CORPORATE GOVERNANCE PRACTICES AND FINANCIAL REPORTING QUALITY OF QUOTED FIRMS IN NIGERIA

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Abstract

This study looks at the effect which corporate governance may have on financial reporting quality using data from Nigerian publicly traded companies. The financial records of the selected companies were relied on in extracting panel data for ten (10) firms over a ten-year period (2011–2020). Board size, the expertise of board members, presence of women on companies' boards, board independence, and board shareholdings are all factors considered as measures of corporate governance. The OLS regression estimation technique was used in conjunction with relevant diagnostic tests to conduct the analysis. We found that, at a 5% significance level, the sizes of corporate boards, their level of independence and expertise, and the percentage of board shareholdings all have significant impact on financial reporting quality. Conversely, women presence in companies' Boards did not show significant effect on financial reporting quality. The study recommends, among other things, that regulatory authorities keep a close eye on directors' shareholdings over time, as this research has shown that firms with large directors' shareholdings are most likely to have the inducement to engage in earnings management, which has a multiplier effect on the quality of financial reporting.

Keywords: *board expertise; board shareholding; earnings management; Nigeria; discretionary accruals*

JEL Classification: C33; G34; M41.

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1. INTRODUCTION

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. Adegbie and Fofah (2016), view corporate governance as instituted systems, procedures, structures or mechanisms deliberately established by firms with the aim of controlling their overall 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 (Ahmed & Hamdan, 2015). Buallay, Hamdan, Zureigat (2017) argues that corporate governance is about building credibility and ensuring transparency as well maintaining a channel of information disclosure.

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 (Salehi, Moradi, & Paiydarmanesh, 2017; Habbash & Alghamdi, 2015). Financial Reporting center is on information disclosure for the purpose of decision making by various users.

Al-Adeem and Al-Sogair, (2019) asserts that the quality of financial reporting is not only the quantum of shareholders value being created, but also how the quality could be disclosed to them to aid informed decisions.

Renewed interests in governance issues of modern firms have been recorded since 2001, and this can be traced to the failure of several large firms, most of which were involved in accounting fraud. The recent failure of these high profile firms around the world have shown that in all corporate matters and issues relating to governance, no firm is too big to fail. As a result, Babalola and Ajewole (2020) stated that a common thread running across these massive failures was a lack of corporate governance culture, as evinced by bad management, poor asset and liability management, poor regulations and supervision, among others. Thus, the celebrated Enron case in the United States of America, Baring Bank in the United Kingdom, Parmalat in Italy, HIH, and One Tel in Australia, the financial crisis in the South East Asian countries and a host of others attest to the significance of good governance in the public and the private sectors of the economy (Monye-Emina & Jeroh, 2014; Jeroh, Ekwueme & Okoro, 2015; Sanusi, 2019). The case is not different in Nigeria as a developing country, as there have been series of official board and managerial recklessness and financial scandals that resulted to monumental and damaging effects in many financial firms in Nigeria, for example: Cadbury Nig Plc (2006), Main Street bank Plc (2017), Polaris bank (2020), Zenith bank (2020) etc.

Unwarranted intervention in the internal management of firms very often contributed to earnings management which largely undermine the quality of financial reports (Ogbechie & Koufopoulos, 2010; Ideh, Jeroh & Ebiaghan, 2021). Babalola (2015), notes that several insider abuses, boardroom squabbles, forgeries, manipulations, and shoddy or ineffective internal systems of controls have all surfaced as contentious corporate governance issues over time. Following business failures, several recommendations have been made on how to enhance corporate governance to restore trust. Corporate governance changes are largely concerned with the composition and operations of a company's board of directors (Van den Berghe & Levrau, 2016). The main responsibility of the board as the highest governing organ is to pursue the interest of the owners and ensure the success of the firm they govern.

According to Uwuigbe and Fakile (2016), boards must do greater effort to ensure the efficiency of their oversight role. There has been increased pressure on boards in recent years to demonstrate how they contribute value to their organizations. Corporate governance professionals and academicians are increasingly interested in and debating how to improve board effectiveness. Despite this, research has shown that excellent governance minimizes the negative consequences of earnings management as well as the chance of creative financial reporting because of fraud or errors. However, it appears that only a few studies have been able to consider the expected corporate governance procedures of listed firms in the context of examining how these practices affect the financial reporting quality of corporations in Nigeria. This study aims to:

i. investigate how corporate governance framework affect the caliber of financial reporting by Nigerian listed companies.

The above leads us to the hypothesis that:

H0: *Measures of corporate governance practices do not significantly affect the financial reporting quality of quoted firms in Nigeria.*

2. LITERATURE REVIEW

2.1 CONCEPT OF CORPORATE GOVERNANCE

Corporate governance has been defined by several studies alongside related concepts and measures (Onuorah & Imene, 2016; Demaki & Jeroh, 2016; Jeroh, 2018; Odjaremu & Jeroh, 2019; Ukolobi & Jeroh, 2020). These definitions conceptualize corporate governance as a system of rules and regulations upon which organizational objectives are established and run. Zain-Aldini Maymand (2016) defines corporate governance systems as a mechanism for managing, directing and supervising the activities of the company with the aim of creating value for shareholders.

In a corporate governance study, Lemo (2016) stated that corporate governance is a set of rules by which businesses are managed. This interpretation

of corporate governance is based on the idea that it is similar to a manual used by directors to run the company's affairs on behalf of the shareholders or owners. Demaki (2017) expounded on this viewpoint, stating that corporate governance is an institutional system that curbs the excesses of controlling directors. Finally, according to Kajola (2018), the goal of corporate governance is to ensure that the organization is well-run and that investors obtain a fair return.

2.2 FINANCIAL REPORTING QUALITY (FRQ)

Verdi (2016) defined FRQ as the extent of precision with which financial reporting conveys the overall information about company's operations alongside her expected cash flows. FRQ is sometimes gleaned from its two-dimensional perspectives – faithful representation and timeliness. Faithful representation implies that earnings report is neutral and trustworthy such that its stock price faithfully reflects the value of the shareholders better. Secondly, timeliness refers to where financial reports are consistent with their respective scheduled set time; that is, companies' management have access to timely financial data. If information is reported at the interim stage rather than at the conclusion of the fiscal year, the introduction of interim reporting results in greater timeliness. Accounting quality, according to Verdi (2016), is improved if there is higher faithfulness for a given degree of timeliness or if there is better timeliness for a given degree of faithfulness. In an ideal world, financial reporting would provide data to assist investors, creditors, and other users in determining the quantities, timing, and uncertainty of potential net cash inflows to the related business. Based on this assertion, this study looks at how governance practices of firms may possibly influence the level of reporting quality.

2.3 BOARD SIZE AND FRQ

Larger boards can devote more time and effort to monitoring and scrutinizing management (Monks and Minow, 2016), whereas smaller boards can devote substantially less time and effort. Indeed, 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.

Klein (2015) went on to 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.

2.4 BOARD INDEPENDENCE AND FRQ

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" (Fama & Jensen, 1983). 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.

2.5 BOARD EXPERTISE AND FRQ

According to Barton, Coombes, and Wong (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 a critical 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 FRQ and to provide access to the firm's required resources, such as financial, governance, and firm-specific experience (Bedard, Chtourou, & Courteau, 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 affect FRQ of listed companies.

2.6 BOARD SHAREHOLDINGS AND FRQ

Most companies around the world encourage directors to own stock. Most companies require their directors to own a certain percentage of the company's stock (Farrer & Ramsay, 1998). 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 (Farrer & Ramsay, 1998). Given this assertion, we also assess whether board shareholding exerts significant influence on FRQ.

2.7 WOMEN ON BOARD AND FRQ

In most nations, particularly in Nigeria, 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 (Damagum, Oba, Chima & Ibikunle, 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 (Damagum, Oba, Chima, & Ibikunle, 2016; Jeroh, 2020a) 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 and family life.

Given the growing concern of women participation of firm governance, we analyze whether women presence on corporate boards affect FRQ among firms.

2.8 CONCEPTUAL FRAMEWORK

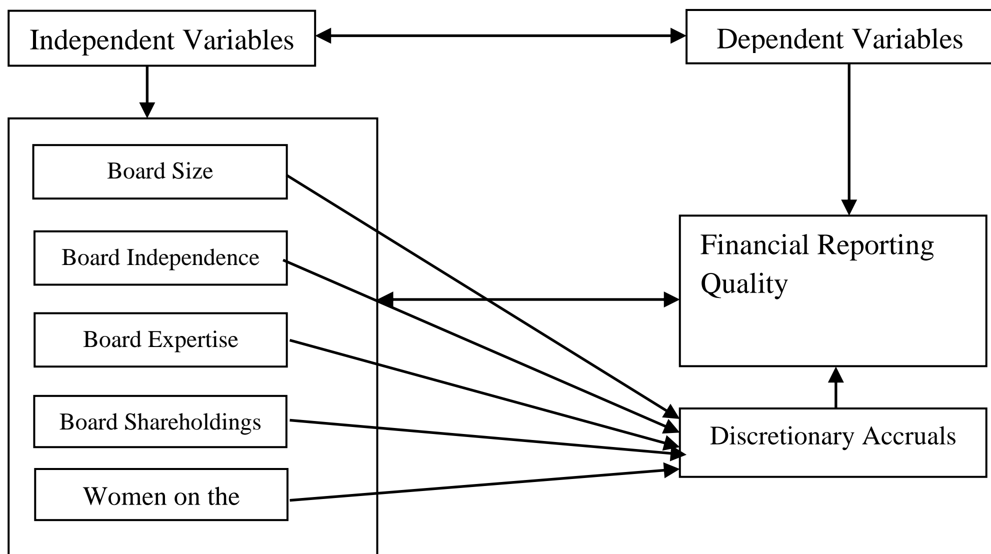

Fig. 1. *Conceptual Model of the Study*

Source *(Authors' Computation, 2022).*

2.9. THEORETICAL FRAMEWORK

The Stakeholder Theory

According to the Stakeholder Theory, the board of directors has a responsibility to a larger set of stakeholders than just the shareholders. In this situation, a stakeholder is any individual or group that can influence or be influenced by a company's actions. Employees, customers, suppliers, creditors, and even the public and competitors are all part of it.

In more recent business models, a company's board of directors is viewed as a group of specialists charged with converting the inputs of shareholders and other stakeholders such as employees, creditors, and suppliers into forms that can be sold to customers in order to generate profits and other types of returns for its shareholders. Impliedly, directors are expected to use their knowledge to further the interests of the stakeholders, which is why they were appointed in the first place. Thus, the theory considers the interests of stakeholders and the need for directors to be capable of accomplishing the shareholders' and other stakeholders' objectives, the most important of which is improved financial performance. For the purposes of this study, we assume that excellent corporate governance systems value the interests of the firm's stakeholders and ensures high-quality financial reporting.

3. RESEARCH METHODS

This study uses an ex-post facto research design to examine how corporate governance measures affect the financial reporting quality of listed companies in Nigeria. The adoption of this method is due to the fact that the data gathered were both time-series and cross-sectional data. Although the quoted firms used for the purpose of this study were selected using the judgmental sampling technique, but a great deal of care was exercised during data collection on all measures of corporate governance. Secondary data were collected from 10 firms (Dangote Sugar Plc., Zenith bank Plc., Dangote cement Plc., Access bank Plc., Cadbury Nig. Plc., Guinness Nigeria Plc., Unilever Nig. Plc., Lafarge Cement Plc., Guarantee trust bank and UBA), over a period of 10 years from 2011 to 2020. These firms are listed on the Nigerian Exchange (NGX) as at December 2020. Data were analyzed using the Ordinary Least Square (OLS) regression estimation technique with the use of Eviews 9.0 statistical package.

Model Specification

$$Y = \alpha_0 + \beta_x + \varepsilon_i \quad (1)$$

With equation 1 defined in terms of the objectives of this study as:

$$FRQ = f\ (CG) + \varepsilon_i \quad (2)$$

Given that FRQ represents financial reporting quality and is measured by the level of discretionary accruals, while CG represents corporate governance. When all variables are finally entered, the equation becomes:

$$\text{Discretionary Accruals} = f\,(\text{Board Size, Board Independence, Board Expertise, Board Shareholdings, Women Directors}) + \varepsilon \quad (3)$$

Then the variables are coded into the main regression model as shown below:

$$DACCy = \alpha_0 + \beta_1 BRDSZ + \beta_2 BRDID + \beta_3 BRDEX + \beta_3 BRDSH + \beta_3 WMBRD + \varepsilon \quad (4)$$

Where:

DACC: = Discretionary accruals reported in total earnings for the periods under review, as used for testing the level of financial reporting quality. DACC value has been estimated using Dechow and Dichev (2002) model.

BRDSZ:= Board size (the number of directors on the board).

BRDID: = Board independence (ratio of independent directors to the board).

BRDEX: = Board expertise as (the ratio of directors with backgrounds in Accounting, Finance, Banking, Law and Business Management).

BRDSH: = Board shareholdings (the number of shares owned by directors as a ratio of total shares.)

WMBRD: = Women on board (the number of women serving as directors)

α_0: = a constant, equals the value of Y when the value of X = 0

β: = coefficient of the independent variables

ε: = the error term

y: = coefficient of the dependent variable

TACi,t/REVi,t-CFOi,t-1

Where: $TAC= (1/Ai,t-1) + (\Delta REVit/Ai,t-1) + (PPEit/Ai,t-1)$

TAC is total accruals; REV is Revenue, whereas, CFO is Cash flow from operating activities.

4. RESULTS AND DISCUSSION

Table 1 summarizes the descriptive statistics derived from the panel data used in this investigation. The results show that DACCs for the selected quoted firms are on average -0.712289, with a maximum level of DACCs of 1.109483, which is quite high. The average number of directors on the boards of the selected firms for BRDSZ is 11, with a minimum of 8 and a maximum of 16 directors on occasion.

A BRDID of 0.493902 basically means that the board of directors of the selected firms had an average of around 50% independent directors over the

specified time. With an average of 0.630112, BRDEX indicates that more than half of the directors were knowledgeable in accounting and associated fields.

Table 1. *Descriptive Statistics for Variables.*

	DACC	BRDSZ	BRDID	BRDEX	BRDSH	WMBRD
Mean	-0.712289	11.30000	0.493902	0.630112	0.067933	0.222347
Median	-0.891046	11.00000	0.408954	0.558954	0.069800	0.118449
Maximum	1.109483	16.00000	0.682948	0.987556	0.345474	0.688409
Minimum	-1.310637	8.000000	-0.010637	0.139363	0.002539	0.007271
Std. Dev.	0.443983	2.245084	0.206683	0.181534	0.035337	0.188223
Skewness	2.435856	0.488211	0.719190	0.424564	4.649560	1.184589
Kurtosis	8.975963	2.238019	2.744637	2.312895	39.32361	3.453214
Jarque-Bera	7.690542	6.391731	8.892289	4.971388	7.826125	4.243371
Probability	0.000000	0.040931	0.011724	0.003268	0.000000	0.000005
Sum	-71.22893	1130.000	49.39023	63.01123	6.793278	22.23470
Sum Sq. Dev.	19.51501	499.0000	4.229079	3.262508	0.123625	3.507356
Observations	100	100	100	100	100	100

Source *(Author's Computation, 2021)*

Also, from Table 1, we observe that in 2014, however, the lowest number of directors with the required expertise was recorded. For BRDSH, it is clear that, on average, directors held less than 7% of total shareholding in the selected enterprises, which is a reasonable value; nevertheless, the maximum level of directors' shareholdings was roughly 35 percent, which is a significant value. An average of 22% shows that there have been less women board members for the selected firms, according to WMBRD, which measures the presence of women on the board, while the highest ratio for WMBRD being 69% approximately for 6 consecutive years from 2015 to 2020.

Table 2. *Correlation Matrix*

	BRDSZ	BRDID	BRDSH	BRDEX	WMBRD
BRDSZ	1				
BRDID	0.26382	1			
BRDSH	0.11906	-0.24374	1		
BRDEX	0.27342	0.98472	0.20345	1	
WMBRD	0.31243	0.77963	0.19737	0.75065	1

Source *(Author's Computation, 2021)*

Table 2 simply summarizes the level of correlation between the independent variables of the study as shown above. The essence of this test is to examine the relatedness of the selected variables if they reflect any trace of multi-collinearity which will be revealed by high levels of pair-wise correlation (Jeroh &

Okoye, 2015; Ezinando, & Jeroh, 2017; Jeroh, 2020b; Jeroh, 2020c; Akobundu, Oboreh & Jeroh, 2021). However, for the purpose of this study, BRDSZ and BRDID is positive at 26%, while the correlation between BRDSZ and WMBRD is positive at 31%. Higher board sizes are expected to have more women directors on the board. The correlation between BRDEX and BRDID is the highest but positive at 38%. The correlation between BRDSH and BRDID is negative at 24% which indicates that greater directors' shareholdings may threaten board independence over time. However, based on the general outcome of this test, the problem of multicollinearity is not present within the independent variables.

Table 3. *Unit Root Test Result*

Data Series	Augmented Dicker-Fuller (ADF)	Test Critical Values @ 5% (TCV)	Probability of ADF
DACC	4.453986	2.890926	0.0004
BRDSZ	3.950767	2.890926	0.0025
BRDID	3.936679	2.890926	0.0026
BRDEX	4.112039	2.890926	0.0015
BRDSH	8.652268	2.890926	0.0000
WMBRD	3.390741	2.890926	0.0136

Source *(Author's Computation, 2021)*

The null hypothesis states that the panel data has unit root. The result must show a probability value that is lower than the critical value at any level of significance, in order to reject the null hypothesis. From Table 3 above, the ADF test statistics are greater than the test critical values; while each variable showed the absence of unit root (i.e. stationary) at 5% level of significance. Therefore, we hereby accept the null hypothesis which states that the data has no unit root for.

Table 4. *Regression Estimation Result*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.257017	0.216007	5.819338	0.0000
BRDSZ	-0.023200	0.012113	-2.915346	0.0085
BRDID	-2.784442	0.788421	-3.531668	0.0006
BRDEX	1.908621	0.845857	2.256435	0.0264
BRDSH	-0.715737	0.766972	-1.933198	0.0031
WMBRD	-0.713269	0.223937	-3.185125	0.0620
R-squared	0.888350	Mean dependent var		-0.712289
Adjusted R-squared	0.871773	S.D. dependent var		0.443983
S.E. of regression	0.254363	Akaike info criterion		0.158015
Sum squared resid	6.081848	Schwarz criterion		0.314326
Log likelihood	-1.900772	Hannan-Quinn criter.		0.221277
F-statistic	41.52412	Durbin-Watson stat		1.969645
Prob(F-statistic)	0.000000			

Source *(Author's Computation, 2021)*

Premised on the argument of Jeroh and Ekwueme (2015), the above regression result which shows an R-squared value of approximately 89% means that the independent variables accounts for 89% of the systematic variations in the dependent variable, while the error term is responsible for the remaining 11%. The Adjusted R-squared value of approximately 87% means that the model has a high predictive power, as the independent variables can predict about 87% of the changes in the dependent variable. There is absence of autocorrelation as revealed by the Durbin Watson statistics of 1.96, while the F-statistics is high at 41.52412, the linear relationship between the explanatory variables and the dependent variable is revealed by the overall result which is significant with a P-value of 0.000000. This summary simply confirms the statistical reliability of the selected model, showing that there is a significant link between corporate governance variables and the quality of financial reporting in Nigeria listed firms.

The regression coefficient for BRDSZ as shown in Table 4 is -0.023200. It means that the size of a company's board has an inverse relationship with the levels of discretionary accruals (DACC) in Nigeria. Arguably, an increase in the number of directors on the boards of mentioned corporations in Nigeria will result in a 2% decrease in the amount reported as discretionary accruals by managers, assuming all other variables remain constant. When the quantity of reported discretionary accruals is minimal, it is assumed that FRQ has improved. Furthermore, given that p-value is 0.0085, the obvious is that at 5% significance level, board size is deemed to have significant effect on financial reporting quality of firms in Nigeria. This result reaffirms the position of Al Ramahi et al (2014) who reported that board sizes, independence and expertise contribute significantly to enhancing the quality of financial reporting.

Furthermore, on the link between independence of corporate boards and reporting quality, we observed that further results from Table 4 reported a coefficient of -2.784442 for BRDID. This indicates that board independence has an inverse effect on the discretionary accruals (DACC) level of quoted firms in Nigeria. The implication is that a rise in board independence of listed firms in Nigeria will result in 2.784442 times drop in the amount reported as discretionary accruals by managers, assuming all other factors remain equal. When the quantity of reported discretionary accruals is minimal, the expectation is that the financial reporting quality is better. Additionally, the p-value of 0.0006 at the 5% level of significance shows that board independence significantly affects the caliber of financial reporting for listed companies in Nigeria. This position therefore affirms prior empirical documentations (Htay, Mohd Said & Salman, 2016; Akeju & Babatunde, 2017) that better quality of financial reporting can mostly be achieved when leadership roles of corporate boards are separated from those of executives, while simultaneously increasing the proportion of independent non-executive directors in corporate boards.

However, Table 4 also presents regression outcomes on how FRQ relates with the financial expertise of board members. Accordingly, regression coefficient

obtained for BRDEX is 1.908621 suggesting that BRDEX positively affects quoted companies' discretionary accruals (DACC). The implication is that an increase in the level of board expertise, of quoted firms in Nigeria will result in 1.908621 times increase in the amount reported as discretionary accruals by managers, assuming all other factors remain constant. When the value of reported discretionary accruals is considerably high, it is assumed that the financial reporting quality is poor. With that in mind, the p-value of 0.0264 is an indication that at 5% level, board expertise has significant effect on the financial reporting quality of quoted firms in Nigeria. This result confirms earlier research outcomes (Onuorah & Imene, 2016).

Further insights obtained from Table 4 is that BRDSH has a coefficient of -0.715737 meaning that board shareholdings have positive relationship with discretionary accruals (DACC) firms in Nigeria. Thus, by holding all other variables constant, an increase in the level of board shareholding of quoted firms in Nigeria will result to an approximately 72% increase in the amount reported as discretionary accruals by managers. Noteworthy, whenever the quantity of reported discretionary accruals is considerably high, it is assumed that the financial reporting quality is poor. Thus, with a p-value of 0.0031, we argue that at 5% level, board shareholdings are deemed to have significant effect on the financial reporting quality of quoted firms in Nigeria. This position supports earlier submissions (Salehi, Moradi & Paiydarmanesh, 2017) that the number of stakes owned by directors in the firm can influence their judgments thereby influencing financial reporting quality of firms.

Notwithstanding, it was also found that WMBRD recorded a regression coefficient of -0.713269 which shows that women presence in board room exerts inverse effect on the discretionary accruals (DACC) recorded by quoted firms in Nigeria. The inference is that an increase in the number of women board members in listed Nigerian firms will result in a 71 percent fall in the amount reported as discretionary accruals by managers, assuming all other variables remain constant. When the quantity of reported discretionary accruals is modest, financial reporting quality is assumed to be excellent. Furthermore, the p-value of 0.0620 shows that the inclusion of female board members had no significant impact on the caliber of financial reporting of listed companies in Nigeria.

5. CONCLUSIONS AND RECOMMENDATIONS

With the findings and discussion in previous sections and the critical evaluation of previous literatures, this study finds that corporate governance has a considerable impact on financial reporting quality of listed enterprises in Nigeria. While large board sizes, independent directors, and female board members improves financial reporting quality by lowering the level of reported discretionary accruals, board expertise and board shareholdings reduces financial reporting quality by significantly increasing the level of discretionary accruals reported by firms. Following the findings obtained, this study therefore recommends that;

a) Shareholders and other relevant stakeholders of quoted firms in Nigeria should look out for a balanced board system where there is high independence. They have the responsibility to agitate for more independent directors to ensure high board independence.
b) Regulatory authorities must ensure close monitoring of directors' shareholdings over time, as this study has shown that firms with high directors' shareholdings are prone to engaging in earnings management practices that will discourage financial reporting quality.
c) There is need for all stakeholders to ensure that quoted firms follow the guidelines set out in the corporate governance code in Nigeria. This concise document sets out the guideline for governance and control of firms of public interests.

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