



BOARD ATTRIBUTES AND TIMELINESS OF FINANCIAL STATEMENT OF DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

The study investigated the board attributes and timeliness of financial reporting of deposit money banks in Nigerian Stock Market. The study adopted the ex-post facto design, the variables of board attributes was operationalized using – board independence and board size which formed the independent variable was extracted from the financial reports and NSE fact book of the published seven quoted companies for the period of 2012 to 2022. Our study found that Board independence and Board size has a positive relationship and statistically insignificant. The timeliness of financial reporting is the most difficult to calculate; companies do not submit their published financial reports to the Nigerian Stock Exchange for Filing. The size of the board can influence the timely release of financial reports; it is believed that a smaller board can increase the timely release and the quality of the financial statement than the larger board. Furthermore, a larger board size increases the running cost and dormant directors that may likely be non-participating at the management level. Therefore, the proceeding recommended that the board size of deposit money banks should not be large for effective communication and oversight function. The researcher uses the Nigerian Stock Exchange factbook to extract the number of days the financial reports were submitted to the regulatory agency.

Keywords:

Board Independence, Board Size, Timeliness of Financial Reporting.

Introduction

In the ever-evolving landscape of corporate and financial transparency, the effect of company's board of direction stands as a beacon of integrity and accountability. The attributes of a board are the bedrock upon which an organization's trustworthiness is built, and one crucial dimension of this trust is the timely and accurate dissemination of financial information. Timeliness in financial reporting is not merely a regulatory obligation; it is a vital element that defines the effectiveness and credibility of a board's stewardship (Ambaiowei et al., 2024). In this era of information acceleration, where markets move at lightning speed, the ability of the board to ensure the punctual release of financial data is fundamental, influencing not only the present performance

but also the future prospects of an enterprise. In this exploration, we delve into the intertwined concepts of board attributes and the timeliness of financial reporting, unveiling their profound implications for business success and stakeholder confidence.

One important factor that determines the financial reporting quality and adds to its relevance is the timeliness of the information reported in financial reports (Ashraf et al., 2020). One of the keystones of a robust and transparent financial system is timely financial reporting (Baasuony et al., 2016). Being timely implies providing accounting data to different over it. This is due to the fact that information that is unavailable when needed will become irrelevant. The promptness of annual reports from audited organizations is thought to have a significant impact on how helpful the information is for making decisions (Al-Ghanem & Hegazy, 2011; Fagbemi & Uadiale, 2011; Khashararmeh & Aljifri 2010). According to Ahmed 2018, timely financial reporting is a crucial qualitative feature that necessitates making financial data accessible to consumers as soon as feasible in order to increase its impact and relevance.

The issue of timeliness has various aspects. There is an inverse relationship between the quality of financial information and its timeliness (Kenley & Staubus, 1974). According to Accounting Principles Board (1970), timeliness as one of the qualitative objectives of financial reporting disclosure. The US Securities and Exchange Commission also recognizes the importance of timeliness and requires that listed companies file their 10-K reports by a certain deadline. Not much has been done in the extant literature on the determinant of the timeliness of corporate reports in Nigeria. In a similar fashion, there are scanty studies that have focused on the corporate reports of financial institutions in Nigeria. This is relevant considering that the companies in this sector are high performers. In 2006, bank shares were ranked as the most active. Furthermore, in 2007, 19 out of 20 most traded stocks were from the banking and insurance sectors (Okereke-Onyuike, 2006,2007) in 2008 and 2009 the shares of banking and insurance companies constituted about 95% and 90% of the most active shares traded on the Nigerian Stock Exchange NSE (Okereke-Onyuike 2008, 2009). Thereafter, the trend has remained the same. Despite these fantastic indices, disturbing trends persists with regard to the time taken to release the financial reports. The fastest reporting company in this sector uses an average of 122 days while some take as long as 304 days and these lags are way beyond the 90 days stipulation by SEC (Efobi & Okougbo, 2015). Some studies have attempted to investigate the factors responsible for the delay of the corporate financial report in Nigeria. This study focuses on board attributes and timeliness of financial reporting.

This study explored the attributes of the board and how they affect the timeliness of financial reporting. Flowing from the above, the following questions became sacrosanct. To what extent does board independence influence the timeliness of financial reports? To what extent does board size influence the timeliness of financial reports? The broad objective of the study is to investigate the relationship between board attributes and the timeliness of financial statements.

Hypotheses

Ho₁: There is no significant relationship between board independence and timeliness of financial statements in Nigeria.

Ho₂: There is no significant relationship between board size and timeliness of financial statements in Nigeria.

Review of Literature

Board Attributes

Mohammed and Dauda (2019) posited that the organizational composition of boards should consist of directors with skills and experience. The board of directors should be formed with not less than five and should be constituted with non-executive with an independent director. The board is the apex control system that is responsible for the running and oversight function of the firms and providing transparent and accountability reports for the shareholders and interested investors.

Most of the corporate disasters that affected the developed and developing countries like Nigeria have been attributed to the composition of the Board and have been regarded as an integral part of governance; hence the clarion call for strong compliance can impact the governance of the board. The board of directors needs to understand the complexity of shareholder expectations and the ability to interpret the need of the stakeholders.

Timeliness of Financial Statement

Timeliness of financial reports is one of the qualitative characteristics of financial reporting because it determines the relevance of the information and influences the decisions made by the users of financial reports. Information from the financial reports is required to be made available within a short period of time; otherwise, it loses some of its economic value (Al- Ajiri, 2008). Mc Gee (2007) defined the timeliness of financial reporting as the period between the company's yearend and the date that the financial report was released for public view. Karim, Ahmed and Islam (2006) remarked that the timeliness of financial reports includes audit delay, which is the number of days between the balance sheet date and the date the external auditor's report was signed; financial statements delay, which is the number of days between the balance sheet date and the date of declaring the notice of Annual General Meeting (AGM.); and the AGM delay is the number of days between the date of financial year-end and AGM.

Theoretical Review

Stewardship Theory

The steward protects and ensures the maximization of shareholders' wealth; the stewards are the organization's top-level management working for the interest of shareholders in profit maximization through their performance. In Stewardship theory, the goal and objectives of the boards of directors and managers aligned to spur in the best interest of the firm and to have an insight on immaterial remuneration, the theory gives room for personal development and increases organizational performance. Donaldson and Davis (1991) viewed Stewardship Theory as directors and managers as stewards of an organization. Stewards are seen as trustworthy individuals and they must give an account on the resources entrusted to manage.

In the work of Kota and Charumathi (2018) and Hernandez (2012), posited that stewardship is the way an individual keenly work against his interests and act in the best interest of other's long-

term welfare. The theory stipulated that there is no conflict of interest and the problem arising from the executive control among the agents (managers) and principal (owners). Despite the absence of motivation between the managers and the owner, both parties work closely on the board responsibility in emergent strategy and taking risks on the way the agents (managers) will run the affairs of their business and improve the return on investment (ROI), this increases the trustworthiness that is absent in agency theory.

Empirical Review

Ambaiowei, Egbe and Offurum (2024), the study examine the effect of corporate governance and financial reporting quality of banks in Nigeria using data from the Nigeria stock Exchange for the period 2012 to 2022. The study used ex-post facto and cross sectional research design was adopted on panel data. Board independence, board size and audit committee independence were used as proxies for corporate governance. The results reveal that board size has a negative impact on timeliness of financial reporting quality.

Eze & Nkak (2020) investigated corporate governance attributes and timeliness of audited reports of quoted companies in Nigeria covering the 2018 calendar year. The data were gathered from the published financial statements. Descriptive statistics and STATA models were used in analyzing the data and the result found that board independent non-executive had a positive and significant impact on the timeliness of audited reports. Also, the Board size and Non-executive director had a negative relationship with ARL. However, their study recommended that firms should enhance their proficiency in the timely release of financial statements. Although, Dabor & Mohammed (2015) explored the corporate governance variables on audit delay in the bank in Nigeria. The data were extracted from the financial statement of the banks and the ordinary least square technique was used to analyze the data. From the analytical output, the result showed that board size had a negative relationship with audit delay, while firm age and profitability had a positive relationship with audit delay. Their study recommended that regulatory agencies should enact stiffer law to minimize institution ownership. Similarly, Iyoha (2012) investigated the extent companies attribute impact on the timeliness of financial reports in Nigeria covering 1999-2008. The data collected were analyzed using the Ordinary Least Square (OLS) Regression and the panel data estimation technique. The result obtained showed that the age of the company is a major factor that influences the timeliness of financial reports. His study recommended that the law regulating the timely releases of information is in existence and strict compliance.

Olabayo, Bakare & Jumai (2018) investigated the impact of board characteristics on the timeliness of financial reporting of listed insurance companies in Nigeria using correlational research design. The data for their study was extracted from the annual reports of fifteen (15) listed insurance covering 2011-2016 and analyzed using the GLS multiple regression techniques. From the analytical output, board size has a positive and statistically significant impact on the timeliness of financial reporting. They recommended that the board should have a large number of directors has it will reduce the delay in the publishing of financial reports. Similarly, Efobi & Okougbo (2014) explored the determinant that influences the timeliness of financial reporting of thirty-three (33) financial institutions covering (2005-2008). The data gathered were analyzed

using the Generalized Least Square (GLS) regression. Their result revealed that firm size, leverage, and corporate performance had a negative and significant influence on the timeliness of financial reporting, while, age of the company had a positive and significant influence. They suggested that corporate governance plays an important role in harmonizing with corporate governance variables in explaining the timeliness of financial reporting.

In the work of Odit (2015) investigated the effect of corporate governance on the timeliness of financial reporting of all firms listed on the floor of Nairobi Securities Market covering 2009-2014. The data was gathered from the published financial statement of firms and the Descriptive Statistics, ANOVA, and Correlation Matrix were used to analyze the data. The study found that board size had a negative relationship with the timeliness of the audited report while the audit committee and board diversity improves the timeliness of financial reporting. He recommended that the managers and policy formulators should ensure that the audited financial statement should be published on time for investor's decision making. On their part, Ilaboya & Iyafekhe (2014) explored the attributes of corporate governance and audit report lag of manufacturing firms listed on the floor of the NSE within the timeframe of (2007-2011). The data were obtained from the financial statements and analyzed using the descriptive statistics, correlation analysis, and Ordinary Least Square (OLS) regression. The result found that audit committee size and Audit firm type had a positive and significant impact on ARL, while board size and firm size had a negative and statistically significant effect on ARL. Board independence had a negative relationship and statistically insignificant on ARL. The study suggested that the government should formulate strict policies and regulations on audit report lag.

In the same line, Suleiman, Jamilu, & Jamilu (2020) explored the board attributes and financial reporting quality of thirteen listed consumer goods companies in Nigeria covering 2013-2018. Their study adopted the Ex-post facto design and data were gathered from the published financial reports and analyzed using the Ordinary Least square (OLS) Model Regression. The study found that board expertise was positively significant to financial reporting quality, while board independence and board diversity was negative and insignificant associated to the financial reporting quality. Firm size has a positive relationship with financial reporting quality. Their study recommended that board consisted of non-executive directors should knowledgeable of the basic accounting principles, chartered professional with years of experience in other to curb the manipulations by management in the organization.

As a result from the reviewed empirical literatures, most of the scholars focused on the financial sectors of Nigeria (Efobi & Okougbo 2014; Dabor & Mohammed, 2015; Olabayo, Bakare & Jumai, 2018). We have additionally stretched the study by analyzing the board's attributes of industrial firms to exact the delay in the timely release of their published financial report. Therefore, this study examined the effect of board attributes on the timeliness of financial statements of quoted industrial firms in Nigeria. The study developed the hypothesis premise between Board Attributes and Timeliness of financial statements.

Methodology

The study used ex-post facto design. The data was obtained from the financial report of deposit money banks in Nigeria. The study population encompasses ten (10) deposit money banks quoted

on the Nigerian Stock Market covering (2012-2022). The study explored the Descriptive Statistics, Correlation Analysis, and Ordinary Least Square (OLS) regression to analyze the data.

Table 1: Population of the Study

s/n	Company
1	Access Bank
2	Fidelity Bank
3	First Bank of Nigeria
4	Guaranty Trust Bank
5	Stanbic IBTC
6	Union Bank
7	Unity Bank
8	United Bank For African
9	Wema Bank
10	Zenith Bank

Source: *Researcher's Computation, 2024*

Empirical Model Specification

$$\text{AUDLAG} = C(1) + C(2)*\text{BIND} + C(3)*\text{BMEET} + C(4)*\text{BSIZE} + C(5)*\text{BOWNERSHIP} + C(6)*\text{FIRM SIZE}$$

Where;

AUDLAG= Audit Report Lag

BIND= Board Independence

BMEET= Board Meeting

BSIZE= Board Size

BOWNERSHIP= Board Ownership

$$\text{AUDLAG} = -16.3146714298 + 0.571595486193*\text{BIND} - 2.94210781928*\text{BMEET} + 3.11914666335*\text{BSIZE} + 0.544565261122*\text{BOWNERSHIP} + 1.37191221349*\text{FIRM SIZE}$$

3.2 Measurement of Variables

Dependent Variable

Audit Report lag= It is measured by the number of days the company submit its report to the Nigerian Stock Market

Independent Variables

Board Size= it is the total numbers of all directors

Board Independence= it is the percentage of non-executive directors on the board

Results and Discussion of Findings

Table 2: Descriptive Statistics

Variables	Mean	Min.	Max.	Std. Dev
Audlag	56.47815	0.00000	163.0000	45.42514
Bind	71.51843	28.59107	96.48270	12.07998
Bsize	8.613700	6.000000	20.00000	3.790540
Log of Tot Asset	6.921492	5.401100	8.761700	0.984995

Source: Authors Computation, 2020

From table 2, Audit Report Lag (Audlag) had a mean value of 56.47815, with minimum and maximum values of 0 and 163 days. The result implies that the audited report lag of companies explored stood at an average of 56days. Board Independence (BIND) had a mean value of 71.51843, with Min. and Max. of 28.59 and 96.4 respectively. The result indicates that 72% of the directors should be Independent Non-Executive. The Board Size (BSIZE) had a mean value of 8.613700, with Min. and Max. of 5 and 20 respectively. The result showed that a smaller board increases organizational change and it reduces the running cost of the firm.

Table 3: Pearson Correlation Analysis

Correlation Probability	AUDLAG	BSIZE
AUDLAG	1.000000	

BIND	0.26107	
	0.1462	
	0.7967	
BSIZE	0.23799	1.000000
	0.1257	-----
	0.2793	0.0397
	0.2752	0.0000

Source: E-view output, 2024

Interpretation

Pearson correlation matrix was used to intersect for the nexus amongst each explanatory variable and the dependent variable. Table 3 reveals the correlation between the dependent variable (AUDLAG) and the explanatory variables of (BSIZE, BIND).

The result output from the correlation analysis shows that Audit Report Lag (AUDLAG) and Board Size (BSIZE), $r = 0.23799$. The coefficient suggests that an increase in the board size may increase the audit report lag. There is a positive relationship between Audit Report Lag (AUDLAG) and Board Independence (BIND) ($r = 0.26107$), the result reveals a low coefficient

and suggests that an increase in Board Independence (BIND) may increase the timely release of Audit Report Lag (AUDLAG).

From the above analysis, we observe that all the independents variables show positive correlation existence.

Table 4: Regression Result

Dependent Variable	Independent Variable	Coefficient	Std. Error	t-Statistic	Prob.
Audlag	C	-16.31467	68.57146	-0.237922	0.7435
	BIND	0.571595	0.593333	0.963364	0.3408
	BSIZE	3.119147	2.996509	1.040927	0.3037
R-squared	0.145930	Adjusted R-squared	0.029926	Durbin-Watson stat	0.945665
F-statistic	1.296151	Prob(F-statistic)	0.283392		

Source: Author’s Computation from E-view, 2024

From Table 4, the result investigated the coefficients of the explanatory variables, the respective t-ratios reported, and the probability. The value of R that is the correlation coefficient stood at 0.140 (14%). Also, the coefficient of determination (R^2), which stood at 0.140, indicates that over 14% of the total variations in the dependent variable (Audlag) were elucidated by the independent variables, while about 86% of the contributory variables were inexplicable by this model. The F-statistics prediction stood at a value of 1.296, meanwhile, the Durbin Watson statistic stood at 0.945, indicating the positive autocorrelation.

Table 5: Hausman Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section and period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	5	1.0000
Period random	0.000000	5	1.0000
Cross-section and period random	0.000000	5	1.0000

* Cross-section test variance is invalid. Hausman statistic set to zero.

* Period test variance is invalid. Hausman statistic set to zero.

** WARNING: estimated period random effects variance is zero.

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
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BIND	1.197031	0.633087	-0.186549	NA
BSIZE	12.427412	4.802528	10.532229	0.0188

Source: E-view Output, 2024

The result from Table 5 shows the Hausman test that was used to test the Fixed/Random Effects and to ascertain the appropriate model. The null hypothesis represents the Random Effects Model at ($p > 0.05$), while the alternate hypothesis represents the Fixed Effect Model at ($p < 0.05$).

From the Hausman test, the result revealed that the p-value of (1.0000) which is greater than 0.05%. The result shows that the Random Effects Model is a better model for the above relationship than the Fixed Effect Model. From the OLS statistical analytical outputs in Table 4, the following inferences are deduced from the board attributes:

1. Board Independence (BIND) has a positive and insignificant impact on Audit report lag (ARL) with a coefficient of 0.571595 and a p-value of 0.3408. This result is consistent with the work of (Eze & Nkak, 2020), While, it is inconsistent with the findings of (Ilaboya & Iyafekhe, 2014).
2. The Board Size (BSIZE) has a positive relationship and insignificant with ARL and the findings are in with (Olabayo, et al., 2018) and inconsistent with the findings of (Ilaboya & Iyafekhe, 2014; Odit, 2015; Dabor & Mohammed, 2015; Eze & Nkak, 2020). In essence, the size of the board influences the release of the financial report.

Conclusion

The study explored board attributes and audit report lag in the industrial sector of companies trading on the floor of the Nigerian Stock Market. From the statistical output, the study observed that the board attributes (Board Independence, Board Size) facilitate to ensure the timely release of financial statements of deposit money banks. The size of the board can influence the timely release of financial reports; it is believed that a smaller board can increase the timely release and the quality of the financial statement than the larger board. Furthermore, a larger board size increases the running cost and dormant directors that may likely be non-participating at the management level.

Recommendation

The study therefore recommended that the board size of deposit money banks should not be large for effective communication and oversight function. In addition, the study recommends that the percentage of independence executive on the board should be encouraged as they tend to provide timely release of financial statement.

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