigeria. Therefore, the specific objectives are to:

- i. Examine the impact of board independence on FRQ of listed industrial goods firms in Nigeria;
- ii. Investigate the effect of board size on FRQ of listed industrial goods firms in Nigeria;
- iii. Find out the influence of board professional expertise on FRQ of listed industrial goods firms in Nigeria;
- iv. Examine the impact of board gender on FRQ of listed industrial goods firms in Nigeria;
- v. Investigate the effect of CEO compensation on FRQ of listed industrial goods firms in Nigeria;
- vi. Find out the influence of board shareholding on FRQ of listed industrial goods firms in Nigeria;
- vii. Ascertain the impact of audit committee independence on FRQ of listed industrial goods firms in Nigeria;
- viii. Examine the effect of firm size on FRQ of listed industrial goods firms in Nigeria?

Research Hypotheses

Consistent with the objectives of this study, the following hypotheses are formulated in null form:

H₀₁: Board independence does not have significant impact on FRQ of listed industrial goods firms in Nigeria;

H₀₂: Board size has no significant effect on FRQ of listed industrial goods firms in Nigeria;

H₀₃: Board professional expertise has no significant influence on FRQ of listed industrial goods firms in Nigeria;

H₀₄: Board gender has no significant impact on FRQ of listed industrial goods firms in Nigeria;

H₀₅: CEO compensation has no significant effect on FRQ of listed industrial goods firms in Nigeria;

H₀₆: Board shareholding has no significant influence on FRQ of listed industrial goods firms in Nigeria;

H₀₇: Audit committee independence has no significant impact on FRQ of listed industrial goods firms in Nigeria;

H₀₈: Firm size has no significant effect on FRQ of listed industrial goods firms in Nigeria.

The study focuses on the impact of corporate governance on financial reporting quality of listed industrial goods firms in Nigeria. More specifically, corporate governance was proxied by Board Independence (BID), Board Size (BSZ), Board Professional Expertise (BPE), Board Gender (BGD), Chief Executive Officer's Compensation (CEC), Board Shareholding (BSH), and Audit Committee Independence (ACI) all as the independent variables of the study while Firm Size (FSZ) was employed as the control variable of the study. On the other hand, Financial Reporting Quality (FRQ) was used as the dependent variable of the study. Indeed, the study covers a period of tens (10) years ranging from 2012 – 2021.

Literature Review and Theoretical Framework

Conceptual Framework of the Study

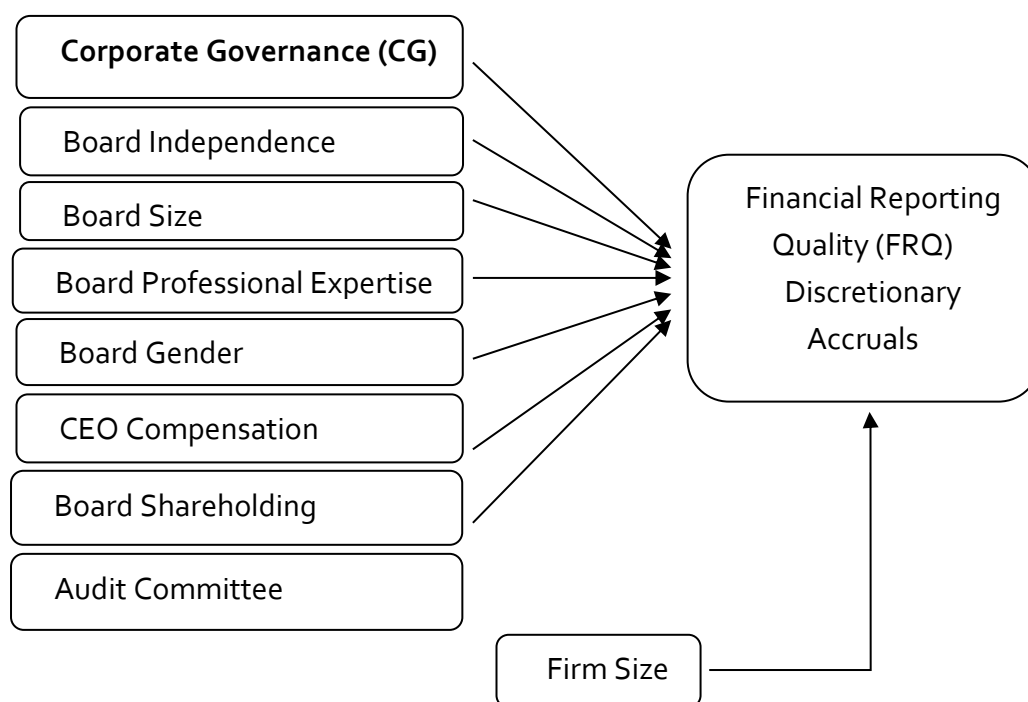


Figure 1: Conceptualization of Variables

Source: Researcher's Compilation (2023)

Board Independence

Sharifah et al. (2016) have studied the roles of the independent directors in Australian public listed companies by interviewing 30 directors. The participating directors agreed that a majority of non-executive directors (NEDs) on the board would provide a safeguard for a balance of power or management relationship.

Corporate Boards are major mechanism for internal as they remain central to the chain of commands and authority thereby presenting a base for the analysis of senior management's actions. The board's effectiveness has overtime remained a function of its makeup (Fama & Jensen, 1983). Having non-executive members on the business board strengthens the internal control systems. Although all board members are meant to seek to increase shareholder value, agency theory argues that non-executive directors (being a measure of independence) are the most influential monitoring device of executive directors' actions due to their independence and specialized experience. Non-executive directors may be beneficial because: "outside directors have incentives to establish a reputation as decision-control specialists" (Jensen & Meckling, 1976). The composition of the board guarantees that a sound corporate governance framework is created within firms. Hence, we examine how FRQ is affected by the level of board independence.

Board Size

Big boards can put more time and effort to monitoring and scrutinizing management (Cao & Liang, 2021), whereas small boards can devote substantially less time and effort. A broad board of directors with a diverse set of skills could improve the board's synergy in reducing the number of instances of poor corporate governance. Arshad (2020) say that larger boards have a substantial positive nexus with board monitoring because they may share the effort among several persons, whereas companies with larger boards are less prone to engage in earnings management. Implicit in these arguments is that smaller boards are more likely to be dominated or affected by management or even block-holders hence, larger boards are deemed to have better ability to oversee top management's actions. This study assesses how sizes of companies' boards may affect FRQ of firms.

Board Professional Expertise

According to Joyce (2016), boards of directors must be able to ask management questions and make suggestions and participate actively in the development of corporate strategy, risk management, CEO succession planning, and ensuring that companies set and meet their financial and operational goals. Directors play important role and may help in achieving higher levels of financial reporting quality as both a source of advice and counsel for the CEO. It is also noteworthy for both inside and outside directors to contribute significantly to the improvement of financial reporting quality and to provide access to the firm's required resources, such as financial, governance, and firm-specific experience (Bedard et al., 2016). Arguably, governance, strategic company direction, and financial management are three critical areas in which every director should be well-versed. Thus, the expertise of Board members becomes critical in assessing the quality of financial reporting of firms. Thus, we assess how expertise of Board members affects financial reporting quality of listed industrial goods firms in Nigeria.

Board Gender

Financial scandals and the high failure rate of companies over the past decade, as well as the 2008 financial crisis, have increased concerns about improving board effectiveness (Nurlan, 2019). In this regard, board diversity has been considered to be a mechanism to increase such effectiveness. Diversity can be categorized into two groups: demographic (i.e. gender, age, ethnicity and race) and cognitive i.e. knowledge, education, values and perception (Nurlan, 2019; Merve & Cemil, 2016). A majority of the research has focused on demographic or observable diversity, with gender being one of the observable characteristics of boards of directors.

As females become a larger proportion of the workforce, corporations are experiencing a significant change in their pools of potential candidates (Herath & Albarqi, 2017; Samuel et al., 2017). Boards of directors are the visible reflections of the diversity in the workforce (Mahadeo et al., 2012), this diversification also impacts the composition of the boards. Good corporate governance is concerned with the development of mechanisms and

practices that ensure the accountability of corporate management and enhance firm performance (Esra, 2021). Board gender diversity is one of the most important governance issues and is considered to be an integral part of good corporate governance (Herath & Albarqi, 2017; Samuel et al., 2017)

In Nigeria specifically, the proportion of women who attain senior positions in business is still at an all-time low. It has been established that women advance to senior managerial positions in Nigeria at a slower rate than men (Mervi & Cemil, 2016). Women have long been seen as the weaker sex, and as a result, they have been marginalized in the economic, political, and socio-cultural realms. Studies (Benard et al., 2017; Esra, 2021) have revealed the difficulties women face in rising to the top of companies. These roadblocks include everything from national cultural barriers to difficulties managing work in organization.

Chief Executive Compensation

Accordingly, agency theory aims at curbing the agency cost that arises as a result of the conflict of interest between owners (shareholders) and controllers (managers) of today's complex business setting. One of the means of reducing the agency cost is executive compensation, which is the settlement to the manager for the commitment towards the success of the firm which could be either by cash compensation or stock options (bonus plan) or the combination of both. Therefore, Executive compensation is the essence agency theory (Dechow & Sloan, 1991). In order to achieve the objective of shareholders' wealth maximization by converging the interest of the managers with that of the shareholders, it only makes sense that executive compensation should be based on firm performance. However, this explicit and implicit executive compensation contracts also serve as an incentive for managers to use accounting judgment to increase earnings-bonus awards (Habiba & Mahbub, 2019). Thus, CEO pay-for-performance can have a significant influence on the manipulation of reported earnings.

Board Shareholdings

Shehu (2011) note that institutional ownership has emerged as an important tool for protecting minority interest. This is because large institutions have the opportunity, resources and ability to constrain managers' behavior (Sharifah et al., 2016) and they also represent ownership concentration in some cases because of their ability to make bulk purchases of the firm's equity shares. Most companies around the world encourage directors to own stock. Most companies require their directors to own a certain percentage of the company's shares (Samuel et al., 2017).

Many directors do not feel personally or collectively responsible for the firm's accomplishments, whereas when they have some shareholdings, they are usually required to work harder because, logically, as the director's shareholding in his or her company grows, so does the director's incentive to ensure that the company performs well. The incentives that flow from tying directors' personal wealth to corporate wealth, according to existing researches appear to be the main reason for executive share and option schemes,

which are now common among companies (Habiba & Mahbub, 2019). Given this assertion, we also assess whether board shareholding have impact on financial reporting quality.

Audit Committee Independence

Audit committee independence plays an important role in monitoring management to protect shareholders' interest. The code of best governance practice in Nigeria requires that the committee should be largely independent, highly competent and possess high level of integrity (Ahmed, 2019; Yuanto et al., 2016). It is responsible for the review of the integrity of financial reporting and oversees the independence and objectivity of the external auditors. Audit committee has been explored in prior literature and how it relates to earnings management using various constructs of audit committee effectiveness such as size of the board (Cao & Liang, 2021; Bala, 2014), composition and independence (Arshad et al., 2020), audit committee meetings (Ahmed, 2019), financial expertise of committee members (Sarah & Khalid, 2020), and financial motivation of independent directors (Merve & Cemil, 2016).

Board Independence and FRQ

Ahmed (2019) explored the effect of corporate governance and financial reporting quality in Nigeria. Targeted toward investigating the relationship between corporate governance and financial reporting quality in Nigeria where data was collected from forty firms listed in the Nigerian Stock Exchange (NSE) and covered the period from 2006 to 2015. The relationship was investigated between the mechanisms of corporate governance proxied by board independence. The result revealed a positive relationship between board independence and the quality of financial reporting.

Nurlan (2019) studied the relationship between the mechanisms of corporate governance and the quality of financial reporting in the sector of finance in Pakistan. This piece of foreign literature is considered an in-depth investigation that focuses on the most widely accepted and applied corporate governance mechanism structure and identifying the most widely recognized indicators for reporting quality in Pakistan. Primary data from twenty-six financial firms in Pakistan for a period from 2005 to 2014 was collected. Data was analyzed using three least square regression. The result revealed a positive and insignificant relationship between board independence as corporate governance elements and financial reporting quality of listed financial services firms in Pakistan.

Arshad et al. (2020) investigated corporate governance and the level of Bahraini corporate compliance with IFRS disclosure". The study investigated the correlation between corporate governance and International Financial Reporting Standards (IFRS) disclosure one year before issuing the first Corporate Governance Code (CGC) in Bahrain. In this study, corporate governance is assessed using components of CG that include board independence. The data collected was analyzed by ordinary least-squares regressions. It assesses the relationships between the level of Bahraini corporate compliance with mandatory IFRS disclosure requirements as a dependent variable. The finding revealed that

CGC as proxied by board independence is significant and plays the role of an effective enforcement mechanism that enhances firms in Bahrain to entirely comply with IFRS disclosure.

Board Size and FRQ

Joyce (2016) examined corporate governance and financial reporting quality in Nigeria". Targeted toward investigating the relationship between corporate governance and financial reporting quality in Nigeria where data was collected from forty firms listed in the Nigerian Stock Exchange (NSE) and covered the period from 2006 to 2015. The relationship was investigated between the mechanisms of corporate governance that includes board size. The result revealed a positive relationship between corporate governance proxied by board size and the financial reporting quality of listed firms in Nigeria.

Arshad et al. (2020) investigated "corporate governance and the level of Bahraini corporate compliance with IFRS disclosure". The study investigated the correlation between corporate governance and International Financial Reporting Standards (IFRS) disclosure one year before issuing the first Corporate Governance Code (CGC) in Bahrain. In this study, corporate governance is assessed using components of CG that include: board size. The data collected was analyzed by ordinary least-squares regressions. It assesses the relationships between the level of Bahraini corporate compliance with mandatory IFRS disclosure requirements as a dependent variable. Data analysis proved that board size has positive but insignificant effect on financial reporting quality of listed firms in Bahrain.

Board Professional Expertise and FRQ

Joyce (2016) examined corporate governance and financial reporting quality in Nigeria". Targeted toward investigating the relationship between corporate governance and financial reporting quality in Nigeria where data was collected from forty firms listed in the Nigerian Stock Exchange (NSE) and covered the period from 2006 to 2015. The relationship was investigated between the mechanisms of corporate governance proxied by board financial expertise. The result revealed a positive relationship between board financial expertise and the quality of financial reporting of listed firms in Nigeria.

Titilope et al. (2022) investigated the roles of the board professional expertise on earnings management. Using a sample of 282 firm-year observations from the S & P 500 index of each year of 1992, 1994 and 1996. The findings show that board expertise of experienced members, members with some financial expertise, corporate background is associated with reduced level of discretionary accruals. Similarly, Chtourou et al. (2001) investigated the impact of corporate governance on earnings management in U.S. firms. Using a sample drawn from the population of U.S. firms that appear on Compustat 1996, they find that board financial expertise is significantly associated with discretionary accruals. The study uses chi-square as a tool for data analysis which is a less effective tool for establishing cause and effect association.

Chief Executive Compensation and FRQ

Zandi et al. (2019) examined the effect of corporate governance and the level of Bahraini corporate compliance with IFRS disclosure". The study investigated the correlation between corporate governance and International Financial Reporting Standards (IFRS) disclosure one year before issuing the first Corporate Governance Code (CGC) in Bahrain. In this study, corporate governance is assessed using components of CG that include Chief executive Compensation. The data collected was analyzed by ordinary least-squares regressions. It assesses the relationships between the level of Bahraini corporate compliance with mandatory IFRS disclosure requirements as a dependent variable. The result from the data analysis showed that chief executive compensation has a positive but insignificant effect on financial reporting quality of listed firms in Bahrain.

Habiba and Mahbub (2019) investigated whether earnings management amplifies the association between corporate governance and financial reporting quality of listed firms in Korea. Using 1,104 firm-year observations excluding nonfinancial firms listed on the Korean Stock Exchange between 2005 to 2007. The study revealed that board of directors' compensation, which includes salaries, bonus and stock option is positively associated with real-activity based earnings management. Although, the study was conducted using data from Korea and the findings were based on the corporate governance practices prevailing in that country. Hence, different empirical evidence could have been obtained if tested in the African continent using Nigeria as evidence.

Board Shareholding and FRQ

Zandi et al. (2019) titled "Corporate governance and the level of Bahraini corporate compliance with IFRS disclosure". The study investigated the correlation between corporate governance and International Financial Reporting Standards (IFRS) disclosure one year before issuing the first Corporate Governance Code (CGC) in Bahrain. In this study, corporate governance is assessed using board shareholding. The data collected was analyzed by ordinary least-squares regressions. It examines the relationships between the level of Bahraini corporate compliance with mandatory IFRS disclosure requirements as a dependent variable. The result from the data analysis showed that board shareholding has a positive but insignificant impact on financial reporting quality of listed firms in Bahrain.

Audit Committee Independence and FRQ

Sarah and Khalid (2020) titled "Corporate Governance and Financial Reporting Quality in Nigeria". Targeted toward investigating the relationship between corporate governance and financial reporting quality in Nigeria where data was collected from forty firms listed in the Nigerian Stock Exchange (NSE) and covered the period from 2006 to 2015. The relationship was investigated between audit committee independence and financial reporting quality of listed firms in Nigeria. The result revealed a positive correlation between audit committee independence and the quality of financial reporting of listed firms in Nigeria.

Yuantto et al. (2016) titled "Corporate governance and the level of Bahraini corporate compliance with IFRS disclosure". The study investigated the correlation between corporate governance and International Financial Reporting Standards (IFRS) disclosure one year before issuing the first Corporate Governance Code (CGC) in Bahrain. In this study, corporate governance is assessed using components of CG that audit committee independence as one of the predictors of FRQ. The data collected was analyzed by ordinary least-squares regressions. It assesses the relationships between the level of Bahraini corporate compliance with mandatory IFRS disclosure requirements as a dependent variable. The result from the data analysis revealed that audit committee independence is positively and significantly associated with the financial reporting quality of listed firms in Bahrain.

Agency Theory

Agency theory is a theory used in different fields; social and management sciences. The agency theory has caused research explosion on contract incentives for corporate staff, managers, and indeed all positions in the company (Ayemere & Elijah, 2015). The theory also explains the relationship between the principal and agent based on the premise that the agent will pursue the goals of the shareholders. The relationship is not without its costs, which include bonding costs and monitoring costs, as well as a residual loss if the contract eventually becomes costlier than the benefit (Inaam & Khamoussi, 2016). There are two principal problems, according to Ragab (2014), which relate to managers' behavior due to the separation of ownership and control, which include: the possible misplacement of priority between the principals and the agents.

Managers are believed to be utility maximizers, who if given a chance, will act in their own best interest at the expense of wealth of the owners or the principals, and the principals may experience some obstacles in understanding the manager's actions or inactions. In this situation, principals are left with insufficient information about the extent of risk or profitability about their business, and thus, are not certain about managers' contributions to the realization of the company's objectives. The above two scenarios are referred to as Type I agency problem. This means that the principals are left suffering from information asymmetry (Ogundana, et. al., 2017).

Type II agency problem, on the other hand, is because of conflict among majority investors and minority owners. Consequently, the need for disclosure in financial reports came about due to the need to reduce agency conflict and information asymmetry between the principals and the agents (Oussii & Boulila-Taktak, 2018). The drive for disclosure to mitigate agency costs and reduce information asymmetry in the financial report came about consequent upon the demand by investors for full, transparent and reliable disclosure, especially in the case where the disclosed information is mandatory. The agency theory argues that effective CG mechanisms can mitigate agency costs by reducing information asymmetry by an increase in disclosure. These reasons motivate both

principals and agents to invest in CG mechanisms aimed at reducing agency costs that are associated with information asymmetry (Bala & Kumai, 2015; Tambun, et. al., 2017).

Methodology and Model Specification

The study used expo-facto and correlational as the research designs for the study while employing secondary and quantitative as the source of data collection and research approach for the study respectively. The study employed the ex post facto as the research design as the data were extracted from financial statements and annual reports and accounts of the Nigerian listed industrial goods firms. Correlational design on the other hand, was employed in this study as it seeks to explain the relationship or degree of association between the independent variables and the dependent variable of the study. Furthermore, this study was conducted for the period of ten (10) years from 2012 to 2021. The selection of this period was informed by the socio-economic and political forces and events which directly or indirectly affected the normal business activities of the listed industrial goods companies in Nigeria during the period. The population comprised of thirteen (13) industrial goods firms listed in Nigerian. The sample comprised the (10) listed industrial goods firms in Nigeria as at 31st December, 2021. For the techniques of data analysis, the Feasible Generalized List Square (FGLS) regression was employed to analyze the data. This is in order to provide greater reliability and robustness of the inferential results of the study.

Table 1: Variables Measurement and Definitions

S	Variable Name	Type	Acronym	Measurement	Source(s)
1.	Financial Reporting Quality	Dependent	FRQ	Measured using Discretionary Accruals	Shehu (2013)
2.	Board Independence	Independent	BID	Proportion of external directors to the total number of directors in the board.	(Dharmadasa and Herath, 2014; Bala, 2016).
3.	Board Size	Independent	BSZ	Total number of members in the board.	Bala (2016).
4.	Board Professional Expertise	Independent	BEP	Proportion of directors with professional expertise in accounting/finance to the total number of members in the board.	Yadirichukwu and Ebimobowei (2013), Bala, (2016).

5.	Board Gender	Independent	BGD	Proportion of female directors to the total number of members in the board.	Sultana, Singh and Zahn (2014), SEC, (2016).
6.	Board Shareholding	Independent	BSH	Proportion of shares owned by managers to the number of firm's equity shareholdings.	Sultana, Singh and Zahn (2014), SEC, (2016).
7.	CEO Compensation	Independent	CEC	Log of total annual compensation received by the firm'	Yadirichukwu and Ebimobowei (2013), Bala, (2016).
8.	Audit Committee Independence	Independent	ACI	Proportion of external directors in the committee to the total number of members in the Audit committee.	Fujianti, (2018), Siyanbola et al., (2020).
9.	Firm size	Independent		Natural log of firm's total assets.	Fujianti (2018).

Source: Compiled by the Author Based on Literature (2023).

In order to analyze the hypotheses formulated in earlier section, the following econometric model as employed by Siyanbola et al. (2020) was adapted and specified:

$$FRQ_{it} = \alpha + \beta_1 BID_{it} + \beta_2 BSZ_{it} + \beta_3 BEP_{it} + \beta_4 BGD_{it} + \beta_5 BSH_{it} + \beta_6 CEC_{it} + \beta_7 ACI_{it} + \beta_8 FSZ_{it} + e_{it}$$

Where: FRQ = Financial Reporting Quality, BID = Board Independence, BSZ = Board Size, BEP = Board Professional Expertise, BGD = Board Gender, BSH = Board Shareholding, CEC = Chief Executive Compensation, ACI = Audit Committee Independence, FSZ = Firm Size, $\beta_1 - \beta_8$ = Beta coefficients of the parameters based on the indirect relationships; e_{it} = Stochastic error term, α = The intercept or Constant term;

Results and Discussion

The discussion commences with the descriptive statistics of the variables employed in the study. It deals with the minimum and maximum values as well as the corresponding mean and standard deviation. This is shown in table 1 as follows:

Table 2: Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std. Deviation	Observation
FRQ	0.2312	2.3026	1.5577	0.6051	100
BID	0.4000	0.8000	24.2700	6.51132	100
BSZ	8	17	12.2600	2.5805	100
BPE	0.2000	0.7500	0.4477	0.1446	100
BGD	0.2000	0.5000	0.3499	0.0927	100
CEC	4.0800	8.5900	5.6594	1.4232	100
BSH	0.0800	0.1946	0.1104	0.0244	100
ACI	0.2000	0.4000	20.3060	12.0994	100
FSZ	4.0454	138.8280	45.4555	24.8435	100

Source: STATA Output Result, (2023)

From table 2, it shows the minimum and maximum values for FRQ as 0.2312 and 2.3026 respectively this is followed with the corresponding mean and standard deviation values of 1.5577 and 0.6051 respectively. It signifies that the deviation from the average mean value is 0.61 approximately. It implies that there are little changes in the financial reporting quality of the listed industrial goods firms in Nigeria during the period of the study.

In respect of BID, it indicates a minimum and maximum value of 0.4000 and 0.8000 respectively with a corresponding average value of 24.2700. The deviation from this average value was found to be 6.5132. Thus, it signifies that there is 40% and 80% minimum and maximum proportion of independent directors in the board of listed industrial goods firms in Nigeria. The average proportion of board independence was 24% approximately while the change from this average value was 7% approximately. Hence, it implies that there is reasonable and strong presence of independent directors in the boards of listed industrial goods firms in Nigeria.

Board size on the other hand, have a minimum and maximum values of 8 and 17 respectively while the mean and standard deviation values were statistically found to be 12.2600 and 2.5805 respectively. It signifies that the listed industrial goods firms in Nigeria have at least eight (8) members in their board and the maximum number of members in the board during the period was 17 members (directors). Indeed, there was an average number of 12 members in the board approximately while the changes from the number of board size was approximately 3 members during the period of the study.

From the perspective of BPE, the result shows a minimum and maximum values of 0.2000 and 0.7500 respectively with a corresponding mean and standard deviation values of 0.4477 and 0.1446 respectively. It therefore, signifies that the listed industrial goods firms have atleast 20% of their board members with professional expertise and the maximum proportion of members with professional expertise in the board was 75% approximately. Indeed, it also signifies that the listed firms have an average of 45% of their members with

professional expertise in the board. This is confirmed by the changes in the average proportion value of 15% approximately. Thus, it implies that there is reasonable number of members with professional expertise in the board of directors (BODs) of the listed industrial goods firms in Nigeria.

From the part of BGD, the table shows minimum and maximum values of 0.2000 and 0.5000 respectively. This is followed by the corresponding mean and standard deviation values of 0.3499 and 0.0927 respectively. It signifies that there were at least 20% of the board members who were females and the highest number of members was 50%. On the average, it signifies the presence of 35% female directors in the board of listed industrial goods firms in Nigeria. The proportion of changes in the average figure during the period was approximately 9%. By implication, the listed industrial goods firms in Nigeria are gender-sensitive when it comes to corporate strategic decisions. This is based on the fact that the global agenda which was envisaged at "reducing inequality" under the "Sustainable Development Goals" could have played a dominant role in this regard.

The result also shows minimum and maximum values for CEC as 4.0800 and 8.5900 respectively. The corresponding mean and standard deviation values were 5.6594 and 1.4232 respectively. It signifies that the CEOs of the listed industrial goods firms in Nigeria earned at least N4.08 million and the highest amount of compensation during the period was N8.59 million. On the average, the CEOs of the listed firms were compensated with the sum of N5.67 million while the amount of changes from the average compensation during the period was N1.42 million. By implication, the mount of chief executive compensation in the Nigerian listed industrial goods firms was reasonable even though, it was not sufficient. Similarly, the result in respect of BSH indicates minimum and maximum values of 0.0800 and 0.1946 respectively. This is followed with the corresponding values of 0.1104 and 0.0244 as the mean and standard deviation respectively. It signifies that at least 8% of the listed firms' shareholdings was owned by the managers (directors) while the highest proportion of board shareholdings for the listed industrial goods firms in Nigeria during the period was approximately 20%. The average proportion of the board shareholdings during the study period was 11.04%. The proportion of changes from the average shareholdings of the listed firms was 2.44%. it implies that board shareholdings in the Nigerian listed industrial goods firms was huge and reasonable since they controlled about 20% of the total shareholdings while the remaining 80% was controlled by other categories of shareholders in the listed industrial goods firms.

Moreso, ACI shows minimum and maximum values of 0.2000 and 0.4000 respectively. The mean and standard deviation shows a value of 20.3060 and 12.0994 respectively. It signifies that ACI have at least 20% and at most, 40% as the proportion of non-executive directors in the audit committee of the listed industrial goods firms in Nigeria respectively. The average proportion of non-executive directors in the audit committee was 20% approximately while the change from this value was 12% approximately. It implies that the audit committee of the listed industrial goods firms in Nigeria is largely strong and autonomous while safeguarding the financial reporting quality of the listed firms.

Finally, the size of the listed industrial goods firms shows a minimum and maximum value of 4.0454 and 138.8280 respectively. This followed by a corresponding mean and standard deviation values of 45.4555 and 24.8435 respectively. The results further signifies that the listed firms have at least N4.0454 billion as their assets size and the highest value of their assets during the period was N138.8280 billion. On the average, the assets value of the listed firms amounted N45.4555 billion while the amount of change from this figure was N24.8435 billion. Hence, it implies that the listed industrial goods firms in Nigeria are largely strong and have quality assets that will make them compete favorably in the most challenging economic environment like Nigeia.

Table 3: Normality Test

Variables	W	V	Z	Prob>2
FRQ	0.93830	5.094	3.612	0.00015
BID	0.98207	1.481	0.871	0.19196
BSZ	0.98176	1.506	0.909	0.18174
BPE	0.98409	1.314	0.605	0.27256
BGD	0.97817	1.802	1.307	0.09563
CEC	0.88593	9.418	4.975	0.00000
BSH	0.83428	13.682	5.804	0.00000
ACI	0.87508	10.314	5.177	0.00000
FSZ	0.95622	3.615	2.851	0.00000

Source: STATA Output Result, (2023)

With reference to table 3, the null hypothesis principle is applied to check variable that came from normally distributed population. Based on the Shapiro Wilk (W) test for normal data, the null hypothesis of the test is that the data is normally distributed. Table 4.2 indicates that the data from all the variables of the study did not follow the normal distribution axiom. This is because of the fact that the values of the test statistics (Z- values) are statistically significant at 1% level of significance (for all the variables) except for BID, BSZ, BPE and BGD. The aforementioned variables were statistically insignificant. Thus, the null hypothesis (i.e. the data is normally distributed) is rejected at 1% significance level. By implication, the data did not follow the normal distribution axiom. Hence, it is covered under the Gaussian theory of (1929) and Shao (2003) which suggest that the normality or otherwise of the data does not in any way alter the inferential statistics estimate.

Matrix of Correlation

From table 4, it reports the association between dependent and independent variables as depicted respectively (FRQ = Financial Reporting Quality, BID = Board Independence, BSZ= Board Size, BPE = Board Professional Expertise, BGD = Board Gender, CEC = Chief

Executive Compensation, BSH = Board Shareholding, ACI = Audit Committee Independence, FSZ = Firm Size).

Table 4: Matrix of Correlation

Variables	FRQ	BID	BSZ	BPE	BGD	CEC	BSH	ACI	FSZ
FRQ	1.0000								
BID	0.5939 0.0000	1.0000							
BSZ	0.4300 0.0000	0.0895 0.3757	1.0000						
BPE	- 0.1590 0.1141	- 0.0999 0.3226	- 0.0807 0.4250	1.0000					
BGD	0.1324 0.1891	0.0585 0.5635	0.0990 0.3273	0.0999 0.3229	1.0000				
CEC	0.1167 0.2474	- 0.1194 0.2368	0.0001 0.9994	0.0981 0.3317	0.3187 0.0012	1.0000			
BSH	- 0.0688 0.4967	- 0.0072 0.2368	- 0.0030 0.9764	- 0.0322 0.7503	- 0.1338 0.1844	0.0502 0.6212	1.0000		
ACI	0.6925 0.0000	0.2049 0.0408	0.1536 0.1270	0.0568 0.5748	- 0.0252 0.8031	- 0.0849 0.4011	0.8384 0.0000	1.0000	
FSZ	0.1095 0.2782	0.1219 0.2271	0.0241 0.8116	0.2811 0.2626	0.2811 0.0046	- 0.1131 0.2626	- 0.0986 0.3290	- 0.1636 0.1039	1.0000

Source: STATA Output Result, (2023)

Table 4 presents values of correlation between dependent and independent variables as well as amongst each independent variable. Based on the pattern of the correlations between dependent and independent variables, it is observed that the variables correlate perfectly well and all are insignificant except for BID, BSZ and ACI that were found to be statistically significant. Thus, there is no variable with correlation value greater than 0.49 except for BID and ACI that were found to have 0.5939 signifying (59.39%) and 0.6925 signifying (69.25%) respectively. On the other hand, the relationships between most of the

explanatory variables are minimal and negligible except for BID and ACI whose correlation values implies that there is the presence of high correlation among the two explanatory variables of the study.

Table 5: Summary of Regression Results

Variables	Coefficients	T-Values	P-Values
Constant	-0.6403055	-1.68	0.094
BID	0.0156864	1.45	0.147
BSZ	0.0665938	4.45	0.000
BPE	-0.0785918	-0.30	0.764
BGD	-0.3887706	-0.85	0.398
CEC	0.082106	2.83	0.005
BSH	-0.6426259	-0.42	0.677
ACI	0.0265659	4.44	0.000
FSZ	0.0052559	3.22	0.001
R-Squared			0.6334
Wald Chi ²			172.76
Prob>Chi ²			0.0000

Source: STATA Output Results, (2023)

From table 5, it clearly shows the value for R² to be 0.6334. it signifies that the coefficient of determination (R²) explained about 63.34% of the total degree of association between the independence variables and the dependent variable. By implication, corporate governance attributes as proxied by BID, BSZ, BPE, BGD, CEC, BSH, ACI and FSZ jointly explained approximately 63% of the total changes in the Financial Reporting Quality (FRQ) of the listed industrial goods firms in Nigeria. It therefore, implies that there is strong relationship between corporate governance and financial reporting quality of listed industrial goods firms in Nigeria. Indeed, it also implies that the remaining 37% of total changes in FRQ is determined by other elements or factors that have not been captured in the model of the study. This is confirmed by the p-value of 0.0000 which signifies that it is statistically significant at 5% level of significance. Most importantly, the result in respect of Wald Chi² shows a value of 172.76 signifying that the model specified in the study is good, adequate and well-fitted for the study. By implication, the independent variables are properly selected, combined and used in the study.

Board Independence and FRQ

From table 5, it shows a coefficient value of 0.0156864 with a corresponding t and p values of 1.45 and 0.147 respectively. It signifies that BID is statistically, positively but

insignificantly related with FRQ of listed industrial goods firms in Nigeria. It implies that a small proportion of independent directors in the board have little impact in promoting the financial reporting quality of the listed industrial goods firms in Nigeria. This is not surprising especially in view of the fact higher representation of external directors in the board is likely to ensure strong monitoring and supervision mechanisms which could reduce the manipulative tendency of the management. Indeed, this finding is in line with the hypothesis one (H_{01}) of the study which state that board independence has no significant impact on FRQ of listed industrial goods firms in Nigeria. Therefore, hypothesis one failed to be rejected.

Board Size and FRQ

From table 5, it shows a coefficient value in respect of board size as 0.0665938 with a corresponding t and p values of 4.45 and 0.000 respectively. It signifies that BSZ is statistically, positively and significantly associated with the FRQ of listed industrial goods firms in Nigeria at 1% level of significance. It implies that an increase in the size of the board members leads to an increase in the financial reporting quality of the listed industrial goods firms in Nigeria. This buttress the fact that larger board size is more strong and efficient in safeguarding the financial reporting quality of listed industrial goods firms in Nigeria. Thus, the larger the size of the board members, the higher the financial reporting quality of the listed firms due to cross-fertilization of ideas amongst the members which leads to efficient decision-making including financial reporting quality. However, the finding is not in line with the hypothesis two (H_{02}) of the study which state that board size has no significant effect on FRQ of listed industrial goods firms in Nigeria. Thus, for hypothesis two, H_{02} is rejected.

Board Professional Expertise and FRQ

With reference to table 5, it shows a coefficient value of -0.07859118 with a corresponding t and p values of -0.30 and 0.764 respectively. It signifies that BPE is statistically, negatively and insignificantly associated with FRQ of listed industrial goods firms in Nigeria. It implies that a reduction in the number of board members with professional expertise is more likely to bring about a reduction in the financial reporting quality of the listed industrial goods firms. This is not surprising especially in view of the fact that board members with technical and professional expertise could have the requisite skills and know-how to tackle financial misappropriation in a firm thereby, safeguarding the FRQ of the listed industrial goods firms. The finding is consistent with the hypothesis three (H_{03}) of the study which state that board professional expertise has no significant influence on FRQ of listed industrial goods firms in Nigeria. Thus, for hypothesis three, H_{03} failed to be rejected.

Board Gender and FRQ

From table 5, it shows a coefficient value of -0.3887706 with a corresponding t and p values of -0.85 and 0.398 respectively. It signifies that BGD is statistically, negatively and

insignificantly related with FRQ of listed industrial goods firms in Nigeria. It implies that a decrease in the proportion of female directors in the board have an adverse impact on the financial reporting quality of the listed industrial goods firms in Nigeria. This is based on the notion that female directors are considered to be more transparent and accountable in handling financial matters. Hence, any decrease in their proportion could create room for financial misappropriation or even tempering with the financial reporting quality of the listed industrial goods firms in Nigeria. This finding is in tandem with the hypothesis four (H_{04}) of the study which state that board gender has no significant impact on FRQ of listed industrial goods firms in Nigeria. Based on the foregoing, it validates the fact that hypothesis four (H_{04}) failed to be rejected.

CEO Compensation and FRQ

Based on the results in table 5, it indicates a coefficient value of 0.0821061 with a corresponding t and p values of 2.83 and 0.005 respectively. It signifies that CEC is statistically, positively and significantly affecting the FRQ of listed industrial goods firms in Nigeria at 5% level of significance. It implies that a proportional increase in the Chief executive officer's amount of compensation (remuneration) have a strong effect on the financial reporting quality of the listed industrial goods firms in Nigeria. This is quite interesting especially in consideration of the fact that increasing CEO's compensation could serve as incentive to ensuring better corporate decisions in which the financial reporting quality of the listed firms is no longer an exception. This finding is contrary to hypothesis five (H_{05}) of the study which assert that chief executive compensation (CEC) has no significant effect on the FRQ of listed industrial goods firms in Nigeria. Hence, hypothesis five (H_{05}) is rejected in this study.

Board Shareholding and FRQ

From table 5, it indicates a beta coefficient value of -0.6426259 with a corresponding t and p values of -0.42 and 0.677 respectively. It signifies that BSH is negatively and insignificantly associated with FRQ of listed industrial goods firms in Nigeria. It implies that a reduction in the proportion of board shareholding is tantamount to reducing the financial reporting quality of the listed industrial goods firms in Nigeria. This is not surprising at all as the larger the equity ownership of the board members, the more they will be inclined to put in greater efforts towards higher and better corporate performance. Although, a firm with declining proportion of board shareholding is more likely to have its financial reporting quality being tempered by the managers as they have little or no stake in the firm. Consistent with the hypothesis six (H_{06}), it states that board shareholding has no significant influence on FRQ of listed industrial goods firms in Nigeria. Based on the foregoing, it validates the fact that H_{06} failed to be rejected.

Audit Committee Independence and FRQ

Based on the results in table 5, it indicates a coefficient value of 0.0265659 with a corresponding t and p values of 4.44 and 0.000 respectively. It signifies that CEC is statistically, positively and significantly affecting the FRQ of listed industrial goods firms in Nigeria at 1% level of significance. Interestingly, it implies that an autonomous audit committee could have the needed support to discharge their duties without any prejudice from the management members and hence, will serve as a strong mechanism for safeguarding the financial reporting quality of the listed industrial goods firms in Nigeria. Nevertheless, this achievement could not be accomplished in a firm whose audit committee members were deprived of the requisite autonomy to discharge their audit functions effectively and efficiently. Although, the finding is not in line with the hypothesis seven (H_{07}) of the study which state that audit committee independence has no significant impact on FRQ of listed industrial goods firms in Nigeria. For hypothesis seven therefore, H_{07} is rejected.

Firm Size and FRQ

The results in table 5 indicate a coefficient value of 0.0052559 with a corresponding t and p values of 3.22 and 0.001 respectively. It signifies that the size of the firms is statistically, positively and significantly affecting the FRQ of listed industrial goods firms in Nigeria at 1% level of significance. It implies that a proportional increase in the firm size have a strong effect on the financial reporting quality of the listed industrial goods firms in Nigeria. This is quite amazing in consideration of the fact that bigger industrial goods firms are more likely to have strong monitoring and controlling instruments that will be compatible with the growing size of the firm. Consequently, higher financial reporting quality is expected from those larger firms compared to their smaller counterparts who are just battling on how to build a strong business momentum. Nevertheless, this finding contradicts the hypothesis eight (H_{08}) of the study which state that firm size has no significant effect on financial reporting quality of listed industrial goods firms in Nigeria. Hence, for hypothesis eight, H_{08} of the study is rejected.

Conclusion and Recommendations

Based on the findings of this study, it was concluded that board size, Chief executive Compensation, audit committee independence and firm size have statistical positive and significant impact on financial reporting quality of listed industrial goods firms in Nigeria. However, it was concluded that board independence, board professional expertise, board gender and board shareholding are jointly, negatively and insignificantly related with financial reporting quality of listed industrial goods firms in Nigeria. It was finally concluded that corporate governance is a powerful instrument affecting the financial reporting quality of listed industrial goods firms in Nigeria. In line with the conclusion, the following recommendations are made:

- a. The board of directors of the listed industrial goods firms in Nigeria should be effectively constituted with reasonable members, an autonomous audit committee while the chief executive officer (CEO) should be adequately compensated as they are empirically found to have significant impact on the financial reporting quality of the listed industrial goods firms in Nigeria;
- b. The board of directors of the listed industrial goods firms should indeed, be composed of members with reasonable professional expertise, good number of non-executive directors, while ensuring gender-sensitivity and higher proportion of board shareholding. By doing so, the financial reporting quality of the listed industrial goods firms would be largely safeguarded and enhanced
- c. Financial Reporting Council of Nigeria (FRCN) in collaboration with other key stakeholders should ensure that the Nigerian Code of Corporate Governance (NCCG, 2018) as amended is consistently improved in line with global best practices. The aim here is to prevent manipulative accounting tendencies by corporate managers while safeguarding the financial reporting quality of the listed industrial goods firms in Nigeria.

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