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Financial Reporting Quality and Share Values of the Quoted Non-Financial Firms in Nigeria

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Abstract
The study examined the level of compliance with financial reporting standards of quoted non-financial firms in Nigeria and investigated the impact of financial reporting quality on share values of the quoted non-financial firms in Nigeria. These were with a view to determining the effect of financial reporting quality on the firms' value of quoted non-financial firms between 2004 and 2021.The study employed secondary data. The population of this study was 176 quoted non-financial firms listed on the Nigeria Stock Exchange. Fifty firms were purposively selected based on the availability of complete financial information for the sampled period. Data on cashflow accrual ratio, statements of financial position accrual ratio as proxies of financial reporting quality, firms' size, auditors' type, share values, board size, leverage, audit committee size, age and firms' liquidity were sourced from the audited annual financial report of the firms and factbook of Nigeria Stock Exchange. Data collected were analysed using percentages fixed effect model, random effect model and pooled OLS method.The results showed that the cashflow accrual ratio as a proxy of financial reporting quality has no significant effect on the value of shares but negative relationship with share values confirmed that lower cashflow accrual ratio is an indication of good financial reporting quality. Also, the result showed that all the independently variables are good predictors of share values with adjusted R-square of 76%.
The study concluded that financial reporting quality has a positive impact on the market value of quoted non-financial firms in Nigeria.
Keywords: Cashflow Accrual Ratio, Financial Reporting Quality, Balance Sheet Accrual Ratio, Share Values
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1. Introduction

Financial Reporting is a means through which information both quantitative and qualitative is communicated to shareholders and other interested parties about the performance of an entity in form of stewardship account. Choi (1973) defined financial reporting as a "publication of economic information which relates to businesses quantitative or non-quantitative that can help users in making economic decisions". The coverage of the definition was extended by defining it as a process where firms communicate with outside stakeholders (McKinnon, 1984). It could be inferred from the definitions that consumers of financial statements are many, especially those that place their confidence and assessment on the reliability of financial statements like financial analysts, equity analysts and tax assessors. The importance of financial statement which is an output of financial reporting cannot be overemphasized. Financial Statement is an important information that (potential) investors need in making an informed decision. Analysts and stockbrokers analyze this information and make recommendation to their clients on whether to buy, sell or hold a particular financial instrument. It gives information not only about profitability but also reflects firms' ability to generate cashflow and meet expenditure as at when due. The owners are keenly interested in the feedback from reporting because financial reporting provides an indicator to show the management and utilization of the resources of the firms. The information from financial statement is also used to appraise the performance of the management and their rewards in form of bonuses are determined using performance disclosed in financial statement which could be a source of incentive to manipulate financial information disclosed.

According to the Efficient Market Hypothesis, (Fama, 1965) stated that share value reacts completely and immediately to all information available to the market. Efficient Market Hypothesis (EMH) states that an operationally efficient stock market is expected to be externally and informationally efficient. Therefore, share value is an unbiased estimate of all the available pieces of information on the expected future cash flows and the estimated risk involved in buying such a share (Reilly & Brown, 2003). Therefore, efficient market provides information regarding the intrinsic value of the security which is equivalent to its price. Another perspective was presented by Lo (1997), that the market efficiency theory states that only the newly arrived information is capable of changing security price. Consequently, analysis of available information to determine the intrinsic value of a firm will not worth the effort in an efficient market, as the analysts will not beat the market by making abnormal profit. This implies that the investors will be discouraged to analyze or gather information, having realized that that the information gathered and analyzed has been reflected in the price of the security and the price is an unbiased estimate of the true value of the share (Fama, 1965; Lo, 1997). The information required in

the capital market to which price should respond to is supplied through financial report of the listed firms. According to the World Bank Report (2004) having investigated the Financial Reporting environment in Nigeria, the report revealed that financial analysts, creditors and other stakeholders held the view that the financial statements were not of quality and standard. Hence, the financial statements in Nigeria are not regarded as credible and there was an observation that multinational firms prepared more quality financial statements compared to other firms in Nigeria. On these bases, the low quality financial statements prepared for consumption in Nigeria Capital Market may be responsible for inefficiency of Capital Market. There is a growing evidence that disclosure generally improves transparency and thus reduces information problems (Healy & Palepu, 2001). Nigeria Capital Market has been categorized as inefficient (Nneji, 2013). According to theory of efficient market Hypothesis, a market is found to be efficient when all available information regarding the security price has been quickly incorporated into the price of the security. Non-response of security price in Nigeria could be blamed on two things. Firstly, the mechanisms put in place to process information into security price are deficient because it has been established in literature that more analysts and qualified accountants impact quality of financial reporting environment (Noravesh, 1998). In addition, the quality of information that is being responded to, could mean that the price makes no response to any information considering the observation of financial reporting environment in Nigeria. It is on the basis of this that it is expedient to assess the impact of financial reporting quality on share values.

2. Literature Review

Efficient Market Hypothesis

This theory was propounded by Eugene Fama in 1965. He relates market efficiency as a concept that explains the relationship that exists between information and share values in the capital market literature. It is generally believed that the securities market possesses high efficiency in announcing information on different securities and on the capital market at large. The agreed opinion that available new information spreads rapidly and the value of stocks absorbs it without any hesitancy.

The efficient market hypothesis is associated with the belief of a random walk. It is a terminology frivolously used to describe price trend in literature related to finance where future price variations show random exit from recently past prices. The random walk idea is a belief that if information movements are unhindered and facts are instantly shown in share prices, then the succeeding day's variation will show only succeeding day's information and this will not be influenced by today's price fluctuation. Information is however uncertain and the resulting price variation must be random and unpredictable. Consequentially, share prices reflect all available relevant information and uninformed investors demanding a spread portfolio at the different prices provided by the market will achieve a quality response as good as that attained by the expert.

Fama (1965) divides market effectiveness into three namely: strong-form, weak form and semi-strong form. The Efficient Market Hypothesis (EMH) is therefore a proponent of informational effectiveness and it is referred to as market's ability to turn available market information into prices. The Efficient Market Hypothesis belief became known at the early of the twentieth century in the literature impact of louis Bachelier, a French Mathematician in nineteen hundred. Samuelson's assertions including empirical outcomes that he issued in his widespread paper proof that properly anticipated prices fluctuate randomly, resulted to Efficient Market Hypothesis theory. The theory which has an extension to the theory of Random Walk, simply points out that share prices reflect fully information that is readily available about the value of the organization and it is practically impossible to have excessive profits (in excess of that which prevails in the market) by utilizing such information. In accordance to the hypothesis, price variation in a well-informed market should essentially be unpredictable. The information released will be randomly responded to. Hence, the theory asserts that to take advantage of available information, it is impossible to forecast subsequent fluctuation in price.

Types of Efficient Market Hypothesis

Weak Form Efficiency

The market is considered to be weak form efficient when the current price of stock fully reflects and absorbs past information relating to historical prices of stock. In essence, in spotting under priced and over priced stocks, no one can beat the market through studying historical prices. There is a purpose for which the weak form derived its name; which is due to the fact that information on stock prices are easily available and the most popular. Hence, exploitation of the market cannot be done by making use of something everybody else knows. Although many financial experts try to derive gain by analysing exactly what this hypothesis propounds irrelevant-previous trend in security prices and data on trading volume. This technique is referred to as **technical analysis**. There is a quite consistent and quite strong practical proof relating to this classification of efficient market hypothesis and consequently in opposition to the value of technical analysis. Hardly can anyone derive profit based on information that has been made public such as previous trend in security prices after accounting for transaction costs

Semi-strong Form Efficiency

When current market prices fully incorporate all publicly available information, the market is said to be semi-strong efficient. This hypothesis goes beyond the weak form hypothesis in asserting that security prices reflect public information to establish that security prices also incorporate information given in companies' financial statements and information that are not financial in nature. Such information would include ratios of the company, income statements, statement of financial position, analysts publicised reports, macro-economic news (e.g. unemployment, inflation), research reports, financial position of competitors, announcements of dividends and profit, political news, etc.

The semi-strong hypothesis posits that no one can take advantage of the market by making use of information that everybody else knows. However, the assertion made by semi-strong market efficiency is more realistic than that of the weak form. This is a form of market efficiency and demands the presence of expert knowledgeable not only in financial economics but also experts in macroeconomics capable of comprehending consequences of market input and product processes.

Strong Form Efficiency

This is a form of market efficiency in which all available information (both private and public) is fully reflected in security prices. The proposition made by the strong form efficiency is that no one can gain profit even by making use of privately held information. In essence, trading by investors or management of the company on insider information to gain consistent excess return is not possible. However, the assertion on the strong form efficiency has not been a correct position. Every capital market as matter of rule does not allow insider trading is adequate evidence that insider information provides undue advantage to beat the market.

Empirical Review

Financial Reporting Quality and Share Value

Leuz and Verrecchia (2000) investigated enhanced disclosure quality on a company's bid-ask spread, volume of trade and stock return volatility of German companies. They studied firms that changed from the locally Generally Accepted Accounting Principles as used in Germany to Generally Accepted Accounting Principles in United States of America or International Accounting Standards. The authors asserted that local firms changed to disputably enhanced financial reporting environment with the intention of having a better disclosure have witnessed the low cost of capital and equal distribution of information between the management and the stakeholders. They also discovered that trading volume increases while the bid-ask spread reduces as companies change to internationally recognized reporting environment. By implication, upon the International Accounting Standards adoption whose purpose is to unify the accounting concepts globally, the volume of trade improves for these companies.

Easley and O'Hara (2004) showed that the accounting method adopted by a company for treating profit and its disclosure policy, quality of financial reporting, can have an effect on the environment in which the firm's information is reported (information risk) and subsequently, its specific volatility and the cost of capital. Francis Lafond, Olsson and Schipper (2005) and Aboody, Hughes and Liu (2004) adopted quality of accounting earnings as a replacement for information risk and reveals the quality of earnings is connected to the anticipated returns. However, none of the papers investigated time series or cross-sectional relation amongst peculiar volatility and the accounting information quality.

Shoorvarzy and Tuzandehjani (2011) conducted a study title A survey on the effect of management performance on financial reporting quality: Evidence from Iran. The study investigated the impact of the efficiency of management (as the internal factor) on the Quality of Financial Reporting (QFR). The anticipated operational cashflows was adopted for examining the financial reporting quality. 100 companies quoted on the stock exchange of Tehran between the period of 2001 to 2008 were taken into account. This experimental study relied on real information from audited financial statements. After information was obtained from the official website of stock exchange and compact disc, to test the hypothesis, inferential and descriptive statistical techniques (including normality, homogeneity of variance and independence of residual), regression model were adopted and conclusively the correlation analysis was conducted between the two variables. The outcome showed that management efficiency has substantial influence on a firms' financial reporting quality.

Ferrero (2014) investigated the outcomes of the quality of financial reporting on an organizations performance making use of three financial reporting quality proxies: (i) Earnings quality (ii) quality of accruals (iii) conservatism. She evaluated the impact of a good financial reporting quality on financial performance (FP) determined by the market to book ratio. To this end, the hypotheses proposed was examined on 1960 international non-financial listed companies from 25 countries which was an unbalanced sample, and Hong Kong special administrative region for 2002 to 2010 period. Simultaneous equations for panel data was adopted by her, using the GMM estimator as suggested by Arellano and Bond (1991) to emphasize the direct non-negative effect of the quality of financial reporting on financial performance. According to the various

measurements of the Quality of Financial Reporting (quality of accruals, quality of earnings and conservatism) the output obtained is robust, and for a collective measure of the former, three proxies of financial reporting quality. The testable evidence revealed that corruption level as perceived in the company's country of origin, IFRS adoption, the system of accounting as adopted in the country and the inducement of economic cycle moderates the association.

Jaballah, Yousfi, and Zarai (2014) examined the impact of the value of annual reports on decisions of a stakeholder in the financial market of Tunisia. They evaluated the value of the form and content of financial report and their impact on stakeholder's decisions, especially on stock prices. Between 2006 and 2010. 175 samples were adopted. The result obtained prove that the effect of the content is more than the effect of the form during the decision-making process. The outputs reveal that the quality of the form a report has impact on the stakeholders. These stakeholders that invest in the company consider that the companies that are involved in seasoned equity offering operate well. They also discovered that firms that perform well are of much more interest to these investors. Consequently, performance that is on a high side causes the rise of investors revise stock returns. Debt as a finance source is highly appreciated by investors, instead of being seen as a pointer to bad financial standing. Finally, more comprehensive information pertaining to transparency change in investors' beliefs and performance is gained. A major role is played by the content while making decisions. They established that investors are assisted by the reports' form to have more understanding of the company they want to invest in, but more attention is given to the content than to the form of financial report when making decisions relating to investment, that is the content quality of report encourages the investors into making decisions about where to invest their money. They proposed that laws should be enacted on financial reporting, giving importance to the content. Also, financial market participants need to be taught greatly on what to guide them into making investment decisions rightly.

Miko and Kamardin (2015) assessed the effect of corporate governance code in the pre (2009-2010) and post (2012-2013) periods. Sample of twenty firms from quoted Nigerian Consumer goods industry firms on the Nigeria Stock Exchange (NSE). The relationship between the quality of financial reporting and audit committee independence was found to be positive.

Wiralestari and Tanzil (2015) examined the impact of corporate governance towards financial reporting quality in non-financial issuers quoted in Indonesia Stock Exchange (ISE). Audit Committee was used as the proxy of corporate governance. The result produced a direct relationship between quality of financial reporting and independence of audit committee.

Eyenubo, Mohamed and Ali (2017) delved into the impact of audit committee on financial reporting quality in quoted companies on Nigeria Stock Exchange (NSE). Data sources were the firms' annual reports and accounts. Conceptual approach was adopted in the data analysis. The study found a direct association between the quality of financial reporting and audit committee independence.

Majiyebo, Okpanachi, Nyor and Yahaya (2018) assessed the effects of audit committee size on financial reporting quality of quoted Deposit Money Banks (DMB) in Nigeria. Panel data were obtained from a sample of fifteen (15) quoted Deposit money banks for a period between 2007 to 2016. Modified Jones (1991) model was used to measure the quality of financial reporting and the results showed that there is a negative association between the quality of financial reporting and the independence of audit committee.

Ishak, Amran and Abdul Manaf (2018) assessed whether corporate governance moderates the relationship between firm characteristics and quality of financial reporting. Earnings management was used as a measure of the quality of financial reporting. Sample firms were firms quoted on the Main Market of Bursa Malaysia ranging from 2012-2015 while Secondary data obtained from Thompson database were used. The result showed that there is a direct association between financial reporting quality and audit type.

3. Methodology

Research Design

The study used the ex-post facto research design and content analysis. The choice of design is based on the fact that dependent variable which is share value already exists. The research nature was longitudinal because it combined the samples of the time series dimension with the cross sectional dimension. Subjects were not randomly assigned, that is, they were grouped based on a particular characteristic or trait such as listed on Nigeria Stock Exchange. It entails the collection of the secondary data to study the phenomenon of interest because the event has occurred previously and the researcher is capable of collecting the data in retrospection. However, others have collected the data and it is available for researcher to mine and use.

Population, Sample Size and Sampling Techniques

The population of the study consisted of 176 non-financial firms listed on Nigeria Stock Exchange (2021). The companies were categorized into the area of production which includes; automobiles and tyres, building materials, breweries, chemical and paint, conglomerate construction, computer and office equipment,

food/beverages and tobacco, healthcare, industrial/domestic products, packaging, textile, printing and publishing, petroleum (marketing), footwear and accessories.

The sample size of 50 firms was purposively selected based on the availability of data. The sampling was done in such that each group represented the total population size from 2004 to 2021.

Sources of Data

The data for this study were collected basically from the secondary source. Specifically, the data were sourced from the Audited Annual Reports and Statement of Accounts of the selected firms. Also, sources such as websites of the sample firms were used to gather relevant information for the study and Bloomberg Terminal was very helpful in generating the required data.

Model Specification

The Ohlson Model was adapted as stated below:

$$\boldsymbol{MKTP = \alpha + \beta\, BVSH + \beta\, AEPS + \beta\, CEPS + \varepsilon}$$

While Ohlson Model made use of Book Value, Earnings Per Share and Changes in Earnings Per Share as independent variables. This study has extended the independent variables to capture both fundamental variables and Corporate Governance Variables.

$$LSV_{it} = \beta_0 + \beta_1 CAR_{it} + \beta_2 BAR_{it} + \beta_3 LTIME_{it} + \beta_4 ROA_{it} + \beta_5 BV_{it} + \beta_6 AUDTYP_{it} + \beta_7 AUDCIND_{it} + \beta_8 AUDCSIZE_{it} + \beta_9 BS_{it} + \beta_{10} BOARDIND_{it} + \mu_{it} \quad (1)$$

Appriori expectation: $\beta_1 - \beta_{10} > 0$

4. Results and Discussion of Findings.

Descriptive Statistics Analysis

Descriptive Statistics provided information about sample statistics. Mean, Medium, Maximum and Minimum and the distribution of the sample measured by the skewness, Kurtosis, and Jarque-Bera statistics for 50 companies. The mean being a measure of central tendency was used to determine the average of the data for each variable. The maximum and the minimum values helped in determining the peak and the least figures for the variables while the standard deviation is used to measure the degree of dispersion from the centre of the variables.

The value of 0.038 for the skewness of LSV suggested that the variable is symmetric while the value of 2.391 for the kurtosis of LSV shows that the distribution is not normally distributed. Also, Jarque-Bera statistics shows that LSV is normally distributed (JB = 1.504; prob = 0.471). As for CAR, all three results indicated that skewness (-4.472), kurtosis (43.506) and Jarque-Bera (JB = 6883.12; prob = 0.000) the distribution of CAR is not normally distributed.

As presented in Table 1, the dependent variable Share value that is logged (LSV) has a minimum value of 6.160018 and a maximum of 12.12661 having a mean value 8.814000.

Cashflow Accrual Ratio (CAR) has a minimum value of -19.94349 and a maximum of 8.744288 having a mean value of 0.000139. It is important to know that CAR is interpreted in an inverse form i.e. the lower the ratio, the higher the quality of financial reporting. It is important to note that balance sheet accrual ratio (BAR) is another method of measuring financial reporting quality considered as stated in the model for achieving the objective. BAR has an average mean of 0.464738 and a maximum value of 16.04834 with a minimum value of -3.95986.

Return of Asset (ROA) has a mean of 13.09% with maximum value of 74.10% and a minimum value of -13.08%. It could be inferred from this information that average non-financial firms in Nigeria is generating return on assets of 13.09%.

It could be inferred from the information in Table 1 about time (LTIME) which shows average of 4.397425, minimum of 4.029806, and maximum of 4.882802. Book value (BV) showed a minimum of 34.80597, maximum of 25145.14 and an average of 6597.207 in absolute value.

Audit type (AUDTYP) is a binary variable where 1is allocated when the firm is audited by big four while 2 is allocated when the firm is audited by firms other than big four. The mean of 1.135417 showed that the majority of the firms use big four as the auditor of their financial statement.

Audit committee size (AUDCSIZE) is in accordance with the provision of corporate governance code of best practice that stipulates that the maximum number of audit committee should not be more than six. According to Table 1, the highest number of audit committee size is 7 and the average of 5.530350 means that audit committee size revolves around 6. Also, audit committee independence (AUDCSIZE) with average of 0.512701 means that majority of the committee are representative of the shareholders.

According to corporate governance code of best practice, it stipulates that the maximum number that makes up the board should not be more than 15 and not lower than 5. According to Table 1, the maximum value of board size (BS) is 15 and the minimum is 5 which means that the non-financial firms in Nigeria strictly abides

by the code of corporate governance. Board independence (BOARDIND) with average value of 0.451978 means that 45.20% of the board is represented by the independent non-executive directors.

Table 1 Descriptive Statistics

	LSV	CAR	BAR	LTIME	ROA	BV	AUDTYP	AUDCIND	AUDCSIZE	BS	BOARDIND
Mean	8.814000	0.000139	0.464738	4.397425	0.130897	6597.204	1.135417	0.512701	5.530350	9.411458	0.451978
Median	8.794722	0.027842	0.100507	4.341096	0.104903	5081.170	1.000000	0.500000	5.828125	9.500000	0.461760
Maximum	12.12661	8.744288	16.04834	4.882802	0.741044	25145.14	2.000000	1.000000	7.000000	15.00000	0.900000
Minimum	6.160018	-19.94349	-3.95986	4.029806	-0.13076	34.80597	1.000000	0.000000	0.000000	5.000000	0.000000
Std. Dev.	1.334895	2.536841	2.153029	0.161356	0.147126	5750.505	0.343964	0.172181	0.761449	2.365314	0.231527
Skewness	0.037814	-4.47240	5.073459	1.058916	2.097996	1.081833	2.131019	-0.69558	-4.06930	-0.10525	0.120922
Kurtosis	2.391292	43.50644	33.95047	3.991538	8.507015	3.876374	5.541242	5.279420	30.04904	2.374156	1.653909
Jarque-Bera	1.504982	6883.124	4243.566	21.87343	191.7342	21.79792	98.49151	28.52423	3191.548	1.743978	7.481794
Probability	0.471191	0.000000	0.000000	0.000018	0.000000	0.000018	0.000000	0.000001	0.000000	0.418119	0.023733
Sum	846.1440	0.013321	44.61488	422.1528	12.56615	633331.6	109.0000	49.21931	530.9136	903.5000	43.38991
Sum Sq. Dev.	169.2847	611.3783	440.3756	2.473405	2.056364	3.14E+09	11.23958	2.816389	55.08143	531.4974	5.092433

Source: Secondary Data, 2021

Multicollinearity Test

A basic assumption of the ordinary least square (OLS) method of estimation is that the explanatory variables must be independent of each other. Before proceeding to multiple regression technique, a multicollinearity test was conducted on the explanatory variables of the equation model. This is to ensure that none of the variables were collinear and to a large extent, to understand the relationship of one variable to the others. The pairwise correlation method was employed and the results were presented in Table 2 with a commonly used rule of thumb that a correlation coefficient greater than 0.8 in absolute value indicates a strong linear association and potentially harmful collinear relationship.

The data in the Table 2 showed the results of all possible bivariate combinations of the variables, namely LSV, CAR, BAR, LTIME, ROA, BV, AUDTYP, AUDCIND, AUDCSIZE, BS, and BOARDIND.

The results showed that all variables had correlation coefficients that were very low, less than 0.8 both positive and negative. This showed that the factors determining financial reporting quality were independent of one another. This is therefore implied that all the 11 variables can be included in the regression analysis as independent variables using OLS method of estimation without obtaining spurious results.

Table 2 Correlation Table

	LSV	CAR	BAR	LTIME	ROA	BV	AUDTYP	AUDCIND	AUDCSIZE	BS	BOARDIND
LSV	1.0000										
CAR	-0.0551	1.0000									
BAR	0.1628	-0.0014	1.0000								
LTIME	-0.4086	0.0112	-0.0635	1.0000							
ROA	0.1346	-0.1758	0.1943	0.0382	1.0000						
BV	0.5108	0.0113	-0.1758	-0.2505	-0.2473	1.0000					
AUDTYP	0.0414	0.0127	-0.0529	-0.1149	-0.1408	0.0930	1.0000				
AUDCIND	0.1956	0.0127	0.0638	-0.0833	0.2681	0.0020	0.0742	1.0000			
AUDCSIZE	-0.0791	-0.0079	-0.0019	0.0309	0.2639	-0.2316	-0.1969	0.2507	1.0000		
BS	0.2622	0.0592	-0.1137	-0.2630	-0.4698	0.4334	-0.2503	-0.3808	-0.0740	1.0000	
BOARDIND	-0.5119	-0.0325	-0.0117	0.5486	0.2715	-0.5545	-0.1382	0.1812	0.3876	-0.5369	1.0000

Source: Secondary data, 2021

Variance Inflation Factor Test

In addition to pair wise correlation which is generally regarded as a rule of thumb that there is absence of multicollinearity if the correlation among independent variables is low. In Table 3 the highest correlation is 0.5486 which led to the conclusion that there is no multicollinearity issue. The Variance Inflation Factor was also tested to confirm the presence or otherwise of multicollinearity. Table 3 showed the result of the analyses. It is shown that none of the independent variables has Variance inflation factors greater than 10 or tolerance value less than 10%. Therefore, it can be inferred that there is no multicollinearity and the result of the regression is not spurious.

Table 3: Variance Inflation Factor.

	Collinearity Statistics	
	Tolerance	VIF
CAR	.990	1.010
BAR	.995	1.005
LTIME	.889	1.124
ROA	.968	1.033
BV	.966	1.035
AUDTYP	.742	1.347
AUDCIND	.786	1.272
AUDCSIZE	.722	1.385
BS	.677	1.476
BOARDIND	.668	1.497

Source: Author's Computation (2021)

Panel Unit Root Test

The variables used in the regression were subjected to unit root test using ADF-Fischer Chi-Square and PP-Fisher Chi Square test. This was to reinforce and ensure robustness in the reliability of the results. Unit root tests were carried out to determine whether the data series for all the variables (CAR, BAR, LTIME, ROA, BV, AUDCIND, AUDCSIZE, BS, BIARDIND) were stationary or non-stationary. The unit root test therefore helped to ensure that the estimate of the parameters obtained from regression models, using ordinary least square are reliable, efficient and consistent.

The tested null hypothesis for the unit root test was the presence of a unit root and the result of the test for financial reporting quality was presented in the Table 4. The data in the Table 4 showed that all the independent variables that determine Share values were stationary at level.

Table 4.12 Panel Unit Root Test

Variables	ADF- Fisher Chi Square		PP- Fisher Chi Square		Order of Integration
	Statistics	Probability	Statistics	Probability	
CAR	109.272	0.0000	130.504	0.0000	I (0)
BAR	159.594	0.0000	177.045	0.0000	I (0)
LTIME	77.0856	0.0000	78.9171	0.0000	I (0)
ROA	52.4121	0.0129	47.4499	0.0386	I (0)
BV	110.487	0.0000	119.864	0.0000	I (0)
AUDCIND	89.3663	0.0000	93.1825	0.0000	I (0)
AUDCSIZE	79.5590	0.0000	64.4561	0.0000	I (0)
BS	50.8010	0.0186	46.6469	0.0456	I (0)
BOARDIND	81.3680	0.0000	55.7806	0.0057	I (0)

Source: Author's Computation (2021)

Regression Analyses

The results of the regression analysis of the impact of financial reporting quality on the share values of quoted non-financial firms using pooled, fixed and random effect panel methods were as presented in Table 5. The Hausman (1978) test in Table 6 showed that fixed effect had a better result based on the result in Table 6 which showed that the null-hypothesis that fixed effect is the most appropriate model was not rejected (Chi-sq. = 18.526984; Prob. = 0.0467) hence, concluded that the fixed effect was the more appropriate model.

As presented in Table 5, the included independent variables were seen to explain variations in Share values to the tune of 76% as shown in the adjusted R^2 of the fixed method. Beside this, the Dubin-Watson with the value of 1.536870 implies that there is no presence of serial correlation. However, absence or presence of Durbin Watson will not have affected the result of the regression. Also, the f-statistics with its probability (f-stat = 8.989; prob = 0.000) show that all included variables jointly and significantly explain variations in share value at 1% significance level.

Results in Table 5 showed that 3 factors impacting the share value i.e. CAR, LTIME, and AUDCSIZE had negative relationship with Share Value (LSV) as depicted by the sign of coefficient in regression analysis. This means the higher the Timeliness, Cashflow Accrual Ratio and Audit Committee size, the lower the Share Value. It means that all the coefficient of the variables with negative sign would turn positive. Other variables like BAR, ROA, BV, AUDTYP, AUDCIND, and BS reflect positive relationship with the dependent variable which means the higher the above mentioned variables, the higher would be the Share Value.

In Table 5, CAR has a negative insignificant effect on Share Value of non-financial firms in Nigeria. This shows that one unit increase in CAR of financial firms will lead to 0.001 decrease in Share Value. This means there is an inverse relationship between financial reporting quality and the equity value of firms if financial reporting quality is measured using cashflow accrual ratio.

The number of days between accounting year end and the date the financial statement is authorized for issue could affect the rate at which the market is adjusting to the information to be obtained on financial statement. Delay in issue of financial statements is very common among listed firms in Nigeria, this is mainly caused by the outdated provision of Companies and Allied Matters Acts (CAMA) that prescribes punishment of meagre two thousand naira daily for late of issuance of financial statements. The result showed that LTIME has a negative insignificant effect on Share Value of non-financial firms in Nigeria. This shows that a- day delay will lead to a decrease of 0.3037 in share value. This shows that the higher the number of days the financial statement issuance is delayed has a negative impact on the value of the firm. This is in line with the conceptual framework that prescribes timeliness as one of the qualities of a financial statement. The earlier the financial statement is released, the better the value impact. This result was contradictory to the findings of Anne and Stephen (1984), Hussein and Khaled (2010), Akadakpo and Mgbame (2018).

The size of the audit committee and members' relevant skills are good at achieving and maintaining high financial reporting quality which may not translate into value. It must be noted that having high financial reporting quality does not tantamount to having higher profit which drives market value. A financial statement could show loss with high financial reporting quality. The result showed that AUDCSIZE has a negative insignificant effect on Share Value of non-financial firms in Nigeria. The result indicated that a unit increase in audit committee size value will lead to a decrease of 0.0858 in share value. This showed a negative relationship between the AUDCSIZE and the Share Value. This implies that the larger the size of the audit committee could reduce the value of the firm. This result is in line with Gulzar and Wang (2011), Abu-Risheh and Al-Sa'eed (2012), Alfraith and Almutawa (2014), Miko and Kamardin (2015), and Eyenubo, Mohamed and Ali (2017) but inconsistent with Wiralestari & Tanzil (2015) and Majiyebo, Okpanachi, Nyor and Yahaya (2018).

An alternative way of measuring financial reporting quality is through the balance sheet accrual ratio. The confidence the investors reposed on the financial statement is based on its ability to generate value when it is analyzed and its ability to produce fundamental variables that could be used to forecast the intrinsic value of a firm. The result showed that BAR has a positive insignificant effect on Share Value of non-financial firms in Nigeria. The result showed that a unit increase in Balance Sheet Accrual ratio will lead to increase in share value. This shows that the higher the BAR of financial firms in Nigeria, the higher the Share Value. It could be inferred that the firms with higher financial reporting quality have higher market value. Therefore, the fundamental variables of firms with higher financial reporting quality is a good starting point when estimating the intrinsic value of the firm. Therefore, financial reporting quality significantly affects firms' values.

Return on Asset (ROA) is one of the variables that investors consider when making decision, it is directly related with growth based on Gordon growth model which is positively related with the market value. In absolute value, the return required by the providers of capital is compared known as cost of capital is compared with the return on assets. When the return on asset is greater than the cost of capital, the firm is generating value for the investor. ROA has a positive significant effect on Share Value of non-financial firms in Nigeria. The result indicates that a unit increase in Return on Asset will lead to an increase of 0.0777 in share value. This shows that the higher the ROA of financial firms in Nigeria the higher the Share Value. This implies that firms with higher return are attractive to investors and forces of demand will definitely drive the market values. This is consistent with previous studies as established by Maswadeh (2016) and Rosikah, Prananingrum, Muthalib, Azis, Rohansyah (2018) but inconsistent with Joanna (2018).

The worst value of a firm is the current value of its asset when it is disposed. However, it is expected that the market value of a firm should incorporate both the book value of the firm and the earnings potential of the asset. This often makes the market value of firms greater than the book values. Therefore, book value is one of the determinants of market value. The result showed that BV has a positive significant effect on Share Value of non-financial firms in Nigeria. This indicated that a naira increase in Book Value will lead to increase of 0.0000522 increase in share value. This means that the higher the BV of non-financial firms in Nigeria, the higher the Share Value. It implied that the book value drives or determines what value that will be ascribed to a firm. This is in line with Maswadeh (2016) but opposed Makrani and Abdi (2014).

The type of auditor is coded as dummy variable, big four auditor is coded with one while non big four is coded with zero. Despite the fact that there is no regulation stating established and multinational audit firm must be used. They are commonly used as the auditor. The result shows that AUDTYP has a positive insignificant effect on Share Value of non-financial firms in Nigeria. The result indicates that firms that engage Big 4 firms as auditors will approximately have 4% higher share value than the contemporaries that engage non-big 4 firms as auditors. This means that the non-financial firms in Nigeria which makes use of big four as audit firm has higher market value than the firms using non big four as their auditors. This implies that the more reliable the

information is considered as being credible as certified by auditors, the higher the value of the firm. This is in support of the previous studies by Pincus, Rubarsky and Wong (1989), Sundgren and Wells (1998) Klai and Omri (2011), Ghasem, Saeid and Motavassel (2013), Abdul Wahab, Gist and Abdul Majid (2014) and Ishak, Amran and Abdul Manaf (2018).

The bottom approach method allows analysts while estimating what should be the true value of a share to consider the independence of committee set up to look into financial reporting quality of firms. When the committee is independent as prescribed by the code of corporate governance, it implies that the information available is reliable and this will have effect on share values. The result shows that AUDCIND has a positive significant effect on Share Value of non-financial firms in Nigeria. The result shows that a unit increase in audit committee independence will lead to increase of 0.5784 in share value. This shows that the higher the AUDCIND of non-financial firms in Nigeria, the higher the Share Value. This is the same conclusion of Abbot (2002); Klein (2002); Bedard et al (2004) and Persons (2005), Miko and Kamardin (2015), Wiralestari and Tanzil (2015), Eyenubo, Mohamed and Ali (2017), Echobu, Okika and Mailafia (2017) and Bako (2018) but opposed the conclusion reached by Waweru and Riro (2013) and Majiyebo, Okpanachi, Nyor and Yahaya (2018).

The function of the board is to make strategic decision that will position the firm as a market leader with huge market share. The diversity of the board which comes with size will bring enough experience and different relevant skill to achieve better performance. The better performance will increase the market value. The result of the study is consistent with this.BS has a positive significant effect on Share Value of non-financial firms in Nigeria. This shows that a unit increase in Board size will lead to an increase of 0.2259 in share value. This shows that the higher the BS of financial firms in Nigeria, the higher the Share Value. This means as different opinions are entertained from different backgrounds of members of the board, the reaction of price to this is positive. The results confirm the earlier research conducted by Haniffa and Cooke (2002), Klai and Omri (2011), Echobu, Okika and Mailafia (2017), Zulfiati and Fadhillah (2018) and Uwalomwa, Eluyela, Uwuigbe, Obarakpo and Falola (2018) but inconsistent with the research conducted by Waweru and Riro (2013), Miko and Kamardin (2015) and Bako (2018)

Table 5: Results of the Effect of Financial Reporting Quality on Share Value

CAR Variable	Fixed Effect Model	Random Effect Model	Pool OLS
C	7.3316939 (1.890406) (0.0628)	8.967528 (2.577287) (0.0117)	10.03708 (2.646437) (0.0097)
CAR	-0.001199 (-0.036708) (0.9708)	-0.007025 (-0.217866) (0.8281)	-0.015025 (-0.373579) (0.7096)
BAR	0.012752 (0.313521) (0.7548)	0.044921 (1.129780) (0.2617)	0.103546 (2.126602) (0.0364)
LTIME	-0.303662 (-0.368124) (0.7139)	-0.611760 (-0.818202) (0.4155)	-0.801669 (-1.020182) (0.3105)
ROA	0.077669 (0.064996) (0.9484)	2.140656 (2.365327) (0.0203)	2.724651 (3.157499) (0.0022)
BV	5.22E-05 (2.138452) (0.0360)	6.03E-05 (2.728887) (0.0077)	8.14E-05 (3.598441) (0.0005)

AUDTYP	0.039329 (0.046276) (0.9632)	0.257938 (0.574554) (0.5671)	0.168274 (0.496315) (0.6210)
AUDCIND	0.578400 (0.734013) (0.4654)	1.565282 (2.406880) (0.0183)	1.668735 (2.428963) (0.0172)
AUDCSIZE	-0.085811 (-0.605428) (0.5469)	-0.083396 (-0.614915) (0.5403)	0.002692 (0.016906) (0.9866)
BS	0.225864 (3.379237) (0.0012)	0.173736 (2.811354) (0.0061)	0.108100 (1.554501) (0.1238)
BOARDIND	1.028821 (0.890414) (0.3763)	-0.954637 (-1.180248) (0.2412)	-1.589108 (-2.166917) (0.0330)
R^2	0.762494	0.315207	0.522876
Adjusted R^2	0.677670	0.234643	0.466744
F. Statistics	8.989161	3.912511	9.315087
Pro(F statistics)	0.000000	0.000213	0.000000
Dubin-Watson	1.536870	1.143930	0.843192

Source: Author's Computation (2021)

Table 6: Hausman Test

Correlated Random Effects - Hausman Test
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	18.526984	10	0.0467

Source: Author's Computation (2021)

Discussion of Findings

This study examined the factors influencing financial reporting quality among the quoted non-financial firms in Nigeria. Using the ordinary least square regression involving pooled, fixed and random effect, it was discovered that Return on Asset (ROA), Audit type (AUDTYP), Audit committee independence (AUDCIND), Audit Committee size (AUDCSIZE), Age- the years since the firm has been listed on Nigeria Stock Exchange market (AGE), growth (GROWTH), Tangibility (TAN) and liquidity (LIQ) had a negative relationship with financial reporting quality. Out of which only Return on Asset (ROA) and Age (AGE) were significant at 5% and 10% level of significance respectively, which is in line with the work of Karim, Islam and Chowdury (1998), Ali, Hwang and Trombley (2004) and Akhtaruddin (2005). The result is in contrast with Chalaki, Didar and Riahnezhad (2012).

The result of the study suggests that the Return on Asset is a significant factor that will enhance the financial reporting quality among quoted non-financial firms in Nigeria. Also, the study found that an increase in Board Size (BS), Board independence (BOARDIND), Firm Size (FS), Dividend (DIV) and Time will lead to increase in the Cash Accrual Ratio (CAR). It means that the higher the cash accrual ratio, the lower the quality of financial reporting quality among quoted non-financial firms in Nigeria. The findings of this study is in conformity with Nelson and George (2013), Kusnadi, Leong, Suwardy and Wang (2016) and Onuorah and Imene (2016). The study is in contrast with results of Frankel, Johnson and Nelson (2002), Sundgren and Wells

(1998) and Bassium, Soliman and Ragab (2016).

The result of the study of the effect of financial reporting quality on share value. The result confirms that financial reporting quality variables and other controlling variables (CAR, BAR , LTIME, ROA, BV, AUDCIND, AUDCSIZE, BS, BIARDIND) jointly have significant impact on the value of the firm as evidenced in the Adjusted R square of 76% from regression result. This result is in conformity which corroborates the findings provided in Alumumani (2014), Sharma (2011) and Balakrishnan (1984).

5. Conclusion and Recommendation

The result of the study concluded that financial reporting quality determines the value of shares to be placed on equity security of quoted non-financial firms in Nigeria. As a result of the findings from this study and conclusions reached, the following recommendations were made:

The management of quoted non-financial firms whose responsibility is to prepare the financial statements of the firms should ensure that financial reporting quality of the financial statement is of utmost importance because lack of it can cause decrease in market capitalization.

Investors and potential investors should be very observant while analyzing the financial statements of firms. They should analyze financial statement in the context of financial reporting quality which affects values of their investments.

The stiffer penalties should be imposed on any firm that releases the financial statements late by both the Security and Exchange Commission and Nigeria Stock Exchange.

Financial Reporting Council of Nigeria (FRCN) should elongate their effort in enforcing compliance of firms with International Financial Reporting Standards (IFRS) as recommended by the standards in their disclosure requirements.

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