Journal of Accounting
Vol. 12 (1) January - June 2023

BOARD OF DIRECTORS, INSTITUTIONAL INVESTORS AND FINANCIAL REPORTING QUALITY: EVIDENCE FROM LISTED NON-FINANCIAL FIRMS IN NIGERIA.

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ABSTRACT
This study investigated the impact of board of directors and institutional investors on financial reporting quality of Nigerian non-financial listed enterprises over the period 2012 to 2021. The research utilized a sample of 53 businesses, representing a population of 112 firms. To assess the dependent variable, discretionary accruals, the Modified Jones Model, as outlined by Dechow, Sloan, and Sweeny (1995), was employed. The study employed an ex-post facto research design and collected secondary data from annual reports and accounts available on the Nigerian Stock Exchange website. For data analysis, multiple regression analysis was the primary statistical method used during the descriptive phase. The findings from the fixed effect regression analysis revealed a positive and significant relationship between the financial expertise of the board and the quality of financial reporting. In contrast, board independence was found to have a minimal and adverse effect on the accuracy of financial reporting. Furthermore, the study identified that institutional investors' ownership had a statistically significant moderating effect on the association between board financial expertise and financial reporting quality, although it did not have a similar influence on the relationship between board independence and financial reporting quality in Nigerian non-financial listed firms. In light of these findings, the study suggests that the presence of institutional investors in Nigerian non-financial listed enterprises enhances their influence by strengthening their monitoring role through active participation in the companies' policies and decision-making processes.

Keywords: *Board of Directors, Board Independence, board financial expertise, institutional Investors, financial reporting quality*

1.0 Introduction
Financial reports describe a company's performance, financial status, and cash flow. Investors and other stakeholders rely on this information to make sound financial decisions. As a result, it is critical that the information included in financial reports be not just true but also relevant, dependable, and real. This underlines the importance of corporations providing accurate financial reporting. According to Biddle et al. (2009), financial reporting is the amount of accuracy that financial reports (FR) may achieve in informing all stakeholders about a company's operations, particularly its predicted cash flows. As a consequence, financial reporting is critical since it offers critical information for decision-making. Using financial data, investors decide whether to invest in a company's shares.

The International Accounting Standards Board (IASB) emphasizes the importance of financial reporting information adhering to objective and qualitative aspects in order to ensure that it effectively achieves its purpose (IASB, 2008). Financial data becomes useful when it meets a set of qualitative characteristics such as relevance, faithful representation, comparability, verifiability, timeliness, and understandability. According to those in charge of developing accounting standards, the most important indicators of financial information quality are dependability and relevance, since these traits offer the data meaning for decision-makers.

Earnings management (EM) is the deliberate manipulation of the reporting system for personal advantage. It is a factor in financial reporting quality (FRQ) and adds yet another aspect to the evaluation of financial reporting quality.There are several real-world instances of business crises that have harmed a company's image and brand. The experiences of Enron, Parmalat, Worldcom, and Lehman Brothers in the United States, as well as Pescanova, Bankia, and Banco de Valencia in Spain, have shown the need for tougher rules and regulations to promote more honest financial statement disclosure. Financial markets were unable to forecast the consequences of the crises because financial reporting was opportunistically manipulated in each of these occasions.

Corporate governance has risen to the top of the priority list for publicly listed firms on every stock exchange market across the world. The situation may be traced back to a number of events, including the 1997 East Asia Crisis and a series of recent economic scandals in the United States and many other nations throughout the globe (Becht et al., 2002; Roy, 2015). Because it is so crucial, excellent corporate governance has grown in popularity in recent years. The success or failure of a firm is decided by its leadership. The general public is particularly interested in and worried about corporate governance in the twenty-first century, with a particular emphasis on board governance. This is closely tied to the widespread destruction of major enterprises and organizations throughout the globe. As a result of the failures and scandals at companies such as Arthur Anderson, Enron, Tyco, WorldCom, and Lehman Brothers in the United States; Marconi & Northern Rock in the United Kingdom; Parmalat in Italy; Yukos in Russia; and Cadbury in Nigeria, governance issues have remained a top priority for academics, economists, boards, and policymakers. As a consequence of high-profile scandals and financial crises in the United States, Europe, and other established and developing markets, corporate governance concerns have lately gained more attention in developed countries, emerging markets, and transitional economies.The current Wirecard incident in Germany, one of Europe's worst financial scandals to date, is a classic illustration of this, and is also ascribed to the board's inexperience and lack of knowledge (Giovannetti, 2020). There is suspicion of faulty accounting and market manipulation in relation with the Wirecard affair. These scandals have shaken investor trust and brought the veracity of accounting data into doubt. This has shown that corporations must considerably enhance corporate governance in order to restore investors' trust in financial report disclosures (Abu Siam et al. 2014).

Several occurrences in Nigeria over the past decade have highlighted the ongoing struggle of non-financial businesses with effective corporate governance and boards. Notable instances include Cadbury Nigeria Plc and Lever Brothers Plc (Obigbemi et al., 2016; Seiyaibo & Okoye, 2020). The Securities and Exchange Commission (SEC) conducted a two-year investigation into Oando Plc's operations, revealing serious infractions such as false disclosures, market abuses, financial statement errors, and corporate governance lapses (SEC, 2019). Various empirical studies have examined the impact of the board of directors on financial reporting, both in industrialized nations (Ramalingegowda et al., 2020; Zhong, 2017) and in poor countries like Nigeria (Kusumaa & Fitriani, 2020; Shah et al., 2020). The role of institutional investors in corporate governance has been recognized as beneficial in enhancing monitoring and improving financial reporting quality (Srikanth et al., 2021). Board diversity has also been found to enhance financial reporting efficacy (Ibrahim & Jehu, 2018), with institutional investors potentially moderating these effects (Klai & Omri, 2011). Given Nigeria's reliance on non-financial firms for economic development, it is crucial to understand the influence of institutional investors on board diversity and financial reporting quality (Alshabibi, 2021; Sakawa et al., 2021). This research aims to address this knowledge gap through a comprehensive analysis of listed non-financial enterprises in Nigeria. Hence, the research hypotheses are stated in bull as follows:

i. The financial expertise of the board does not significantly influence the quality of financial reporting in Nigerian non-financial listed enterprises.
ii. There is no significant relationship between board independence and the accuracy of financial reporting in Nigerian non-financial listed enterprises.
iii. Institutional investors' ownership does not have a moderating effect on the association between board financial expertise and financial reporting quality in Nigerian non-financial listed firms.

2.0 Literature Review

Board of Directors

The duty of representing the board members rests with the Board of Directors (BOD). The BOD is constituted as a corporate organ to provide good corporate governance (Enofe et al., 2015). According to the OECD (2004), the BOD is one of the core prerequisites for effective corporate governance of businesses and is mandated by law in the vast majority of countries worldwide. Male and female members of a company's Board of Directors (BOD) are in charge of supervising and directing management as well as ensuring that profits are accurately reported in the interests of a variety of shareholders and other stakeholders (Enofe et al., 2015).

Institutional Investors

Large sums of money are raised by institutional investors from the general public and invested in the stock of major corporations. These investors carry a lot of responsibility. When it comes to sharing and revealing financial information, they are tighter (Healy et al., 1999). By incorporating them into a company's capital structure, agency costs are reduced. If institutional investors believe that managers' engagement is crucial, they could put managers under pressure to raise the caliber of the information provided. Governance can be the presence of institutional owners. Institutional investors do in fact have a significant incentive to monitor managers and participate actively in the administration of the company as a result of the enormous amounts invested (Jensen, 1993).

Financial reporting Quality

Financial reporting, as defined by the FASB (2008, p. 13), serves the fundamental purpose of providing valuable financial information about a reporting company. This information is essential for investors, lenders, and other creditors to make decisions about allocating capital, and it is also pertinent to potential equity investors. Financial reports serve as the primary means of disseminating information to external users, as noted by Wild (1996). Importantly, even users who are not directly supplying capital can benefit from information that is relevant to capital providers.

According to the aforementioned criteria, information is defined with the objective of furnishing shareholders and other stakeholders with accurate and authentic information that can be deemed of high quality. This information encompasses the current status, financial condition, and cash flow operations of the company. Another perspective on FRQ, offered by Martnez-Ferrero et al. (2013), relates to the accuracy of the data provided in both financial and non-financial reporting processes. Aifuwa and Embele (2019) have further refined and expanded this concept, defining FRQ as the precision of the data presented in both financial and non-financial reporting processes.

Agency Theory

The idea of agency was first introduced in the 1970s thanks to institutional theory and economics. Barry Mitnick and Stephen Ross both claim to have originated the idea, however there is much disagreement regarding who should receive credit (Mitnick, 2015). According to the theory, directors serve as the shareholders' representatives and must act in their best interests. The agent may not always act in the principal's best interests under the terms of the partnership. As a result, the disagreement between the company's owner (principal) and director (agent) is what gives rise to the problem with the Agency. The agency hypothesis presupposes that the agents (BODs) will take advantage of opportunities that may conflict with the owners' (principal's) goals and so deplete the shareholder's value.

Board Financial Expertise and FRQ

The study conducted by Dabor & Dabor in 2015 assessed the impact of board education on Financial Reporting Quality (FRQ) within Nigeria's banking industry. Their research, spanning from 2006 to 2014, examined nine Deposit Money Banks (DMBs) and concluded that board experience did not significantly influence financial reporting quality within this sector. In a different geographic context, Kankanamage (2015) explored the relationship between board financial expertise and Earnings Management (EM) in Sri Lanka from 2012 to 2015. Using Ordinary Least Squares Regression (OLS) on a sample of 160 listed companies, the study found a significant correlation between board composition and financial expertise, suggesting that board financial knowledge could restrain EM and enhance earnings quality. Still, its global scope may limit its applicability to the Nigerian market. Aifuwa and Embele (2019) investigated how board education impacted FRQ within publicly traded manufacturing companies, focusing on six sectors among eleven non-financial organizations. They used the Generalized Linear Model (GLM) to analyze data and found that board experience had a positive and statistically significant impact on FRQ.

A research on the association between Earnings Management (EM) and the financial expertise of boards of directors in Sri Lankan manufacturing businesses was undertaken by Hemathilake et al. in 2019. They observed that there was a favorable correlation between EM practices and board independence and the existence of board members who were financially literate in their study, which focused on 60 businesses. It should be emphasized that while their research was conducted from a global viewpoint, there may not be much direct relevance of their results to the Nigerian market.

Odu and Onatuyeh's (2019) research, in contrast, focused on the relationship between board financial expertise and Financial Reporting Quality (FRQ) in banks from 2008 to 2017. In the case of Nigerian banks, the data indicated a substantial inverse association between board financial competency and financial restatement. Furthermore, Ogbaisi et al. (2019) evaluated how board independence and competency affected FRQ in Nigeria. These results highlight the significance of board experience as a crucial factor determining FRQ, although they are limited to publicly listed companies in Nigeria, necessitating probably further research across industries and sectors.

Board Independence and FRQ

The monitoring function of independent directors affects financial reporting quality (FRQ) as assessed by Abdulmalik (2015).

The Malaysian Shareholder Watchdog Group (MSWG), which ranked the top 100 Malaysian companies in 2010 and 2011, was the main data source for the study. The study found that independent directors have a weak and adverse effect on financial reporting when using a feasible generalized least squares (FGLS) model. But it's important to remember that this study was conducted in Malaysia and may not be relevant elsewhere.

The relationship between board composition and financial reporting standards at the Nigerian Stock Exchange (NSE) was examined by Akeju and Babatunde (2017) in a separate study conducted since 2006. until 2015. The list of 40 companies that were the subject of their investigation spanned 10 years, from 2006 to 2015. The study showed a statistically significant positive association between FRQ and board independence, demonstrating that higher board independence is associated with better earnings quality. A study on the impact of board independence on financial reporting quality (FRQ) of oil marketing companies was conducted in Nigeria by Kantudu and Samaila (2015), from 2000. to 2011. A multiple regression analysis confirmed the results, showing a significant improvement in director independence. FRQ and highlight their main effects on FRQ.

In a study conducted by Mahboub (2017), the author looked at a group of 22 banks spanning from 2012 to 2015. The objective is to study the potential impact of board of directors composition on the FRQ (Financial Reporting Quality) of Lebanese banks. The results obtained from the OLS analysis indicate that there is no significant relationship between board independence and financial reporting accuracy. Furthermore, a study by Ibrahim and Jehu (2018) examined the association between board structure and financial reporting reliability in 96 Nigerian companies. The sample used in this study includes 576 years of observations from 2011 to 2016. The researchers conducted an in-depth study and found a significant and contradictory correlation between the existence of independent directors and non-executive officers with unusual provisions. This ultimately helped improve the reliability of financial information.

Egbunike and Odum (2018) conducted a study on the impact of board composition, especially the number and characteristics of non-executive directors, on earnings quality in Nigeria from 2011 to 2016. The researchers used a pooled ordinary least squares (OLS) regression model. . for their analysis. The results indicate that the presence of non-executive directors has a significant impact on discretionary regulations, leading to an improvement in earnings quality. Similarly, Seiyaibo and Okoye (2020) conducted a study that showed a notable influence of board independence and institutional ownership on FRQ. This was determined through the use of correlation and ordinary least squares (OLS) methods.

Institutional Investors and financial reporting Quality

A study conducted by Saleh et al. (2020) studied the impact of supervisory characteristics on emotional intelligence over a decade, from 2010 to 2019. They used the work of Francis et al. (2005) and use ordinary least squares (OLS) regression analysis to evaluate earnings quality. Their results highlight the positive and statistically significant role of independent directors and institutional investors on earnings quality, emphasizing their importance in evaluating performance. In a separate study by Zhong (2017), firm-level data from 41 countries were analyzed to explore the correlation between strategic institutional ownership and firm profitability.

The study demonstrates that this correlation is more pronounced in countries with strong investor protection mechanisms, highlighting the role of investor protection at the national level in influencing supervisory effectiveness institutional investors.

Kusumaa and Fitriani (2020) conducted a detailed analysis of the influence of ownership structure on financial reporting fraud. Their study, based on a sample of 353 observations of companies listed on the Indonesia Stock Exchange between 2013 and 2017, revealed the adverse impact of institutional and foreign ownership on possibility of fraudulent financial statements.

Shah et al. (2020) conducted an extensive investigation using feasible generalized least squares (FGLS) and panel corrected standard errors (PCSE) models. They explore the relationship between institutional ownership and earnings manipulation in a sample of 150 non-financial firms listed on the Pakistan Stock Exchange between 2008 and 2017. Results of their study shows the link between institutional ownership and earnings manipulation.
On the other hand, Seiyaibo and Okoye (2020) found that institutional ownership and growth potential had no significant impact on financial reporting quality (FRQ) in their study of 48 manufacturing firms in Nigeria from 2002 to 2017, using the ordinary least squares method. . (OLS) regression. Elsayed's (2020) study focuses on 50 companies listed on the Egyptian Stock Exchange between 2014 and 2016, using an updated Jones model. The study found a positive relationship between institutional ownership and FRQ.

3.0 Methodology

The research study utilizes an ex-post facto research design to examine how board of director diversity impacts the financial reporting quality (FRQ) of non-financial firms listed in Nigeria. This particular research design is chosen as it allows the researchers to use existing information and is suitable for testing the expected relationships between board characteristics and FRQ using historical data. The population for the study includes all 111 non-financial companies that are listed on the Nigerian Stock Exchange as of December 31, 2020. To create a sample size, a proportionate sampling technique is employed, which allocates samples to the 11 sectors in Nigeria. Within each sector, firms are then selected using random sampling techniques to ensure that every firm has an equal chance of being included in the study. Ultimately, 53 listed firms are selected as the sample for the study. Secondary data is collected from the annual reports of the sampled firms, spanning a ten-year period from 2011 to 2020. The key variables extracted from these reports include board independence (BID), board financial expertise (BEXP), and institutional ownership (INI), which serve as the independent variables, as well as the moderating variable. The dependent variable is represented by the residuals obtained from the discretionary accrual model based on the modified Jones model by Deschow et al. (1995). To measure FRQ, the study employs the absolute values of discretionary accruals, referred to as DisAccr. Previous studies (Chen et al., 2011; Hassan et al., 2022) have indicated that higher values of DisAccr indicate stronger FRQ.

Model 1: Without Moderation

$$FRQ = \beta_0 + \beta_1 BFE_{it} + \beta_2 BID_{it} + \beta_3 INI_{it} + \beta_4 FSZ_{it} + \beta_5 LEV_{it} + \beta_6 ROA_{it} + \varepsilon_{it}$$

Model 2: With Moderation

$$FRQ = \beta_0 + \beta_1 BFE_{it} + \beta_2 BID_{it} + \beta_3 INI_{it} + \beta_4 BFE*INI_{it} + \beta_5 BID*INI_{it} + \beta_6 FSZ_{it} + \beta_9 LEV_{it} + \beta_{10} ROA_{it} + \varepsilon_{it}$$

Where:

FRQ Financial Reporting Quality, BID= Board Independence, BFE = Board Financial Expertise, INI= Institutional Investor, FSZ= Firm Size, β = Coefficient of parameter estimate, ε = Error term, t = Time, i = Individual firms

Table4.2: Variable definition and measurement

No.	Variables	Types of Variables	Measurements	Authors/References
1	FRQ(Financial reporting quality)	Dependent variables	Multiplied the absolute values of discretionary accruals by -1 (DisAccr).	(Chen et al., 2011, Hassan et al., 2022).
2	Board financial expertise (BFE)	Independent variable	Proportion of directors' with financial expertise to board size at end of each financial year	Ojeka, Iyoha, and Onourah & Imene, 2016
3	Board Independence (BID)	Independent variable	Proportion of independent directors to board size at end of each financial year	Bravo and Reguera-Alvarado(2018); Aifuwa and Embele (2019)
5	Institutional investors (INI)	Moderating variable	Proportion of shares owners by institutional investors	Srikanth, Kaushik, Vishwanathan & David (2021)
6	Firm size (FSZ)	Control variable	Natural log of total asset	Rajeevan and Ajward (2019)
7	Leverage (LEV)	Control variable	Total debt/total Asset	Bassiouny et al. (2016)
8	Return on Asset (ROA)	Control variable	Profit after tax/total asset	Ashiq et al.(2022).

Source: ***Field work (2021)***

The primary approach for data analysis in this study was the use of multiple regression analysis to examine how board of director diversity affects the Financial Reporting Quality (FRQ) of non-financial service firms listed in Nigeria. Since the data used in this study encompassed cross-sectional and time series information, a panel data regression technique called ordinary least square was employed. The analysis was conducted using STATA 13 software.

4.0 Result and Discussion

Table 2: Descriptive Statistics

Variables	Obs	Mean	Std dev.	Min	Max
FRQ	530	-0.094	.104	-0.745	-0.00003
BFE	530	.193	.139	0	.667
BID	530	.111	.133	0	.556
INI	530	0.505	0.257	0	0.98
FSZ	530	16.990	1.750	12.66	21.595
LEV	530	.640	.380	.139	3.810
ROA	530	.0301	.174	-1.35	1.76

Source: STATA 13 Output, 2021

Table 3 presents an in-depth analysis of descriptive statistics related to the variables examined from 2012 to 2021. Financial reporting quality (FRQ) analysis shows a mean value of -0.094 with the standard deviation is 0.1003, indicating significant variation in FRQ among the Nigerian non-financial services firms studied.

This suggests that these entities have different levels of FRQ, with some likely adopting opportunistic reporting approaches. Overall, it can be seen that FRQ experienced a decline in selected non-financial companies during the study period.

Furthermore, the results indicate that board financial expertise (BFE) has a mean value of 0.193, with a standard deviation of 0.139. This implies that about 19.3% of the non-financial service companies studied have board members with qualifications in accounting and finance. This statistic highlights the relatively limited representation of board members with such professional qualifications in these organizations. Regarding board independence (BID), the average score is 0.111 with a standard deviation of 0.133. These figures reflect the relatively low presence of independent directors on the boards of listed non-financial services companies in Nigeria. It should be noted that there is considerable variation in this variable, ranging from 0 to 0.556. Additionally, the moderator variable, institutional investors (INI), has a mean of 0.505 and a standard deviation of 0.257. This indicates a relatively lower dispersion of institutional ownership among the sampled companies, suggesting that a significant number of institutions own shares in these companies. Turning to the control variables, Table 2 shows that Firm Size (FSZ) has a mean total asset value of N96.17 billion, with a standard deviation of N230.604 billion. This shows a significant difference in company size among the companies studied.

Table 3 Correlation Analysis

VARIABLES	FRQ	BFE	BID	INI	FSZ	LEV	ROA
FRQ	1.000						
BID	-0.101	1.000					
BFE	-0.046	0.044	1.000				
INI	0.029	-0.021	0.090	1.000			
FSZ	0.089	-0.031	0.287	0.066	1.000		
LEV	-0.559	-0.007	0.003	-0.014	-0.031	1.000	
ROA	-0.447	0.285	0.062	-0.017	-0.172	0.087	1.000

Source; STATA Output , 2021

Table 3 provides a summary of the Pearson correlations among the study's variables. It is essential for the correlations between independent variables to be low, while the correlations between each independent variable and the dependent variable should be significant. Gujarati and Porter (2009) suggest that a correlation exceeding 0.8 between two independent variables indicates severe multicollinearity. However, the statistics in Table 4.2 indicate that all correlation coefficients between pairs of independent variables are below 0.8, indicating the absence of substantial correlations among these variables.

Specifically, Table 3 reveals that the correlation between FRQ and BID is -0.046, signifying a weak and negative association between board independence (BID) and the Financial Reporting Quality (FRQ) of non-financial enterprises listed in Nigeria. Similarly, the correlation between BFE and FRQ is -0.101, indicating a weak and negative relationship between board financial expertise (BFE) and FRQ in these listed companies. Regarding the moderating variable, INI, Table 3 shows a coefficient value of 0.029, signifying a positive connection between institutional investors (INI) and FRQ. This suggests that an increase in institutional investors is linked to higher FRQ in publicly traded non-financial firms in Nigeria. Additionally, the correlation between FSZ and FRQ is 0.089, revealing a positive and significant relationship between company size (FSZ) and FRQ.

This implies that larger companies tend to have better FRQ in Nigeria's non-financial sector. Furthermore, Table 3 displays a correlation coefficient of -0.447 between LEV (leverage) and FRQ, indicating a strong negative association. This suggests that higher leverage is associated with lower FRQ in Nigerian listed non-financial enterprises. Lastly, the correlation between ROA (Return on Assets) and FRQ is also -0.447, signifying a substantial negative relationship between the return on assets and FRQ of Nigerian listed non-financial firms. This indicates that companies with lower ROA tend to have higher FRQ issues.

Results of Diagnostic Test

In this section, the results of normality of the data, muiltcolinearlity, heteroskedasticity test are presented and discussed in the tables below as follows

Table 4: Diagnostic Tests

	Normality test	**Heteroscedasticity**	**Mean VIF**	**Huasman Test**
Model 1	PV<0.000*	PV<0.000*	1.08	PV<0.004
Model 2	PV<0.000*	PV<0.000*	2.92	PV<0.000*

Note: P-value, * p<0.01, ** p<0.05, *** p<0.1 significance level

A significance level of 5% was used to conduct the Jacque Bera test to assess the normality of residuals. The results indicated that the residuals in both Model 1 and Model 2 had a p-value of 0.000, which is less than 5%. This implies that the residuals do not follow a normal distribution. Additionally, a Heteroscedasticity test was performed using the Breusch-Pagan or Cook-Weisberg test to examine this assumption. The prob>chi2 values for both Model 1 and Model 2 were 0.000, which is below the 5% significance threshold, as shown in Table 4. This suggests that the residuals exhibit heteroscedasticity. Furthermore, Table 4 displayed mean Variance Inflation Factors (VIF) of 1.08 and 2.92 for both models, indicating that the independent variables are not highly correlated. To determine the appropriate model specification, the Hausman test was employed due to the panel data structure. The test yielded a high p-value, suggesting the selection of the fixed effect model with Driscoll-Kraay standard errors for the analysis

Regression Results Table 5
Fixed Effect Model

	Model 1	Model 2
BID	-0.050	-0.217
	(0.495)	(0.073)
BFE	0.066	0.164
	(0.083)	(0.046)
INI	0.226	0.155
	(0.000)*	(0.001)
BID*INI		0.353
		(0.115)
BFE*INI		-0.604
		(0.045)*
FSZ	-0.005	0.001
	(0.683)	(0.886)
LEV	-0.032	-0.032
	(0.000)*	(0.000)
ROA	-0.293	-0.291
	(0.000)*	(0.000)
Constant	-1.014	-1.094
	(0.001)*	(0.000)
F-STAT	210.02	854.12
	(0.000)	(0.000)
R^2 Within	0.455	0.466
NO of OBS	530	530
NO of firms	53	53

Note: P-value, * p<0.01, ** p<0.05, *** p<0.1 significance level

In the context of the impact of institutional investors on the relationship between board diversity and Financial Reporting Quality (FRQ), Table 5 provides compelling insights. It reveals a noteworthy negative coefficient of 0.164, supported by a statistically significant P-value of 0.046, at a 5% confidence level. These findings signify that institutional investors exert a substantial moderating influence on the connection between board financial expertise and Financial Reporting Quality (FRQ) within non-financial firms listed in Nigeria. In essence, institutional investors, actively involved in corporate governance, possess the potential to amplify the effectiveness of board members with financial acumen in positively shaping FRQ.

Fundamentally, the presence of institutional investors enhances the oversight and regulatory responsibilities carried out by board members with financial expertise. Consequently, this practice acts as a deterrent against potential manipulation by management, ultimately contributing to a comprehensive enhancement in the Frequency of Favorable Response Quotient (FRQ). These results align seamlessly with the principles of agency theory, underscoring the pivotal role of institutional investors in monitoring activities and underscoring the imperative nature of board members with financial proficiency for the effective governance of corporations.

Discussion of findings

The discussion of the findings on the individual variables is as follows:

Board Financial Expertise and FRQ Moderated by Institutional Investor

The findings presented in Table 5 demonstrate a noteworthy inverse relationship between institutional investors and the connection between board diversity and Financial Reporting Quality (FRQ). The coefficient of -0.164, combined with a statistically significant P-value of 0.046 at a 5% confidence level, highlights the impact of institutional investors on this relationship within Nigerian non-financial companies. These results suggest that institutional investors have a considerable influence in moderating the influence of board members' financial expertise on FRQ. By actively participating in corporate governance, institutional investors have the potential to enhance the effectiveness of financially knowledgeable board members in positively influencing FRQ. This dynamic strengthens the oversight and regulatory responsibilities carried out by board members with financial expertise, effectively preventing potential manipulation by management. As a result, the overall FRQ significantly improves. These findings align with agency theory, emphasizing the pivotal role of institutional investors in monitoring activities and the importance of financially knowledgeable board members for effective corporate governance.

Board independence and Financial Reporting Quality Moderated by Institutional Investor

Panel A of Table 5 provides additional insights into the variables of board independence and institutional investors (INI*BID). The analysis reveals a negative coefficient of -0.217, with a P-value of 0.073. However, it is important to note that these results do not reach statistical significance at the conventional 5% level. Therefore, the influence of institutional investors' ownership on the relationship between board independence and the Financial Reporting Quality (FRQ) of non-financial enterprises

5.0 Conclusion and Recommendations

The study conducted an investigation into the moderating role of institutional investors in the connection between board of director diversity and Financial Reporting Quality (FRQ) within non-financial companies listed on the Nigerian stock exchange. The research spanned from 2012 to 2021, and the data analysis yielded significant findings.

Firstly, the study's findings indicate that institutional investors do not significantly moderate the relationship between board independence and financial reporting quality (FRQ). This suggests that the presence of institutional investors does not exert a discernible influence on the link between board independence and the quality of financial reporting in Nigerian non-financial companies. However, the research has uncovered that institutional investors do play a meaningful role in moderating the association between board financial expertise and FRQ. This implies that when institutional investors are involved, their presence enhances the impact of board financial expertise on the quality of financial reporting in listed Nigerian non-financial companies. This underscores the importance of having board members with financial competence to ensure the production of high-quality financial reports, especially in situations involving institutional investors. In contrast, the research did not reveal a substantial moderating effect on the relationship between board independence and FRQ, as indicated by the minimal value of BID*INI. Consequently, the presence of institutional investors does not significantly alter the correlation between board independence and the quality of financial reporting in the listed non-financial enterprises in Nigeria.

The paper also offers a range of recommendations and suggestions for future research, drawing from the insights gained from the aforementioned findings.

These proposals aim to enhance the comprehension of the roles of institutional investors and board diversity in strengthening the quality of financial reporting within Nigerian non-financial enterprises. Future research could explore additional factors that may impact the relationship between board independence and FRQ. Moreover, it would be valuable to investigate the broader influence of institutional investors on various aspects of corporate governance and business performance, extending beyond the scope of the current study.
Overall, this research provides light on the relevance of board financial knowledge and the minimal moderating impact of institutional investors on board independence in connection to financial reporting quality in Nigerian non-financial enterprises.

i. It is recommended that shareholders and boards of directors within listed manufacturing companies in Nigeria consider augmenting the presence of individuals with strong financial acumen on their boards. Specifically, striving to ensure that at least one-fourth of the board members possess a robust financial background is advisable. This strategic step is anticipated to enhance the efficacy of monitoring protocols, ultimately contributing significantly to the advancement of Financial Reporting Quality (FRQ).
ii. It is highly advisable for listed corporations to prioritize the inclusion of independent non-executive directors within their board structures. Ensuring that a minimum of 30% of board members hold an independent status is recommended. This approach holds the potential to bolster the board's vigilance and oversight capabilities, thereby facilitating more proactive monitoring measures that actively contribute to the enhancement of FRQ.
iii. Strong emphasis is placed on the need for institutional investors within Nigerian non-financial service enterprises listed on the stock exchange to elevate their level of engagement and activity. This objective can be realized through proactive involvement in shaping corporate policies and influencing decision-making processes. The expected outcome of such proactive participation is an enhancement of the monitoring capabilities of these organizations, ultimately leading to sustained improvements in their FRQ metrics, encompassing Frequency, Response, and Quality.

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