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Corporate Governance and Accounting Information Disclosure in the Nigerian Banking Sector

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4. CORPORATE GOVERNANCE AND ACCOUNTING INFORMATION DISCLOSURE IN THE NIGERIAN BANKING SECTOR

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ABSTRACT

The study examine the effect of corporate governance on the quality of accounting information disclosed in Nigerian banks. The study covers banks that are quoted in the Nigeria Stock Exchange. Data were collected from secondary sources using the annual reports and factbook of selected banks during the period of 2006-2015. Data collected were analyzed using statistical tools; unit root, co-integration and error correction model. The corporate governance indices used in the study include; Audit committee meeting (ACM), Audit committee qualification (ACQ), Board size (BS), Directors in audit committee (DAC), Ownership structure (OS) and Corporate board members (CBM). The study revealed that ACM, ACQ, BS, DAC and OS had a significant positive relationship with accounting information disclosure at 1% and 5% level of significance respectively, while it was discovered that CBM had a negative relationship but was insignificant. It is concluded from the findings of the study that corporate governance contributes to the quality of accounting information disclosed in the banking sector.

KEYWORDS: *Corporate governance, Accounting Information Disclosure, Banking Sector, Nigeria.*

INTRODUCTION

The demand for information disclosure in the modern capital market is on the rise and the reason stems from information asymmetry and agency conflicts existing between the management and shareholders (Oyerogba, 2014). Although, the extent and quality of disclosure within the annual reports vary from company to another, it has been observed in previous studies that in the Nigerian context, corporate reporting practices is weak (Ebiringa&Kunle, 2014; Ofoegbu& Okoye, 2006 and Wallace, 1998). Sanusi (2010) stated that since consolidation, some banks were engaging in unethical and potentially fraudulent business practices. It was further stated that these malpractice within the consolidated banks has become a way of life in large part of

the sector; thereby enriching a few at the expense of many depositors and investors. Sanusi further opined that corporate governance in many banks failed because boards ignored corporate governance practices by participating in obtaining unsecured loans at the expense of depositors and not having directors with qualification to enforce good corporate governance on bank management. In addition, the audit processes broke down and as the size of the banks grew the complexities continued within them. In a situation where committee were even in place, for example audit committee among others, they were mostly ineffective or dormant.

Accounting information contains the necessary information that stakeholders need in decreasing uncertainty and assisting them in making appropriate financial and economic decisions, making it much valued by the stakeholders (Ala' Hussein & Mohammad, 2015). Further, Nandi and Ghosh (2012) stated that companies' annual financial reports contain diverse information and thus, they are deemed as one of the most essential sources of information. According to Edogiawerie and Oziegbe,(2016), a good financial report must not only be capable of providing users with mandatory information disclosures but as well go extra mile in providing voluntary information so as to meet the need of the various categories of users. Provision of information upon which sound investment decision can be made is the goal of all disclosure requirements so as to reduce uncertainties and understand as much as possible the values of the company as inferred from its reports (Glassman, 2003).

The significance of corporate governance to the survival of the banking sector cannot be over-emphasized. Jafaru and Iyoha (2012) stated that a healthy corporate governance culture is imperative in the banking sector where the retention of public confidence remains of utmost importance. They further stated that poor corporate governance has been identified as one of the major factors in virtually all known instances of distress in banks. Public confidence here depends largely on the accounting information obtained by the public from the respective company; and this is the major tool that is used for decision-making. The introduction of the code of corporate governance is to produce a bench work that will influence business practices in organizations most especially the banking sector. This is because of the increased rate of distress in the sector and the effect of the performance of the banks will have significant effect on the Nigerian capital market and by implication, the economy at large.Jouini (2013) stated that corporate governance help company to reduce mismanagement, to remedy deficiencies in governance mechanism and to prevent abuse of power and management of risks. The compliance of companies into these recommendations is essential and it forms the basis for evaluating the quality of the governance system and thereby leads to protection of the reputation of the company. The focus of this study is not limited on the accounting information disclosed by the banks according to the code of corporate governance information index but to examine the quality of the information disclosed by these banks in a given financial year.

LITERATURE REVIEW

Conceptual Clarifications
Corporate Governance

Norlia, Zam and Ibrahim (2011) describe corporate governance as the structures and processes for the direction and control of companies. Corporate governance concerns the relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders. Corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization. According to Rogers (2008), corporate governance is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance. It was further opined that, corporate governance is about how to build trust and sustain confidence among the various groups that make up an organization. Alexandra, Reed, and Lajoux(2005) defines corporate governance as the system by which companies are directed and controlled. The nature of corporate governance, therefore, going by this definition consists of two dimensions: direction and control. The direction dimension of corporate governance emphasizes the responsibility of the board to attend to strategic positioning and planning in order to enhance the performance and sustainability of the company; while on the other hand, emphasizes the responsibility of the board to oversee the executive management of the company in the execution of the plans and strategies.

The aim of corporate governance is to ensure that corporations are managed in the best interests of their owners and shareholders (Ahmed, Alam, Jafar& Zaman 2008). This applies specifically to listed companies where the majority of the shareholders are not in participatory everyday management positions; although, it can also apply to other forms of corporations such as companies with few principal owners and a large group of smaller shareholders, public corporations (where all citizens are stakeholders) partner-owned companies and privately owned companies where the ownership has been divided through inheritance in one or several generations (Ahmed, Alam, Jafar& Zaman 2008). It is therefore concluded that corporate governance assures transparency, investor protection, full disclosure of executive actions and corporate activities to stakeholders, environmental impact assessment of corporate activities, assurance of performance related to executive compensation and full disclosure of executive compensation (Osaze, 2007).

NATURE AND SCOPE OF ACCOUNTING INFORMATION DISCLOSURE

Accounting information contains the necessary information that stakeholders need in order to decrease uncertainty and assist them in making appropriate financial and economic decisions (Ala' Hussein & Mohamad, 2015). One of the major responsibilities of the board of directors is to ensure that stakeholders are provided with high-quality disclosures on the financial and operating results of the entity that the

have been entrusted with governing (Adeshina, Ikhu&Olaleye 2015). Almost all corporate governance codes around the world, including the OECD specifically require the board of directors to provide stakeholders with information on the financial and operating results of a company to enable them to properly understand the nature of its business, its current state of affairs and how it is being developed for the future.(OECD2010) The quality of financial disclosure depends significantly on the robustness of the financial reporting standards on the basis of which the financial information is prepared and reported. In most circumstances, the financial reporting standards required for corporate reporting are contained in the generally accepted accounting principles recognized in the country where the entity is domiciled. There are different channels that companies use to disclose information, such as annual reports, conference calls, analyst presentations, investor relations, interim reports, prospectuses, press releases, and websites, among others; the corporate annual report is considered a very important official disclosure channel (Hope, 2003).

Corporate disclosure can be divided into two broad categories, mandatory disclosure and voluntary disclosure. Mandatory disclosure is information revealed in the fulfilment of disclosure requirements of statute in the form of laws, professional regulations, standards and the listing rules of stock exchanges while voluntary disclosure is any information revealed in excess of mandatory disclosure. Voluntary disclosure aims at introducing and explaining companies' potentials to investors, driving the fluidity of capital market, guaranteeing more effective allocation of capitals, and decreasing capital costs. According to relevant laws and regulations, compulsory disclosure and voluntary disclosure can be transformed mutually. In different economic, political, legal, and social environments, countries face different conditions concerning voluntary disclosure due to the differences in relevant laws. On the other hand, compulsory disclosure can depress or affect voluntary disclosure. Ronen and Yaari (2002) point out that compulsory disclosure cannot stop the disclosure of false information but restrain voluntary disclosure. Therefore, some companies may choose to adopt a partial disclosure strategy by which they merely disclose positive news or negative news.The importance of corporate disclosure is that it is a means of communication between management, outside investors and market participants in general.Demand for corporate disclosure arises from the information asymmetry problem and agency conflicts between management and outside investors (Healy & Palepu, 2001). Enhanced corporate disclosure is believed to mitigate these problems as opined by Healy and Palepu, (2001); Graham, Harvey and Rajgopal (2005).

The supply of corporate disclosure or the way in which information disclosure is managed is referred to as disclosure position Gibbins, Richardson and Waterhouse (1990). The study identified Ritualism and opportunism as the two disclosure position. The ideaof the dimension is whether management plays an active or passive role in managing disclosure. Ritualism refers to uncritical adherence to predefined disclosure norms that arises from internal behavioural patterns, motivation perhaps by an

effective system of corporate governance, and not from external disclosure regulations. Opportunism is the propensity to seek firm specific advantages in the disclosure of financial information (Graham, Harvey &Rajgopals, 2005). Companies may benefit from providing more information to the public through a reduction in their cost of capital or an increase in the pure cash flows accruing to their shareholders, consequently increasing their values. However, providing information to the public is not a costless task. Among the costs of disclosure are the costs of information production and dissemination; cost of competitors accessing vital information about a company (Wagenhofer, 1990). Furthermore, lawsuit costs may be incurred when a company is sued regarding its disclosure if the information subsequently turns out to be erroneous (Skinner, 1994). Thus, a decision to provide more information to the public should, in theory, be based on a cost-benefit analysis although detailed estimation of all costs and benefits is difficult (Botosan, 2000).

CORPORATE GOVERNANCE AND ACCOUNTING INFORMATION DISCLOSURE

Klai and Omri (2011) strongly debated that there is a relationship between corporate governance and the financial information reported by firms. Financial reporting is a crucial element necessary for the corporate governance system to function effectively. Section 3.16 of the CBN Codes (2006), state that transparency and adequate disclosure of information is the key attribute of corporate governance. In relation to this, Rogers (2008) suggest the disclosure of more information pertaining to the capital structure and control of the company is one of the ways to win public confidence. Despite this assertion, Karim, Islam and Chowdhury (1998) however discovered in a study conducted on financial reporting using 146 firms in Bangladesh firms as focus, that firms only disclose 26 percent of the voluntary disclosure on the average. Morwan, Mohammad and Chek (2011) however submitted in a study conducted on Malaysian firms that, failure of corporate governance leads to failure in financial reporting in Malaysia. The corporate governance indices that relates to board, ownership and audit committee are the area of focus of this study. The findings of studies conducted on the effect of corporate governance on accounting information disclosure are inconclusive.

Previous studies conducted affirm the significance of the corporate governance indices adopted in the study to accounting information disclosure. Bhagat and Jefferis (2002) stated that audit is important in implementing corporate governance principles and improving the value of a firm. The audit is important because in the event of financial manipulations, the auditors are held accountable for their actions as the availability of transparent financial information reduces the information asymmetry and improves the value of a firm. Hanrahan, Ramsay and Stapledon (2001) stated also that the board of directors play significant role in improving corporate governance because if they perform their fiduciary duties effectively, the performance of the firm will be elevated. The size of the board is also significant because the larger the board, the larger the range

of expertise to make better decision (Zahra & Pearce, 1989). Karamanou and Vafeas (2005) also demonstrated that corporations with more efficient boards and stronger audit committees led to the issuance of more forecasts by management that were also more accurate.

In a study conducted by Karamanou and Vafeas (2005) on the association between corporate boards, audit committees, and management earnings forecasts; submitted that corporations with more efficient boards and stronger audit committee led to the issuance of more forecasts by management that were also more accurate. Contrary to this results, research conducted by Koehn and Ueng (2005) on evaluating the evaluators as to whether investors should trust corporate governance metrics rating, stated that firms with poor governance practices provided financial information that was at least as good as firms with strong corporate governance. In addition, Farber (2005) found that firms previously cited for fraud had difficulty overcoming the stigma, even after improving their corporate governance practices. It was stated specifically, that they still faced issues with credibility as institutional holdings and the number of analyst following the company did not increase subsequent to governance improvements.

Adebimpe and Peace (2011) tested the relationship between corporate governance, company attributes and voluntary disclosures of quoted companies in Nigeria using univariate, multivariate and cross section models. The evidence of the findings revealed that only board size as a significant positive relationship with the extent of voluntary disclosures in selected firms. Allegrini and Greco (2011) also stated that there is a positive linkage between board size and diligence, and corporate voluntary disclosure; Gao and Kling (2012) also found that board size positively affect firm's compliance to the disclosure requirements; and Al-Janadi, Abdul Raham and Omar (2013) submitted that board size appears to substantially contribute to quality voluntary disclosure establishment; while Xiang, Li and Li (2014) Further state that board size has also been found to have an unusual positive impact on quality of information disclosure (Xiang et al.,2014). Some studies have however stated that board size and accounting information disclosure have no linkage and the result from a study conducted by Yermack (1996) show a negative association between board size and firm valuation. It was stated further that the board should be of a sufficient size relative to the scale and complexity of the company's operations and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings. The justification for this submission a larger board size may bring a greater number of directors with experience that may represent multitude of values on the board (Halme&Huse, 1997). A contrary view opined that a reduced number of directors imply a high degree of coordination and communication between them and managers.

Kosnik (1990) argues that board performance is associated with the composition of directors. Outside directors are arguably more effective than inside directors in maximising shareholders' wealth. In contrast, Klein (2002) suggests that inside directors

can contribute more to a firm than outside directors due to their firm-specific knowledge and expertise. Ho and Wong (2001) do not find an association between the number of outside non-executive directors and the extent of voluntary disclosure. Goodstein, Guatam and Boeker (1994) highlight the importance of outside board members in carrying out the board's decision control function. Pearce and Zahra (1992) report that more outside directors on a board increase a firm's environmental uncertainty.

EMPIRICAL REVIEW

Jafaru and Iyoha (2012) conducted a study on directors and corporate governance in the banking sectors: evidence from Nigeria. The study seek to identify the challenges of corporate governance faced by directors in the Nigeria banking sector. The study used ex-post factor research design and centeredon the views of executive and non-executive directors of banks in Nigeria. Data collected were analysed using simple percentages, averages, andrank order statistical tools. The study revealed that the major challenge of corporate governance is the effectiveness of the audit committee and lack of shareholder activism.

In a similar study conducted by Adeoye (2015) on corporate governance in the Nigeria banking sector: issues and challenges. The aim of the paper was to examine the issues and challenges around corporate governance in the Nigerian banking industry. The study collected data from primary sources using questionnaire. The study found lack of presentation of information common in banks in pre-consolidation and post consolidation era. Frauds, override of internal control and non-adherence to limit authority in a bid to meet set targets and recapitalization of bank plays vital role in promoting effective corporate governance. In addition, lack of effective corporate governance results in the failure of banks in Nigeria.

Ejeagbasi, Nweze, Ezeh and Nze studied corporate governance and audit quality in Nigeria; evidence from the banking industry. The study examined the relationship between corporate governance and the quality of auditors report with evidence from the Nigerian banking industry. The study adopted the ex-post facto research design and related on historic data of eleven (11) deposit banks in Nigeria. The study used correlation analysis and it was found that board composition has a negative and insignificant relationship with audit quality while separation of roles of the CEO from that of the board, board size and composition of audit committee has positive but insignificant relationship with audit quality.

Jouini (2013) studied corporate governance system and quality of financial information. The study determine the relationship between system of governance and the quality of financial information for a sample of French companies listed in the SBF 250 for a period of 2004-2008. The quality of financial information was measured by discretionary accruals while corporate governance was measured by the global index with 64 items and the sub-indices relating to the characteristics of the board, ownership structure and

quality of the central system. The study found that quality of financial information is positively related to the quality of the board and the quality of the ownership structure. The use of the overall governance index gives more significant results for the three models and affirms the positive relationship between the quality of governance system and the quality of financial reporting.

Fares, Haitham, Haitham and Mohammed (2013) conducted a study on corporate governance and its impact on the quality of accounting information in the industrial community shareholding companies listed in Ammanfinancial market-Jordan. The study was aimed at examining the impact of governance on the quality of accounting information, a field study on industrial firms listed in Amman financial market. Data were obtained from both primary and secondary sources of data which were obtained through administration of questionnaire to 50 industrial companies. Statistical package for the social sciences (SPSS) was used to analyse the data obtained and test the formulated hypothesis. The findings of the study revealed that there is effective implementation of the principles of corporate governance affect the quality of financial reporting, makes it more accurate and quality in a community study. Furthermore, it found that they should be fully aware of the designers and users of financial statements of the concept of corporate governance and the foundations of their application industrial companies listed on valuable Amman financial market.

 Nesrine and Abdulwahed (2011) conducted a study on corporate governance and financial reporting quality: The case of Tunisian firms. The study examine the effect of the governance mechanisms on the financial reporting quality for a sample of Tunisian firms listed on Tunis Stock Exchange during the period of 1997-2007. The study utilised a sample of 22 non-financial firms listed in the Tunis stock exchange during the period covered in this study. The findings of the study revealed that the governance mechanisms affect the financial information quality of the Tunisian companies. Particularly, the power of the foreigners, the families and the block holders reduces the reporting quality, while the control by the state and the financial institutions is associated with a good quality of financial disclosure.

Ibadin and Dabor (2015) conducted a study on corporate governance and accounting quality: empirical investigations from Nigeria. The study was aimed at examining corporate governance and quality of financial reporting of companies in Nigeria. Secondary source of data from 150 companies in Nigeria from 2006-2009 was used to gather data. The data were analysed using ordinary least square (OLS) of multiple regression along with the descriptive statistics to obtain the mean, standard deviation, minimum and maximum values. The findings of this study from 2006 through to 2009 showed a mixed result.

Myring and Shortridge (2010) conducted a study on corporate governance and the quality of financial disclosures. The study aimed at utilizing analyst's earnings forecasts to provide an alternate framework for examining the impact of corporate governance procedures on the quality of accounting information in the financial market. The study utilized sample and descriptive statistics to analyse the data gathered in this study. The

utilized sample and descriptive statistics to analyse the data gathered in this study. The findings of this study provide mixed evidence to support the notion that the strength of corporate governance impacts the quality of financial statement information.

Joseph and Ahmed (2017) conducted a study on corporate governance and financial reporting quality in Nigeria. The study was aimed to investigate corporate governance and financial reporting quality of companies listed on the Nigeria stock exchange from 2006 to 2015. Data were obtained from annual reports of 40 quoted companies on NSE from 2006-2015. Multiple regression analysis was used to test the research question formulated in the study. The finding of the study revealed that corporate governance improves the financial reporting quality in Nigeria.

Zahid (2016) conducted a study on corporate governance and value relevance of accounting information: evidence from Pakistan. The study aims to investigate the impact of corporate governance on value relevance of accounting information of KSE index non-financial companies for the time period of 11 years from 2005-2014. The study has used the data of 90 companies in Pakistan. The study use panel data estimation technique and used fixed effect model. The findings of the study revealed that corporate governance have significant effect on value relevance of accounting information, that is, board independence and board size have positive and significant impact on earnings per share. Audit quality have insignificant impact on earnings per share while board independence, board size and audit quality have insignificant effect on book value per share.

Gois conducted a study on financial reporting quality and corporate governance: the Portuguese companies' evidence. The main objective of the paper is to analyse the relationship between the composition and characteristics of corporate governance on the financial reporting quality of Portuguese companies. Data were obtained from annual reports, paper, the necessary elements were collected by hand because there was no registration information for the required period. Thus, the sample of the study comprises of 234 firm observation per year, obtained by way evidence relating to 39 firms for 6 years. Multivariate analysis was used to analyse the formulated hypothesis. The findings of the study reveals that board composition changes and its degree of independence do not produce any influence on the quality of the accounting information.

Adeyemi and Asaolu (2013) conducted a study on empirical investigation of the financial reporting practices and banks' stability in Nigeria. The study was aimed at examining financial reporting practices among post consolidation banks in Nigeria and the subsequent stability of the banks. The study relied on secondary data collected through in-depth content analysis of published annual reports and accounts between 2005 and 2009. The finding of the study indicated a high level of compliance withthe mandatory disclosure requirement for banks by scoring on the CDI (mean in excess of 90%). The regression analysis results showed that disclosure has a positive and significant influence on banks stability (as defined by ROA and liquidity)

Nigeria. The study uses historical data. Research data are drawn from financial statements and notes of firms listed in NSE. The results indicate that there were variations in the perceptions of information by users of the importance of disclosure requirements. Statistical tests indicate that the level of disclosure by companies seems to cause differences in the perceived importance of items in the income statement and statement of financial position sections. A high degree of importance was attached to disclosure items such as earnings per share, investments opportunities, and performance than corporate governance information disclosed. Despite of financial reports quality, it can be drawn from this study that all information users do find corporate governance items disclosed in financial reports as useful for their investment decision-making process.

Sheila,Ridzwana and Syed (2013) examined the impact of corporate governance on disclosure quality: empirical evidence from listed banks in Malaysia. Corporate governance variables tested in this study are the board leadership structure, board composition, board size, director ownership, institutional ownership and block ownership. The results reveal that better disclosure quality of the annual reports in banking sector can be achieved by having separate board leadership structure, higher proportion of independent non-executive directors, higher board size, lower ownership by the directors, institutional and block shareholders.

Carlos,Sabri and Amal (2013) examined corporate governance and voluntary disclosure in France ,using a panel of 206 non-financial French listed firms during the period 2006–2009, it find evidence that voluntary disclosure in annual reports increases with managerial ownership, board and audit committee independence, board meeting frequency, and external audit quality. The study also finds that frequency of audit committee meetings and diligence of board and auditing are associated with decreased disclosure. Additional findings show that larger, more profitable, and less indebted firms have greater voluntary disclosure.

Wendy,Philip,Wenwen andQiyu (2016) examined the link between corporate governance, companies' disclosure practices and their equity market transparency in a study of more than 5,000 listed in 23 countries covering 2003-2008.The findings of the study confirm the belief that better- governed firms make more frequent disclosures to the market. The study also found greater disclosure in common law relative to code law countries; also firm with better governance in both code and common laws make more frequent disclosures. More detailed analysis reveals only certain components of corporate governance are associated with disclosures and overall transparency. Taken as a whole, our results confirm corporate governance can play a significant role in determining the efficiency of a country's equity market.

Mark and Rebecca, (2010) examined the relationship between corporate governance and the quality of financial disclosure. Using data from The Corporate Library, an investment research firm that grades the corporate governance structures of U.S. companies, the study examined the impact of strong corporate governance on financial reporting by assessing the analysts information environment. The results provide

mixed evidence on the relationship between corporate governance and the quality of financial disclosures. Specifically, governance scores from The Corporate Library tend not to be related to analysts' consensus or the accuracy of individual forecasts. The only governance attribute that appears to impact uncertainty is the number of best practices followed by our sample companies

Shamimul, Syed and Robert (2013) examined corporate governance and financial disclosures: Bangladesh perspective .The study analysis overall disclosure index of twenty non-financial companies listed in DSE. The results show that corporate governance is significantly associated with the extent of financial reporting disclosures. External auditor, multi-listing and profitability are significantly associated with overall financial reporting disclosures index. It was discovered in the study that external auditor, a corporate governance variable, can significantly influence the level of corporate financial disclosures. Other variables, such as, board independence, board-size, dominant personality, institutional ownership and general public are not meaningfully associated with the level of financial disclosures. As such, the corporate governance structure in Bangladesh is not at the acceptable level.

METHODOLOGY

The study was conducted using data from secondary sources to determine the effect of corporate governance on accounting information disclosure in Nigerian banks. The analysis was done using analytical tools; unit root test, co-integration test and vector correction test; inorder to determine the short run and long run effect of the variables. The data used was obtained from the annual reports of selected banks and factbook for period of 2006-2015. Data on board size, composition of board members, directors in audit committee, audit committee meeting, audit committee qualification and ownership structure were obtained from annual reports and factbook, while data on accounting information disclosure was derived using information from the disclosure index; which was scored using the unweighted method (Cooke, 1991) as adopted by Adelopo (2011). The unweighted index is computed as; the number of items disclosed by a company in a given year divided by number of item it could disclose.

Model Specification

To establish the effect between these variable, the general model specification is represented as;

$$Y = \beta_0 + \beta_1 BS + \beta_2 CBM + \beta_3 DAC + \beta_4 OS + \beta_5 ACQ + \beta_6 ACM + \mu_1 \dots\dots\dots eqn\ (1)$$

The general specific for this study is as follows;

Where;Y   = Accounting information disclosure

BS   = Board size

CBM = Composition of Board Members

DAC = Director in Audit Committee

ACM   = Audit Committee Meeting

ACQ   = Audit Committee Qualification

OS   = Ownership Structure

μ   = Error term

β0   = Parameter to be estimated (is the average amount the dependent variable increase when the independent variable increase by one unit, other independent held constant)

β1- β3= Partial derivatives or the gradient of the independent.

Data Analysis Technique

Unit Root Test

The unit root test was conducted using the Augmented Dickey Fuller Test (ADF) and DF- GLS. The test is carried out to ascertain the stationarity properties of the time series in order to avoid spurious regression in the regression estimates and ensure reliability of estimates and therefore the application of appropriate test statistic for long run relationship/effect. The ADF formula is thus specified

$$\Delta P = \beta_1 + \beta_{2\tau} + \sigma P_{it-1} + \alpha \sum_{t-1}^{m} \Delta P_{it-1} + \varepsilon \quad \text{- - - -- - - - - - - - - - - - - --- - -} \quad (1)$$

In an attempt to determine whether a short run dynamic relationship and long run relationship exist between corporate governance and accounting information disclosure, equation 1 is however transformed to its first difference to suit error correction model as below:

$$\Delta Y = \beta_{0+} \beta_1 \Delta BS + \beta_2 \Delta CBM + \beta_3 \Delta DAC + \beta_4 \Delta OS + \beta_5 \Delta ACQ + \beta_6 \Delta ACM + \beta_7 \Phi(-1) + \mu_2 \ldots\ldots\ldots(ii)$$

Where: Δ = First difference of each variable   ο = Coefficient of the residual term

Co-integration Test

The primary aim of the study is to estimate the long run relationship between Returns on Equity and capitalization, exchange rate, interest rate, market risk, and credit risk. The correct specification of such a long-run relationship that will capture the short-run deviations that might have occurred in estimating the long-run co-integrating equation requires an error correction term (Onwioduokit&Adenuga, 2000; Osakwe, 1983). In this method, the number of co-integrating relations is tested on the basis of trace statistics and maximum Eigen statistics. Once the presence of co-integration is established, we estimate an error correction model (ECM) that includes both the long run and short run dynamics. The Co-integration version of the above model is expressed as

$$\lambda_i lnY_t = a_0 + \sum a_{1i}\lambda_i lnBS_{t-i} + \sum a_{2i}\lambda_j lnCBM_{t-i} + \sum a_{3i}\lambda_j lnDAC_{t-i} + \sum a_{4i}\lambda_j lnOS_t + \sum a_{1i}\delta_i lnACQ_{t-i} + \sum a_{2i}\delta_i lnACM_{t-}$$

$$_i + \sum a_{3i}\delta_i lnBS_{t-i} + \sum a_{4i}\delta_i lnCBM_{t-i} + \sum a_{3i}\lambda_j lnDAC_{t-i} + \sum a_{4i}\lambda_j lnOS_t + \sum a_{1i}\delta_i lnACQ_{t-i} + \sum a_{2i}\delta_i lnACM_{t-i} + U_t \ldots\ldots\ldots(iii)$$

DATA PRESENTATION AND DISCUSSIONS OF FINDINGS

Unit Root Test

From the result obtained in table 1 using Engle Granger critical value at 10%, and the Augmented Dickey Fuller (ADF). The unit root test according to the Augmented Dickey Fuller (ADF) suggest that all the variables are stationary at first difference except board size;but was found to be stationary at first difference when Dickey-Fuller generalized least square was applied. Thus we apply the ECM and Johansen co-integration tests to test long run relationship among the variables.

Variables	At Level		At First Difference		Decision
	ADF	Lag Length	ADF	Lag Length	
Y	-1.436913	1	-6.030228**	1	I(1)
BS	-1.410537	1	-1.787981	1	N/S
CBM	1.432470	1	-6.776514**	1	I(1)
DAC	0.160993	1	-2.936201*	1	I(1)
ACM	-0.837584	1	-2.951447*	1	I(1)
ACQ	-0.905035	1	-3.013575*	1	I(1)
OS	-1.771812	1	-4.911207**	1	I(1)
Variables	At Level		At First Difference		Decision
	DF-GLS	Lag Length	DF-GLS	Lag Length	
BS	-1.651583	1	-3.174280*	1	I(1)
EG CV@10%	-3.04				

NB: *, ** & *** represent significance at 1%, 5% and 10% level respectively

Source: Author's computation with E-view 9.0

Co-integration Test

The result of the co-integration test using the trace statistics and the Max-Eigen statistics as shown in table 2, revealed that from the trace statistics, the null hypothesis that there is no co-integration among the variables is rejected and the alternative hypothesis is accepted that there is co-integration among the variables because the probability of the hypothesis is less than 5% significance level, the result of the Max-Eigen statistics suggests the same result.

The implication of this is that in the long run, all the variables moves together. We therefore proceed to estimate the long run regression model and presented the result in table 3.

Table 2: Co-integration Test (Trace and Eigen value)

Sample (adjusted): 2007 2015

Included observations: 9 after adjustments

Trend assumption: linear deterministic trend

Series: Y ACM ACQ BS CBM DAC OS

Lag interval (in first difference) 1 to 1

Unrestricted Co-integration Rank test (Trace)

Hypothesized No. of CE (s)	Eigen Value	Trace Statistics	Critical value (0.05)	probability
None*	0.996470	334.9699	125.6154	0.0000
At most 1*	0.843836	142.9946	95.75366	0.0000
At most 2*	0.635047	79.86175	69.81889	0.0064
At most 3	0.478437	45.59021	47.85613	0.0804
At most 4	0.298946	23.45874	29.79707	0.2243
At most 5	0.259819	11.38293	15.49471	0.1890
At most 6	0.033363	1.153690	3.841466	0.2828

Trace Test indicates 3 co-integrating equations at 0.05 level

*Denotes rejection of the hypothesis at 0.05 level

*Mackinnon-Haug- Michelis (1999) p-values

Unrestricted Co-integration Rank Test (Eigen value)				
Hypothesized No. of CE (s)	Eigen Value	Trace Statistics	Critical value (0.05)	probability
None*	0.996470	191.9753	46.23142	0.0000
At most 1*	0.843836	63.13285	40.07757	0.0000
At most 2*	0.635047	34.27154	33.87687	0.0449
At most 3	0.478437	22.13147	27.58434	0.2137
At most 4	0.298946	12.07581	21.13162	0.5402
At most 5	0.259819	10.22924	14.26460	0.1973
At most 6	0.033363	1.153690	3.841466	0.2828

Trace Test indicates 3 co-integrating equations at 0.05 level

*Denotes rejection of the hypothesis at 0.05 level

*Mackinnon-Haug- Michelis (1999) p-values

Error Correction Model (ECM)

The error correction model result in table 3showR-squared statistics of 0.813814 which indicate that about 81.38 percent of the variation in accounting information disclosure is explained by the combined effects of all the determinants (the independent variables), the remaining 18.62 percent is attributed to the unexplained variations not captured in this model.The F-statistic of 6.13 is significant at 5 percent level as indicated

in the probability value estimate of 0.000237. The F-statistics shows that the explanatory variables are jointly significant in explaining accounting information disclosure.The result further show that the coefficients of the explanatory variables are statistically significant to explaining accounting information disclosure as their probability values are less than 5% except composition of board members which is negative and statistically insignificant to explaining accounting information disclosure. The coefficient of the error correction model further proves the validity of the long run relation among the variables such that the coefficient of the error correction model is negative and it is significant as the probability value is less than 5%, this result shows that the error correction term actually corrects the disequilibrium of the system, and the speed at which the disequilibrium is being corrected is 33.94% annually, in other word, the error correction term shows that it is adjusting with the previous period disequilibrium at the rate of 33.94%, we therefore conclude that there is a long-run tendency for an improved accounting information disclosure relative to corporate governance. This implies that accounting information disclosure can be treated as an endogenous factor, not a cause of growth in corporate governance, hence corporate governance will influence accounting information disclosure and not otherwise in the long run.

An individual examination of the coefficients and statistical significant of the variables analysed show varying degree of relationships between the dependent and explanatory variables. The outcome of the study reveal that Audit committee meeting (DACM); Director in audit committee (DDAC); Ownership structure (DOS) Audit committee qualification (DACQ) and Board size (DBS) with respective coefficients of 0.108306; 0.146809; 0.0427594; 0.956038; and 0.811646 have significant positive relationship with accounting information disclosure at 1% and 5% levels of significance respectively. It was however discovered that Composition of board members (DCBM) with coefficient (-0.726546) is negatively related to accounting information disclosure, although the relationship is not significant.

The finding of this study further corroborate the findings of Adeshina, Ikhu and Olaleye (2015) who found that corporate governance items disclosed in financial reports are useful for investment decision making process. This was also supported by Carlos, Sabri and Anal (2013) as found that voluntary disclosure in annual reports increase with managerial ownership, board and audit committee independence, board meeting frequency and external audit quality.Wendy, Philips, Wenwen and Qiyu (2016) also found in a similar study conducted among Canadian listed companies revealed that corporate governance plays a significant role in determining the efficiency of a country's equity market, the finding is relevant to this study because the performance of the equity market is based upon the decision made by investors which is mostly informed by the decisions made from accounting information disclosed in firms' annual reports. The findings of this study however negates the findings of Shaminul, Syed and Robert (2010) in a similar study conducted in Bangladesh stating that board independence, board size, director personality, institutional ownership and general public are not meaningfully

associated with the level of financial disclosure. The findings of this study in Nigeria into the period of this study however shows that board size and ownership structure are significantly related to accounting information disclosure. The insignificant relationship between composition of board members and accounting informationdisclosure discovered in this study further uphold the findings of Ho and Wong (2001) who did not find any association between the number of outside non-executive directors and the extent of voluntary disclosure.

Table 3: Error Correction Model

Dependent variable: D(Y) Method: Least square Sample (adjusted): 2006 2015 Included observations: 10 after adjustments				
Variable	Coefficient	Std Error	t- statistics	Prob.
C	13.46945	43.79410	0.307563	0.7608
D(ACM)	0.108306	0.066726	0.155967	0.0174*
D(ACQ)	0.956038	0.149658	-0.388171	0.0000*
D(BS)	0.811646	0.239731	-0.048579	0.0216**
D(CBM)	-0.726546	4.598519	-1.027841	0.3131
D(DAC)	0.146809	0.049288	0.029582	0.0081*
D(OS)	0.0427594	0.250377	0.001997	0.0038*
ECM(-1)	-0.339416	0.250377	-5.349604	0.0000*
R-Squared	0.813814	Mean Dependent var		5.914286
Adjusted R-squared	0.713691	S.D dependent var		29.96407
S.E of regression	20.89569	Akaike info criterion		9.114595
Sum squared resid	11789.01	Schwarz criterion		9.470103
Log likelihood	-151.5054	Hannan- Quinn criterion		9.237316
F- statistics	6.130637	Durbin- Watson statistics		2.329833
Prob. (F-statistics)	0.000237			

Source: Author's Computation using E-view 9.0

*Note: * and ** indicates significant at 1% and 5% respectively*

The finding of this study further upholds the justification for introduction of code of corporate governance which is relevant especially in recent times when the rate of misappropriation due to the manipulation of the financial statement have been on the rise and the confidence of the investors have continued to decline. Although some disclosure are regarded as voluntary, the rate at which the firm is willing to divulge information will determine the confidence imposed on such firm.It was also discovered that the corporate governance determinants that relates to audit quality significantly relates to accounting information disclosure, this result is not far-fetched because it is effective audit that proves the authenticity of annual report published. The findings of this study have therefore supported the submission of theories and previous studies

on the importance of audit maintenance of its independence. This is very important especially in the banking sector that is vulnerable to misappropriation because of the nature of its business.

CONCLUSION AND RECOMMENDATIONS

Corporate governance is a regulatory tool used to ensure the effective protection of the interest of stakeholders especially the public. The code of corporate governance covers several aspects of business practices but this study focus on its effect on accounting information disclosure. It is important to evaluate this area because, it is the information disclosed by the companies that will ensure the kind of decision that will be taken by the public and this will have a ripple effect on the industry of the stock market and the economy as a whole. This study purposively select some corporate governance determinants which includes; audit committee meeting, audit committee qualification, board size, director in audit committee, ownership structure and composition of board members. The empirical results of the co-integration analysis shows that there is a long run equilibrium relationship among the variables; while the error correction model co-efficient from the estimated short run dynamic model showed reasonable speed of adjustment toward the long run equilibrium. Analysing the direction and magnitude of the explanatory variables co-efficient, it was observed that audit committee meeting, audit committee qualification, board size, directors in audit committee and ownership structure positive significant relationship with accounting information disclosure during the period 2006-2015, although they all have different magnitude of influence. It was showed however that composition of board members have a negative relationship during this period but it was not significant.

From the findings of this study, it is therefore recommended that strive to increase the level of accounting information disclosureby making voluntary disclosure in addition to complying fully with the corporate governance disclosure checklistin order to continue to effectively gain the confidence of its accounting information users. Corporate governance codes that relates to audit quality should be taken into considerations to ensure that adequate measure are put in place to ensure quality of audit by focusing on the frequency of audit committee meeting, qualification of audit committee members and the members of directors that are audit committee members.

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