Research Paper

Effect Of Corporate Governance On Financial Statement Quality Of Listed Deposit Money Banks In Nigeria

James Tersoo Tsetim¹, Iorwuese Tyonandeº

¹ Department of Business Administration, College of Management Sciences, JS Tarka University Makurdi, Nigeria
º Department of Business Management, Faculty of Management Sciences, Benue State University, Makurdi, Nigeria

This study examined the effect of corporate governance on financial statement quality of listed deposit money banks in Nigeria. The study specifically examined the effect of board independence and audit committee on financial statement quality of listed deposit money banks in Makurdi, Benue State. The study adopted the cross-sectional survey design involving 86 management staff of 15 of listed deposit money banks in Makurdi, Benue State. The study employed questionnaire as the major instrument for data collection. Result of the pilot study conducted showed that the reliability for each of the constructs was above 0.70. Regression analysis was used in testing the data gathered from the survey. Analysis was done with the aid of Statistical Package for Social Sciences (SPSS 23). Findings revealed that board independence and audit committee have significant positive effect on financial statement quality of listed deposit money banks in Makurdi, Benue State. The study concludes that dimensions of corporate governance are statistically significant in explaining the quality of financial statements of listed deposit money banks in Makurdi, Benue State. The study recommended that directors and managers of listed deposit money banks should be made by law to own certain minimum percentage of shares due to the fact that an increase in managerial ownership will increase financial statement quality. Again we recommend that small audit firms when and if engaged by the of listed deposit money banks in Nigeria for audit work should not compromise the level of disclosure out of fear of losing the contracts.

Keywords: Board Independence, Audit Committee, Financial Statement Quality, Listed Deposit Money Banks

¹ Corresponding Author
jamesttsetim8@gmail.com
1. Introduction

1.1. Background to the Study

Reoccurring corporate failure and financial scandals have in recent times ranked high among several reasons companies are winding up globally and in Nigeria in particular. Corporate Governance (CG) has become a global issue due to the wave of corporate scandals that occurred in the international community (Igbineweka, 2021). Globally, several prominent corporate establishments such as Enron and WorldCom were involved in the corporate scandal which weakened investors’ confidence on management teams and financial reports (Nustini & Suffian, 2022). Abed, Hussin, Haddad, Almubaydeen and Ali, (2022) opine that these scandals were due to ineffective corporate governance mechanisms and poor financial reporting. In Nigeria, incidences of corporate scandals of Afribank Plc, Lever Brothers (Nig) Plc, African Petroleum and Cadbury (Nig) PLC among many others were traced to poor corporate governance mechanisms and little transparency in the published reports of quoted companies (Okeke & Obiakor, 2021), and this has meant that investors’ confidence in the capital market has waned (Adelowotan & Udofia, 2021).

In the wake of all these, the quality of financial reporting has been an issue of interest among regulatory bodies, shareholders, researchers and the accounting profession itself (Uwuigbe, Olorunshe, Uwuigbe, Ozordi, Asiriwu, Asaolu & Erin, 2019). This is due to the fact that financial reporting has always been a principal means of communicating financial information to outside users who serve as the basis for assessing the economic performance and financial health of a firm in the quest to monitor management’s actions and in making informed judgments and decisions (TriWahyuni, Puspitasari & Puspitasari, 2020).

Globally, in the competitive banking environment, effective corporate governance mechanism has been identified as a potent force in the profitability of banks (Al-Lawati, Hussainey & Sagitova 2021). The very essence of corporate governance is to monitor the ills of the directors and other management staff with a view to ensuring prudent management of scarce resources as well as financial reporting quality (Abed, Hussin, Ali, Nikkeh & Mohammed, 2020).

In developing economies, the banking sector among other sectors has witnessed several cases of collapses or failure, of which some Nigerian examples include: Savannah Bank Plc, Society Generale Bank Ltd and recently Oceanic Bank, Bank of the North, AfriBank, Mainstream Bank (Ogbeide, Ogiugo & Adesuyi, 2021). With the failure in Nigeria banks and the activities of some of the bank operators, there are concerns on the need to strengthen corporate governance in banks. This will boost public confidence and ensure efficient and effective functioning of the banking system (Kulustayeva, Jondelbayeva, Nurmagambetova, Dossayeva & Bikteubayeva, 2020). In Nigeria, the issue of corporate governance has been given the front burner status by all sectors of the economy. This is in recognition of the critical role of corporate governance in the success or failure of companies (Paulinus, Oluchukwu & Somtochukwu, 2018).

Corporate governance is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that will foster great corporate performance (Emeka & Alem, 2016). Corporate governance can therefore be said to refer to the processes and structures by which the business and affairs of institutions are directed and managed in order to improve long term shareholders’ value by enhancing corporate performance and accountability while taking into account the interest of other stakeholders (Oluwole, 2021). In the aftershock of many entities' global financial crises and financial scandals, corporate governance had become a substantial issue in the banking sector and as a result, many solutions have been built upon effective corporate governance mechanisms and external monitoring mechanisms (El Khoury, 2018). Mechanisms such as board independence and audit committees have been put into place to reduce the inefficiencies arising from adverse selection and moral hazard (Agrawal & Cooper, 2017).
Board independence is another area that regulators have focused on because it is crucial to reduce the influence on the CEO's influence over the board of directors (Abdelbadie & Salama, 2019). Regulations only require a certain amount of board members to be independent. The foundation for the regulations is that if board members are independent of bank executives, they are more likely to protect the shareholders (Jiraporn & Nimmanunta, 2018). The audit committee is a committee formed by the board of commissioners to assist in carrying out its duties and functions (Khafid, 2012). The audit committee is one of the components of corporate governance that plays an important role in the financial reporting system that will suppress the act of manipulation of financial statements (Anginer, Demirguc-Kunt, Huizinga & Ma, 2016).

Financial reporting is a means through which an enterprise conveys information about its financial performance and condition to external users (Abed, Hussin, Haddad, Almubaydeen & Ali, 2022). Financial reporting is used by organizations to demonstrate the business activities and financial performance of the company (Okpamen & Ogbeide, 2020).

Corporate governance and financial reporting are highly interwoven. Financial reporting is considered as a crucial part of corporate governance mechanisms (Chanatup, Aujirapongpan and Ritkaew, 2020; Tjahjadi, Harymawan, and Warsidi, 2020; Wati, Ramdany and Momon, 2020; Kulustayeva, Jondelbayeva, Nurmagambetova, Dossayeva and Bikteubayeva, 2020). Corporate governance is a major driver of quality financial reporting in firms in the light of macroeconomic challenges (Okpamen & Ogbeide, 2020). Joseph and Ahmed (2017) emphasized that good corporate governance influences the likelihood of financial reporting in firms. Conventionally, stakeholders expect corporate transparency and quality information for decision making, which is facilitated by corporate governance practices by molding the corporate reporting process in a positive direction (Cooray, Gunarathne & Senaratne, 2020).

Shareholders are linked to the directors via the financial reporting system. The quality of financial reports relates to the extent to which relevant information about the firm’s earnings is communicated to stakeholders. In order to enhance the integrity of financial reporting, companies are required to put in place, a designed structure in the form of sound corporate governance to ensure the true and fair presentation of a company’s financial position. Hence, Paulinus et al. (2018) stress that financial reporting is perceived no longer as a low priority book keeping exercise, but a central function for directing a company under good corporate governance principles.

1.2. Statement of the Problem

The Nigerian financial environment is being affected by governance problems, systemic instability and failure of financial institutions to comply with lending practices which has affected the growth and development of the economy. Ibittamuno, Onuchuku, & Nteegah (2018) argued that the recent global financial crisis and erosion of commercial banks investment in Nigeria results in lack of compliance with credit management practices which is associated with poor corporate governance. The consolidation policy of 2006 which led to reduction in commercial banks from 89 to 25 and currently 16 is an indication of erosion in best practices and high sharp dealings in the banking industry which resulted in liquidity crisis.

High rate of improper accounting practices by Oceanic Bank, Intercontinental Bank, Union Bank, Afri Bank, Fin Bank and Spring Bank in 2009 and sacking of Chairman and Managing director of Skye Bank in July, 2016 for improper management of funds were indication of challenges of corporate governance in the Nigeria banking industry (Oluwole, 2021). Given the high rate of instability in the banking system which resulted in the takeover of some banks like Skye Bank and Intercontinental Bank an, Diamond Bank Plc; the major concern of regulatory authority is on the need to enhance sound practices among banks through the improvement of corporate governance.

Though, studies have been conducted on corporate governance and banks performance in Nigeria, there is paucity of studies in the subject area in the recent years. Moreover, empirical studies limit their corporate
governance variables to Board Size and Board Composition (Olubisi & Omoyle, 2011; Emeka & Alem, 2016; Ibitamuno, et al., 2018; Agbaeze & Ogbozi, 2018). Also, Mohammed (2012) employed asset quality of bank and non-performing loan which were not appropriate to measure corporate governance. While Olayiwola (2018) employed audit committee size as important variable of corporate governance, but the study was conducted in manufacturing sector and not banking sector. Thus, this study would fill the above gap by disaggregating corporate governance into board independence and audit committees and then look at their effect on the financial statement quality of listed Deposit Money Banks (DMBs) in Nigeria. However, for the purpose of this study, we would be restricted to the operations of these banks in Benue State.

1.3. Objectives of the Study

The main objective of this study is to examine the effect of corporate governance on financial statement quality of listed deposit money banks in Nigeria. The specific objectives of the study are:

- To examine the effect of board independence on financial statement quality of listed deposit money banks in Makurdi, Benue State.
- To examine the effect of audit committee on financial statement quality of listed deposit money banks in Makurdi, Benue State.

1.4. Research Hypotheses

The following research hypotheses are set in null form:

- $H_0$: Board independence has no significant effect on financial statement quality of listed deposit money banks in Makurdi, Benue State.
- $H_0$: Audit committee has no significant effect on financial statement quality of listed deposit money banks in Makurdi, Benue State.

2. Literature Review

2.1. Agency Theory

The agency theory seeks to analyse the contractual relationship that exists between company owners (shareholders), and its agents (management). The theory has its root in the work of Berle and Means (1932). It was formalised by Jensen and Meckling (1976). Although the separation of ownership from control presents some advantages such as the ability of ownership to change without impacting operations, the possibility of hiring experts to act as managers, however, presents a much bigger challenge of wealth shifting from owners to agents. Apart from conflicting interests between owners and agents, there could also be conflicting interests between majority and minority shareholders. The agency relationship is defined as one in which one (or more) principal engages the agents to perform some service on their behalf which involves the delegation of some decision-making authority to the agent. In the words of Cruz (2015), the central idea is to analyse the contract relations that reflect efficient information and risk shifting costs.

The separation of ownership from control is the primary source of agency conflict where the decisions are made by managers and the ultimate costs or benefits of these decisions are borne by investors (Fama & Jensen, 1983). In the principal-agent framework, both the principal (shareholders) and the agent (managers) are assumed to follow their own interests. This implies that corporate resources may not be used entirely to increase shareholder value, but instead may be used for the benefit of corporate insiders (Demsetz & Lehn, 1985). Hence, the agency problem arises as the result of conflicts of interests between the agent and the
principal (Jensen & Meckling, 1976). In order to alleviate the negative consequences of this problem, agency theory describes the need for monitoring and contracting arrangements (Fama & Jensen, 1983). Problems arise when agents act to fulfil self-interest rather than the best interest of the principals.

This study is anchored on agency theory because financial information plays an important role in contractual arrangements that are presumably used for mitigating agency costs (Fields et al., 2001). This role is usually derived from contract theories which seek to explain the mechanisms for alignment of interests between managers and owners, including compensation contracts. Therefore, there is the need for Boards of Directors (BoDs), shareholders’ engagement in governance structure as well as compensation scheme (McCabet, 2002). The BoDs are viewed as the agent for shareholders acting on their behalf in their dealing with management. Therefore, the corporate governance variables used in this study were board independence, and audit committee. High-quality financial accounting statements can facilitate monitoring mechanisms and promote efficient governance contracts. This implies that the asymmetry information that hitherto exists in the agency relationship could be alleviated by quality financial statements.

2.2. Board Independence

Board independence has been an area that regulators have focused on because it is crucial to reduce the influence on the CEO's influence over the board of directors (Abdelbadie & Salama, 2019). Regulations only require a certain amount of board members to be independent. The foundation for the regulations is that if board members are independent of bank executives, they are more likely to protect the shareholders (John et al., 2016). An independent board is crucial because they offer control mechanisms that allow the bank to achieve the firm's objectives (Chahine & Safieddine, 2011).

Agency theory gives the perspective that external and independent board members are more valuable than internal board members because they are not as committed to management and their goals (Kaczmarek, 2017). Internal board members are often apprehensive about raising sensitive issues related to the CEO's performance and actions because they feel beholden to the CEO for their jobs. Independent board members do not have a professional relationship with the CEO; therefore, they do not hesitate to speak up when something is not right (Al-Matari & Al-Arussi, 2016). Board members that do not own a large percentage of the company stock are more likely to monitor and control operations because they look out for the company (Al-Matari & Al-Arussi, 2016). Both internal and external board members have a legal obligation to make sure the decisions are significant to both the company and the stockholders. However, external board members can face difficulties because they are not directly communicating with management (Ararat et al., 2017).

2.3. Audit Committee

One key objective of the audit committee is to assist the board of directors in ensuring that the bank maintains an effective internal control system and risk management (Barnham, 2015). The audit committee holds regular meetings with external auditors to ensure financial statements are accurate (Al-Matari & Al-Arussi, 2016). Both internal and external auditors need to sign off on financial statements to ensure there is no corruption (Steckler & Clark, 2019). An audit committee is consistent with agency theory because it is an additional mechanism that ensures the shareholders are safeguarded (Samaha & Khlif, 2016). The audit committee mechanism increases the monitoring and communication between management, the board of directors, and external auditors (Afsharian & Ahn, 2017). However, Chao, Yu, Hsiung, and Chen (2018) showed a negative correlation between an independent audit committee and members with accounting and financial backgrounds. Companies with financial experts on their audit committee are less likely to restate their financial statements (Ali, 2018). This view conflicts with Lei and Chen's (2019) recommendation for the best practice in corporate governance.
The independence principles state that the audit committee must work independently and perform all of their duties and responsibilities with professional care (Jiraporn & Nimmanunta, 2018). Independent audit committees can challenge executive decisions because they do not have a personal relationship with the bank's managers (Ajili & Bouri, 2018). Personal relationships can cause problems because there is an appearance of cooperation or conflict of interest. Audit committees monitor the quality and flow of information between shareholders, managers, and board members, which alleviates many agency problems (Chan & Kogan, 2016).

2.4. Financial Statement Quality

Financial reporting provides reliable and accurate data in a timely fashion, this being needed by stakeholders for the making of decisions related to the efficient operations of the bank (Mutuc, Lee, Tsai, Bimo, Siregar, Hermawan, Wardhani, Kewo, Afiah & Bardhan, 2019). The primary purpose of financial reports is to present the financial data to their users for better awareness and continuous updates on the financial status of the bank (Esra, Engin, Atabay & Dinç, 2020). The fundamental qualitative characteristics (i.e. relevance and faithful representation) are most important and determine the content of financial statement quality (Hameedi, Al-Fatlawi, Ali & Almagtome, 2021). The enhancing qualitative characteristics (i.e. understandability, comparability, verifiability, and timeliness) can improve decision usefulness when the fundamental qualitative which include characteristics are established (Akpanuko & Umoren, 2018).

The measurement of financial reporting quality in terms of qualitative characteristics is important because the qualitative characteristics are those attributes that make the information in the financial statements useful to users. The conceptual framework developed by the Financial Accounting Standards Boards (FASB) and in the U.S. IASB has listed several qualitative characteristics of useful financial statement. These include relevance, reliability, timeliness, verifiability, faithful representation, neutrality, consistency, and comparability (Abed, Hussin, Haddad, Almubaydeen & Ali, 2022). Hence, financial statement is considered as having a good quality if it fulfills the qualitative characteristics as mentioned.

2.5. Board Independence and Financial Statement Quality

Board independence means the number of independent non-executive directors on the board in relation to the total number of directors ((Maxfield, Wang & de Sousa, 2018). It implies more outside directors. The assumption is that boards with a significant number of outside directors will be more independent and will make better decisions than boards dominated by insiders because of their fiduciary duty to its shareholders and their independence from management (James & Ibezin, 2015). An important factor that may affect the quality and accuracy of financial reports is the composition of its board members. A more independent board is likely to produce an unbiased financial statement. Ortega (2021) confirmed a strong link between board independence and financial reporting. Joseph & Ahmed (2017) also affirm that board independence has a significant positive effect on the timeliness and quality of financial reports. Other studies have however provided a contrasting opinion. According to Uwalomwa, Eluyela, Uwuigbe, Obarakpo and Falola (2018), board independence has a non-significant negative relationship with the quality of financial reports. Also, Onuora and Olayinka (2016) opined that board independence has a significantly negative effect on the quality of financial reports. The results of Ajayi and Zahiruddin (2015) who investigated the relationship between female board member and market performance showed that there is a negative significant relationship. The gender of the firms’ directors has been suggested to affect corporate policies and outcomes given that women are generally more cautious.
2.6. Audit Committee and Financial Statement Quality

Audit committees are an essential element of corporate governance (Ogbeide, Ogiugo & Adesuyi, 2021). The audit committee is arguably the most important of the board sub-committees (Marsha, 2015). The audit committee act independently from the executive, to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control. It is the role of the audit committee to review the scope and outcome of the audit, and to try to ensure that the objectivity of auditors is maintained. This may involve a review of the audit fee, and fees paid for any non-audit work, and the general independence of auditors. The audit committee bridges the gap between the internal and external auditors and the board, helping to ensure that the board is fully aware of all relevant issues related to the audit.

The audit committee is structured to ensure reliable and high quality financial report as it oversees the financial reporting process as well as auditing the financial statements. Rezaee (2008), and Rezaee and Riley (2010) states that the roles and functions of the internal audit committee are crucial in the practical aspect of corporate governance, especially their drive towards ensuring quality in financial reporting as revealed in their result. While the findings of Erena and Tehulu (2012) reveal that the presence of audit committee and their frequent meetings can reduce the incidence of financial reporting problems. In recent times, the result of Ogbeide, Ogiugo and Adesuyi (2021) also revealed that companies with good internal audit quality function will not encourage earnings manipulations; as such companies will have quality financial statements.

3. Methodology

This study adopted survey design since it involves the field enquiries by collecting data using questionnaire from the target population. The target population of this study consists of the fifteen (15) listed Money Deposits Banks (DBMs) in Nigeria which have their branches here all across the country. These includes: Access Bank Plc, Fidelity Bank Plc, First City Monument Bank Plc, First Bank Nigeria Limited, Guaranty Trust Bank Plc, Union Bank of Nigeria Plc, United Bank of Africa Plc, Zenith Bank Plc, Ecobank Nigeria Plc, Polaris Bank Plc, Stanbic Ibtc Bank Plc, Sterling Bank Plc Unity Bank Plc, Keystone Bank Ltd and Heritage Bank. However, collection of the data for this study was limited to the branches of these DBMs located in Makurdi the capital city of Benue State. A total of 86 management staff were accessed from these 15 listed DMBs.

The questionnaire was used as the major instrument of data collection. A pilot study was conducted to test the accuracy and the consistency of the research instrument. The result shows that all the constructs were reliable (consistent). Data were statistically analyzed after being collected from the field using Multiple Regression Analysis as the main statistical technique with the aid of SPSS Version 23 to explain the effect of Corporate Governance on Financial Statement Quality. Regression analysis was used to test the study hypotheses.
4. Results and Discussion

Test of Hypotheses

**H0**: Board independence has no significant effect on start-up intention among university undergraduate students in Benue State Nigeria

<table>
<thead>
<tr>
<th>Model</th>
<th>Constant</th>
<th>Board Independence</th>
<th>β1</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
<th>R</th>
<th>R²</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.049</td>
<td>.821</td>
<td>0.202</td>
<td>0.155</td>
<td>10.736</td>
<td>.000</td>
<td>0.752</td>
<td>0.756</td>
<td>187.204</td>
</tr>
</tbody>
</table>

**Source**: SPSS Output, 2022.

The result from Table (1) shows that the regression model had a coefficient of determination (R²) of 0.756. This means that holding other variables to zero, 75.6% variation in financial statement quality is explained/predicted by the contribution of board independence. The findings are supported by an ANOVA (F test) results that the model was fit or none of the parameters was equal to zero hence significance adjusted R square (F = 187.204, p < 0.05). Hypothesis one (H0₁) estimated that board independence has no significant effect on financial statement quality of listed deposit money banks in Makurdi, Benue State. However, research findings showed that corporate governance measured board independence had coefficients of estimate which was significant based on β₁ = 0.821 (p-value = 0.000 which is less than α 0.05) implying that we reject the null hypothesis. This indicates that for every unit improvement on board independence, there is 0.821 units increase in financial statement quality of listed deposit money banks in Makurdi, Benue State.

**H0₂**: Audit committee has no significant effect on financial statement quality of listed deposit money banks in Makurdi, Benue State

<table>
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<tr>
<th>Model</th>
<th>Constant</th>
<th>Audit Committee</th>
<th>β2</th>
<th>Std. Error</th>
<th>T</th>
<th>Sig.</th>
<th>R</th>
<th>R²</th>
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<td>2</td>
<td>4.018</td>
<td>.337</td>
<td>0.054</td>
<td>0.033</td>
<td>52.069</td>
<td>.000</td>
<td>.538</td>
<td>.430</td>
<td>61.034</td>
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**Source**: SPSS Output, 2022

The result from Table (2) shows that the regression model had a coefficient of determination (R²) of about 0.430. This means that 43.0% variation of financial statement quality of listed deposit money banks in Makurdi, Benue State is explained/predicted by the contribution of audit committee. The findings are supported by an ANOVA (F test) results that the model was fit or none of the parameters was equal to zero hence significance adjusted R square (F = 51.034, p < 0.05). Hypothesis two (H0₂) estimated that audit committee has no significant effect on financial statement quality of listed deposit money banks in Makurdi, Benue State. However, research findings showed that Audit committee has significant effect on financial statement quality of listed deposit money banks in Makurdi, Benue State (β₂ = 0.337; p-value = 0.004 which is less than α 0.05). This implies that we reject the null hypothesis which states that audit committee has no significant effect on financial statement quality of listed deposit money banks in Makurdi, Benue State. This indicates that for every unit improvement on audit committee, there is a corresponding 33.7% improvement in financial statement quality of listed deposit money banks in Makurdi, Benue State.
5. Discussion of Findings

The findings of the study revealed from data collected that corporate governance has significant effect on financial statement quality of listed deposit money banks in Nigeria. The major findings of the study are presented according to the two objectives of the study as follow:

Effect of Board Independence on Financial Statement Quality of Listed Deposit Money Banks in Nigeria

The result of data collected and the analysis carried out revealed that board independence has significant effect on financial statement quality of listed deposit money banks in Nigeria. Regression analysis was used to test the hypothesis at 5 % level of significance and the p-value (0.000) was lower than the significance level. This can be statistically given as $P\text{-value } 0.000 < \alpha = 0.05$. This result is in agreement with findings from the studies by Ortega (2021) which confirmed a strong link between board independence and financial reporting and Joseph & Ahmed (2017) who also affirmed that board independence has a significant positive effect on the timeliness and quality of financial reports. This finding however opposes the findings of Uwalomwa, Eluyela, Uwuigbe, Obarakpo and Falola (2018) who found board independence as not having a non-significant negative relationship with the quality of financial reports and Onuora and Olayinka (2016) who opined that board independence has a significantly negative effect on the quality of financial reports.

Effect of Audit Committee on Financial Statement Quality of Listed Deposit Money Banks in Nigeria

The findings of the study indicated that audit committee has a significant effect on financial statement quality of listed deposit money banks in Nigeria. Regression analysis was used to test the hypothesis at 5 % level of significance and the p-value (0.004) was lower than the significance level. This can be statistically given as $P\text{-value } 0.004 < \alpha = 0.05$. This finding is in line with previous finding by Erena and Tehulu (2012) which revealed that the presence of audit committee and their frequent meetings can reduce the incidence of financial reporting problems. This finding is also supported by a recent finding by Ogbeide, Ogiugo and Adesuyi (2021) which revealed that companies with good internal audit quality function will not encourage earnings manipulations; as such companies will have quality financial statements.

6. Conclusion and Recommendations

In the course of the study, it was found that different dimensions of corporate governance are open to listed deposit money banks in Nigeria. The findings of this study were crucial in formulating study conclusions. It was possible to conclude from the study findings that the dimensions of corporate governance understudied are statistically significant in explaining the quality of financial statements of listed deposit money banks in Nigeria. It was also possible to conclude that there is high quality of financial statement among listed deposit money banks in Makurdi, Benue State which led to high performance of the deposit money banks and made it easy for investors to make decision whether to invest in the banks or not. It is therefore recommended that directors and managers of listed deposit money banks in Makurdi, Benue State should be made by law to own certain minimum percentage of shares due to the fact that an increase in managerial ownership will increase financial statement quality. Again we recommend that small audit firms when and if engaged by the of listed deposit money banks in Nigeria for audit work should be encouraged not to compromise the level of disclosure out of fear of losing the contracts.
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