



### IMPROVING FINANCIAL REPORTING QUALITY OF NON-FINANCIAL SERVICES FIRMS THROUGH CORPORATE GOVERNANCE STRUCTURE EFFECTIVENESS: EMPIRICAL INSIGHTS FROM NIGERIA

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#### KEYWORDS

Corporate governance structure effectiveness, financial reporting quality, non-financial services firms

#### ABSTRACT

*Many Nigerian businesses overlook the significance of enhancing financial reporting quality through the institutionalization of audit committees and other corporate governance systems. This study examines the effect of corporate governance structure on financial reporting quality of non-financial services firms. The research focuses on Nigeria and adopts an ex-post facto research design to obtain secondary data between 2015 and 2024 by purposively sampling fifty (50) out of the total population of one hundred and fifteen (115) listed non-financial firms on the Nigerian Exchange Group. The study applies random effect model regression technique for data analysis. Findings revealed that board size, board independent and audit committee effectiveness positively and significantly improve the financial reporting quality of non-financial services firms. This study concludes that corporate governance structure effectiveness improves the financial reporting quality of non-financial services firms in Nigeria and recommends that the regulators in Nigeria should institutionalize switching from a simple majority recommendation of independent directors to a stricter benchmark to increase the proportion of independent board members to further prevent financial reporting process from executive influence.*

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## 1. Introduction

Corporate governance structure effectiveness is essential for improving firms' financial reporting quality especially in developing nations like Nigeria where institutional frameworks are changing. The need to assess the efficacy of corporate governance measures has increased in Nigeria due to worries about earnings manipulation, shoddy governance frameworks, and a lack of transparency. Given that the implications of institutional failure on the economy are too high for a nation like Nigeria, the environment of Nigerian non-financial services firms requires transparency of operational activities (Bala & Kumai, 2021). Transparency can be improved by corporate governance measures such as, audit committee efficacy, and board characteristics (Adegbite & Fofah, 2020). Corporate governance appears to be the engine room that powers an organization's operations. In terms of corporate governance, the audit committee functions as a representative of the board of directors, from which it obtains authority to carry out its duties of supervising and keeping an eye on the organization's financial reporting, regulatory compliance and risk management initiatives (Porter & Sherwood, 2023).

Generating reliable and credible financial reports is essential for making business right decisions. However, standardizing financial reporting process requires strong commitment of the business stakeholders before adequate and reliable financial information could be produced for decision making. Quality financial reports improve financial markets integrity, capital decision-making and stakeholders' confidence (Ogbor et al., 2020). However, achieving financial reporting quality is a complex process due to its influence by various business factors including governance mechanisms like board

size, board independent and audit committee effectiveness. Board size and board independence play significant roles in upholding the integrity of financial reports during their processing (Osagioduwa, 2019), while the degree of audit committee effectiveness according to Dechow et al. (2019) contributes positively to the quality of firms' financial reports.

Inconsistencies in the quality of financial reporting continue notwithstanding regulatory changes implemented by the Nigerian Exchange Group (NGX) and the Financial Reporting Council of Nigeria as it appears that corporate governance in Nigeria is insufficiently effective (Ogbeide et al., 2021). It was confirmed that some non-financial services organizations are under financial hardship due to board members' failure to maintain corporate governance practices, which has resulted in discord and excessive and incorrect financial judgments (Wisdom et al., 2021). Furthermore, several Nigerian businesses overlook the significance of institutionalizing audit committees (Ahmed, 2024), which is why aggressive provisioning against risk and subpar financial reporting is necessary.

The effects of the recent global corporate scandals like Enron and Cadbury among others scandals, due to incredible financial reporting have served the global businesses including the non-financial services in Nigeria as a stark reminder and source of concern (Azona, 2019). Also, the challenges of board dependence, inadequate board size and the improper formulation of audit committee being experienced by some Nigerian firms may given firms accountants the opportunities to window dress the contents of financial reports (Bala & Kumai, 2021). The occurrence such incidents may lead to significant business losses and affect their survival. These should draw the

attention of business stakeholders to continuously strengthen to ensure the independence of their firms' boards and effectiveness of their firms' audit committee to avoid the future occurrence of these social vices. Particularly, Nigerian non-financial services firms needs to guide against the roadblocks of board dependence, inadequate board size and audit committee ineffectiveness that may create loopholes for creative accounting.

A review of prior studies on corporate governance and financial reporting quality such as those by Bui and Krajcsak (2024) Ahmed et al. (2021) Ogbeide et al. (2021); Wisdom et al. (2021); Mansour et al. (2022); Muttakin et al. (2022); Dare et al. (2022); Yakubu et al. (2023); Gardi et al. (2023); Kabwe (2023); Ahmed (2024); Wu (2024); Ahmed (2024); Olatunde et al. (2024) and Okoye (2024) have concentrated on other sectors like oil and gas, consumer goods firms among others, indicating that the studies on corporate governance mechanisms and financial reporting quality of Nigerian non-financial services firms are unexplored.

Additionally, despite the vital role of financial reporting quality, a gap remains in literature in understanding the contributions of other factors as most of the reviewed Nigerian studies have focused on the effect of whistle-blowing mechanisms, auditors' integrity, professional standards, objectivity, and financial transparency on financial reporting quality, but limited studies have examined these factors with board size, board independence and audit committee effectiveness in a comprehensive investigation. For instance, Ogbor et al. (2020)'s investigation centered on the relationship between the risk management and financial accountability and transparency and that of Osagioduwa (2019) concentrated on the effect of whistle blowing mechanism.

Additionally, this research explores the combination of board size, board independence and audit committee effectiveness to determine the effect of corporate governance on the financial reporting quality of non-financial services firms in Nigeria between 2015 and 2024, the research periods which most of the reviewed prior studies are yet to cover.

Addressing these gaps, this research seeks to examine the effect of corporate governance structure on financial reporting quality of non-financial services firms in Nigeria between 2015 and 2024. The study specifically determines the effect of board size; assesses the influence of board independent; and evaluates the impact of audit committee effectiveness on financial reporting quality of non- financial services firms in Nigeria. However, the evidence gleaned from this study will resonate with the stakeholders of Nigerian non-financial services firms and other global business practitioners, fostering the spirit of strengthening corporate governance structures to promote the quality financial reporting for the stability and survival of their businesses. The current research however contributes significantly to a deeper understanding of business investors on the influence of board size, board independence and audit committee effectiveness on financial reporting quality.

## 1.1 Research Hypotheses

The stated three null hypotheses below based on the study's specific objectives guide this research:

- a. Board size has no significant effect on financial reporting quality of non-financial services firms in Nigeria.
- b. There is no influence of board independent on financial reporting

quality of non- financial services firms in Nigeria.

- c. Audit committee effectiveness goes not impact the financial reporting quality of non- financial services firms in Nigeria.

## **2. Literature Review**

### **2.1 Corporate Governance**

The purpose of corporate governance is to act as a safeguard against managers' alleged propensity to exploit stakeholders, making sure that their actions do not harm shareholders' interests and adhere to best practices. Corporate governance is the system of managing, operating, controlling, and monitoring an entity to promote accountability, transparency, and fairness of financial data (Ahmed et al., 2021). Supporting of this, Daferighe and George (2020) assert that corporate governance is the processes of carrying out the mission of governance in corporate entities. Corporate governance is the policies, procedures, structures, and policies that business enterprises implement to accomplish their goals (Yakubu et al., 2023). It is set of guidelines and procedures known as corporate governance allows the board of directors to guarantee appropriate accountability, equity, and openness in a company's interactions with all of its shareholders (Bui & Krajcsak, 2024). Thus, corporate governance is a system of rules, principles, and standards that governed a company's operations. It serves as the framework for establishing and achieving the company's goals.

Board size, board independence and audit committee are among the corporate governance mechanisms influence the quality of financial reports (Alhadab & Al-Own, 2017). The important governance

characteristics that affect monitoring efficacy include board independence and size (Wu, 2024). The number of board members in an organization is known as its board size (Dechow et al., 2019). Business organizations where the board size is high tend to strengthen governance structure that those with smaller board size (Jo et al., 2021).

Board independence is the autonomy of board members from management. Board independence is the degree to which a company's board of directors is free from undue influence and conflicts of interest from management (Ho et al., 2020). Increasing level of board independence determines the degree of financial reporting integrity (Enofe et al., 2015). The degree to which a board can function independently of both internal and external influences is known as board independence (Okoye, 2024). Independent boards are better positioned to exercise effective governance, oversee financial reporting processes and safeguard the interests of shareholders (Ogbor et al., 2020). The audit committee gives the board of directors the necessary advice and recommendations, such as improving oversight of financial reporting procedures through independence, expertise, and regular meetings, ensuring that the financial statements have been prepared correctly and that the compensation paid to the organization's executives was in accordance with fairness and professionalism (Uwuigbe et al., 2020). The degree of board independence number of board size and the effectiveness of audit committee may have significant influence on the financial reporting quality, stakeholders' trust, and firms' effective management.

### **2.2 Financial Reporting Quality**

Financial reporting quality is the extent to which the reported financial information

faithfully represents the financial position and true performance of a business. Financial reporting quality means the reliability, credibility and accuracy of the reported information in the companies' annual financial accounts and reports (Agwor & Okafor, 2018). Financial reporting quality is the processing of disclosing relevant, adequate, reliable and complete financial information in the financial reports for decision making (Bowrin, 2016). Financial reports provide a summary of a company's performance and financial position, informing the interested parties about the company's financial situation and operations (Bala & Kumai, 2021)

High-quality financial reporting helps to lower information asymmetry between management and shareholders (Landsman et al. 2012). The quality financial reports are useful to stakeholders including the management, regulators, communities, and other interested parties to get detailed explanations on the operations, revenue, costs, capital, and cash flow of a business (Adeyemi & Fagbemi, 2021). Reliable financial reporting involves consistent use of accounting procedures and policies that will ensure the transparency of reported financial information for decision-making. There are numerous ways to measure financial reporting, however the quality, such as accrual quality and earnings persistence are frequently used to measure FRQ (Boateng et al., 2022). However, accrual quality is used in this study for its measurement.

## 2.3 Theoretical Review

Legitimacy theory coined by Lindblom's (1994) and developed by (Mansour et al. 2022), which served as the foundation for this research, established that firms obtain legitimacy by ensuring that their operations and reporting procedures adhere to accepted

legal, moral, and social norms (Olatunde et al., 2024). In order to preserve their legitimacy, businesses in highly regulated or environmentally sensitive industries are more likely to provide thorough disclosures in their financial reports (Alhadab & Al-Own 2017). This has led to the development of corporate governance mechanisms, which are essential for maintaining regulatory orders and boosting public trust in the reported financial information (Zureigat, 2024).

Legitimacy theory is relevant to this study as it explains why Nigerian companies should disclose financial information beyond what is required by law and how crucial it is to disclose high-quality financial reports in response to external pressures meant to protect a company's reputation, promote good corporate governance, and gain societal acceptance. Firms' financial reporting quality (FRQ) reflected the degree to which financial statements accurately depict a company's financial performance. In order to demonstrate a company's profitability and draw in outside funding, financial reports are crucial instruments (Vadasi et al. 2021). One way to raise the bar for employees' accountability for creating financial statements is through financial reporting quality (Yakubu et al., 2023).

According to legitimacy theory, businesses should implement governance procedures to uphold their legitimacy and conform to social norms (Bédard & Gendron, 2020). Therefore, businesses strive to follow and implement the strongest corporate reporting practices, including financial reporting, in order to maintain their credibility (Aldiansyah & Murwaningsari, 2022). Legitimacy theory has a significant impact on the study of corporate governance and financial reporting quality in Nigerian non-financial services firms in Nigeria.

The theory states that companies engage in financial reporting to demonstrate their adherence to social norms, beliefs, and expectations, so protecting their credibility in the eyes of stakeholders. By disclosing financial information, organizations hope to maintain their social license to function, foster trust, and improve their reputation (Yakubu et al., 2023). In order to comprehend how firms in Nigeria's non-financial services sector use financial reporting as a means of gaining and retaining legitimacy with different stakeholders, such as regulators, investors, and the general public, legitimacy theory is pertinent to this study (Musa et al., 2022). According to legitimacy theory, companies maintain a perceived level of legitimacy in the eyes of their stakeholders and the general public by engaging in specific activities, such as transparent financial reporting (Osinubi, 2020).

## 2.4 Empirical Review

Many empirical studies have emerged on the relationship between corporate governance mechanisms and financial reporting quality. For instance, the research by Bui, and Krajcsak (2024) which investigated the impact of corporate governance on firms' performance: from theory and approaches to empirical findings, using generalized method of moments discovered positive impact of transparent disclosure and company size on return on assets. However the used other independent variable of transparent disclosure and company size on firms; performance instead of board size, board independence and audit committee effectiveness used in this study.

Similarly, Olatunde et al. (2024) examined how corporate governance affected the quality of financial reporting between 2013 and 2023 and found that corporate

governance has significant impact on the quality of financial reporting in Nigeria, but the components of corporate governance of audit committee effectiveness, board size and board independent were not specifically examined during the period under review. This research addresses the existing literature gaps by conducting an in-depth investigation into how the corporate governance structures of board size, board independent and audit committee effectiveness impact the financial reporting quality of non-financial services firms in Nigeria between 2015 and 2024.

In addition, the study conducted by Kabwe's (2023) between 2012 and 2018 to examine the effects of corporate governance characteristics on the quality of financial reporting in Zambian-listed companies, using regression analysis discovered positive relationship between corporate governance characteristics such as audit committee effectiveness, board size and board independent, and the financial reporting quality. However, the study coverage period was between 2012 and 2018, and was conducted in Zambian-listed Company leaving a period gap of between 2019 and 2024 with a geographical coverage gap which the present study examines.

The investigation conducted by Gardi et al. (2023) on IFRS effect on the relationship between corporate governance and the quality of financial reporting of banks in Iraq, using survey data from 298 participants showed a positive and significant mediating effect of IFRS adoption on the relationship between corporate governance and financial reporting quality, but the study coverage period is limited to 2023 and was conducted in Iraq banking industry not in non financial services firms covered in this research.

Additionally, the research by Tinuola et al. (2021) concentrated on listed oil and gas

companies to investigate the effect of audit committees on the audit quality in the Nigerian oil sector, using logistic regression for hypotheses testing and found that audit committee size had a positive significant effect on audit quality, while the frequency of audit committee meetings had a positive but insignificant effect on audit quality. However, the study was conducted in Nigerian oil sector but not in non financial services firms and the study only covered audit committee effectiveness leaving board size and board independent uncovered as another gap

Besides, Okoye et al. (2020) investigated the effect of corporate governance on the financial performance of commercial banks in Nigeria, using generalized method of moments for data analysis and found that board size, directors' equity and firm size have positive effect on the financial performance of commercial banks in Nigeria. However, the study was carried out in Nigerian banking industry as against the non-financial services firm covered by this research. Also the study only used the independent variables of board size and two other one but did not the independent of board independent and audit committee effectiveness as used in this study

Also, Ogbor et al. (2020) examined the relationship between corporate governance, risk management, accountability and transparency in Nigerian banking system and confirmed that transparent financial reporting and the absence of manipulation or misleading disclosures enhance the credibility of financial information, contributing to stakeholder trust and well-informed decision-making. However, the study was carried out in Nigerian banking industry as against the non-financial services firm covered by this research. Also the study did use the independent variables of board

size and board independent, leaving a gap in literature.

Finally, the study by the investigation by Osagioduwa (2019) the effectiveness of the whistle blowing policy in combating corruption in the Nigerian public sector although found that robust whistle-blowing policies enhance public trust in financial reporting by facilitating transparency and accountability when the study concluded that whistle-blowing mechanisms provide channels for employees and stakeholders to report fraudulent activities, accounting irregularities, or ethical breaches within organizations, but the research covered Nigerian public sector as against the this study which covers Nigeria private sector, and the study did not employ the independent variables of audit committee effectiveness, board size and board independent its investigation.

### **3. Methodology**

The research adopts an ex-post facto research design, focusing on non-financial services firms listed on the Nigerian Exchange Group (NXG) as of 2024 as the study's population. These companies operate in a variety of industries, including manufacturing, consumer products, industrial goods, agriculture, and oil and gas. Financial institutions are not included because of regulatory variances. The study uses secondary data collated between 2015 and 2024 as most of the reviewed related studies are yet to cover this period range, and based on the availability of complete annual reports. A purposive sample technique is employed to select the sample size of 50 out of the total population of one hundred and fifteen (115) listed non-financial services firms on the NXG at of 31<sup>st</sup> December, 2024. based on consistency in listing status during the study period. The annual reports of the

selected firms listed on the NGX database provided secondary data.

This study uses descriptive statistics to map the basic distribution and central tendencies of the variables, followed by correlation analysis to find preliminary associations and screen for potential multicollinearity and regression analysis comprising fixed effect,

random effect and pooled least square for data analysis. Due to the longitudinal nature of the data, panel regression techniques are employed; specifically, In order to ensure the statistical validity of these models, a series of diagnostic tests, such as serial correlation test, the Hausman test, which accounts for firm-specific unobserved heterogeneity and are performed to get robust results.

### 3.1 Variables and their Measurement

Table 3.1 discloses the study's variables type, proxy and their measurements. It reflects the bases for measuring each variable.

**Table 1: Variables and their Measurement**

| Type of Variable                                       | Variable & Proxy                     | Variable Measurement                        | Variable Source                                            |
|--------------------------------------------------------|--------------------------------------|---------------------------------------------|------------------------------------------------------------|
| <b>Dependent:</b><br>Financial Reporting Quality (FRQ) | Accrual Quality                      | Standard deviation of the accrual residuals | Alhadab & Al-Own (2017) Dechow et al. (2019), Ahmed (2024) |
| <b>Independent:</b>                                    | Board Size (BSIZE)                   | The number of directors per boars size      | Dechow et al. (2019); Ahmed (2024)                         |
|                                                        | Board Independence (BIND)            | % of the independent directors              | Aldiansyah & Murwaningsari, (2022); Ahmed, (2024)          |
|                                                        | Audit committee effectiveness (ACEF) | No. of meetings per annum                   | Ahmed (2024)                                               |
| <b>Control:</b>                                        | Firm Size (FSIZE)                    | Log of the total assets                     | Ahmed (2024)                                               |

**Source:** Authors' Compilation, 2026

### 3.1 Model Specification

This study adapted the work of Okoye et al. (2020) who investigated the effect of corporate governance on the financial performance of commercial banks in Nigeria. The adapted model is stated below:

$$ROA_t = \beta_0 + \beta_1 BSIZE_t + \beta_2 DINT_t + \beta_3 LTAS_t + \mu_t \dots \dots \dots (1)$$

### Where:

ROA = Return on assets of Nigerian banks in year t;

BSIZE = Board Size of Nigerian banks in year t;

DINT = Director's equity or interest of Nigerian banks in year t;

LTAS = Log of transformation of total assets (Proxy for firm size) of Nigerian banks in year t;

$\beta_1 - \beta_3$  = Coefficient of the estimates in year t;  
 $\mu$  = Error term in year t;  
 $\beta_0$  = Constant intercept

The modified adopted model for this research examining the effect of corporate governance on financial reporting quality in Nigerian listed non-financial services firms (NFSF) is stated below:

$$FRQ_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 ACEF_{it} + \beta_4 FSIZE_{it} + e_{it} \dots (1)$$

**Where :**

FRQ = Financial reporting quality of Nigerian listed NFSF i in year t;  
 BSIEE = Board Size of Nigerian listed NFSF i in year t

BIND = Board independence of Nigerian listed NFSF i in year t;  
 ACEF = Audit committee effectiveness of Nigerian listed NFSF i in year t;  
 FSIZE = Firm size of Nigerian listed NFSF i in year t;  
 $\beta_1 - \beta_3$  = Coefficient of the estimates in year t;  
 $\mu$  = Error term in year t;  
 $\beta_0$  = Constant intercept

### 3.2 *Aprior* Expectation

There expected that  $\beta_1 - \beta_3 > 0$ , indicating that board size, board independence and audit committee effectiveness have positive significant effect on the financial reporting quality of non-financial services firms in Nigeria,

## 4. Result and Discussion

### 4.1 Descriptive Analysis

Table 2 presents the result of descriptive statistics, summarizing the characteristics of each study's variable which include the mean, median, standard deviation among others.

**Table 2: Descriptive Statistics**

| Variable    | FRQ      | BSIZE     | BIND     | ACEF     | FSIZE     |
|-------------|----------|-----------|----------|----------|-----------|
| Mean        | 0.464200 | 11.40000  | 0.560000 | 5.700000 | 15.99400  |
| Median      | 0.467500 | 12.00000  | 0.560000 | 6.000000 | 16.24500  |
| Maximum     | 0.583000 | 14.00000  | 0.750000 | 9.000000 | 17.76000  |
| Minimum     | 0.352000 | 8.000000  | 0.410000 | 3.000000 | 14.19000  |
| Std. Dev.   | 0.070505 | 2.202203  | 0.111377 | 2.102103 | 1.128633  |
| Skewness    | 0.163014 | -0.457551 | 0.147227 | 0.269517 | -0.191626 |
| Kurtosis    | 2.264985 | 1.729868  | 1.718064 | 1.866799 | 1.920626  |
| Jarque-Bera | 13.46961 | 51.05511  | 36.04299 | 32.80629 | 27.33189  |

|              |          |          |          |          |          |
|--------------|----------|----------|----------|----------|----------|
| Probability  | 0.001189 | 0.000000 | 0.000000 | 0.000000 | 0.000001 |
| Observations | 500      | 500      | 500      | 500      | 500      |

**Source** Authors' Computation, 2026

The result of descriptive analysis in Table 2 offers a basic comprehension of the variables in the dataset. When seen through the accrual quality perspective, Financial Reporting Quality (FRQ) has a mean score of 0.464. The data shows that the majority of sampled Nigerian enterprises maintain a consistent level of reporting quality, with very few outliers departing from the central tendency, as indicated by the tight standard deviation of 0.070. The average Board Size (BSIZE) for internal governance organizations is roughly eleven members. These companies closely follow the Securities and Exchange Commission (SEC) Nigeria rules, as evidenced by the range of 8 to 14 members, which guarantees that boards are neither too big to become ineffective nor too small to

lack knowledge. Additionally, the mean of Board Independence (BIND) is 0.56, meaning that independent directors make up about 56% of board compositions. Because it implies a structural ability to question management and reduce the dangers of executive supremacy, this majority presence is an essential sign of strong governance. Measured by the frequency of meetings, the Audit Committee Effectiveness (ACEF) averages 5.7 sessions annually. This proactive involvement implies that audit committees in Nigeria are going beyond simple compliance to provide monitoring, given that the legal requirement is four meetings. The Jarque-Bera results indicated the normal distribution of the variables of the study.

## 4.2 Correlation Analysis

Table 3 presents the results of Pearson correlation matrix, showing the connections between the independent and dependent variables.

**Table 3: Correlation Analysis**

| Variable | FRQ     | BSIZE    | BIND     | ACEF    | FSIZE   |
|----------|---------|----------|----------|---------|---------|
| FRQ      | 1       | 0.78634  | 0.70857  | 0.83455 | 0.43433 |
| BSIZE    | 0.78634 | 1        | 0.469801 | 0.04761 | 0.39524 |
| BIND     | 0.70857 | 0.469801 | 1        | 0.28675 | 0.05316 |
| ACEF     | 0.83455 | 0.04761  | 0.286744 | 1       | 0.32976 |
| FSIZE    | 0.43433 | 0.39524  | 0.05316  | 0.32976 | 1       |

**Source** Authors' Computation, 2026

Table 3 report the result of the correlation, showing that all of the main governance

indicators—Audit Committee Effectiveness (0.83), Board Size (0.78), and Board

Independence (0.70)—have significant positive correlations with Financial Reporting Quality. These significant association coefficients imply that the accrual

quality of the firms changes in tandem with more active and organized governance procedures.

**Table 5: Model Selection Test**

| Tests                            | Statistics     | Probability | Decision              | /Conclusion   |
|----------------------------------|----------------|-------------|-----------------------|---------------|
| Hausman Test for Model Selection | Chi-Sq. =0.000 | 1.0000      | Accept H <sub>0</sub> | Random Effect |

**Source** Authors' Computation, 2026

Table reports the result of model selection tests. The Hausman Test was used to decide between a Fixed Effect and a Random Effect model. The test yielded a p-value of 1.0000, which is much greater than the cutoff of 0.05. The Random Effect (RE) model was found to

be the most effective and suitable framework for this particular dataset since the null hypothesis could not be rejected. This implies that the variance between firms is taken to be random and unrelated to the model's independent variables.

### 4.3 Regression Analysis

Table 6 present the regression results based on the fitted Random Effect Panel EGLS regression analysis to determine the effect of corporate governance structure on the financial reporting quality of non-financial services firm in Nigeria. The result are the bases used to test the study's null hypotheses.

**Table 6: Random Effect**

| Dependent Variable: FRQ<br>Method: Panel EGLS (Cross-section random effects)<br>Periods: 10<br>Cross-section: 50<br>Total panel (balanced) observations: 500<br>SERIES: FRQ, BSIZE, BIND, ACEF, FSIZE |             |            |             |        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------|-------------|--------|
| Variable                                                                                                                                                                                              | Coefficient | Std. Error | t-Statistic | Prob.  |
| Constant                                                                                                                                                                                              | 0.609815    | 0.005081   | 120.0205    | 0.0000 |
| BSIZE                                                                                                                                                                                                 | 0.005739    | 0.000173   | 33.26805    | 0.0000 |
| BIND                                                                                                                                                                                                  | 0.383611    | 0.003204   | 119.7217    | 0.0000 |
| ACEF                                                                                                                                                                                                  | 0.021077    | 0.000155   | 135.9796    | 0.0000 |
| FSIZE                                                                                                                                                                                                 | 0.007748    | 0.000313   | 24.72370    | 0.0000 |
| R-squared = 0.992235<br>Adjusted R-squared = 0.992173<br>F-statistic =15813.76, Prob(F-statistic) 0.000000<br>Durbin-Watson stat = 2.546874                                                           |             |            |             |        |

**Source** Authors' Computation, 2026

The empirical result of this study is provided by the Random Effect Panel EGLS regression analysis in Table 6. The model's remarkably high R-squared of 0.992 indicates that business size and governance factors account for 99% of the variations in Financial Reporting Quality. The result demonstrated that increasing board size has a positive and statistically significant driving force financial reporting quality with a coefficient of 0.0057 ( $p < 0.001$ ). The most important factor in the model was found to be ensuring board independence (Coefficient = 0.3836,  $p < 0.001$ ). The result clearly indicates that the quality of financial reporting significantly improves as the percentage of independent directors rises. Audit committee effectiveness is one of the important factor influencing FRQ is the number of meetings (Coefficient = 0.0210,  $p < 0.001$ ). Frequent meetings make it easier to quickly identify any fraud and accounting irregularities. The model is further validated by the high F-statistic (15813.76), which shows that the chosen variables are statistically sound and crucial for regulators and stakeholders to keep an eye on. The value of Durbin-Watson of 2.546874 is above 2, implying the absence of serial correlation in the series

#### 4.4 Discussion of Findings

This research examined the effect of corporate governance structure on the financial reporting quality of non-financial services firms in Nigeria. The R-squared result indicates that business size and governance factors account for substantial proportion of the variations in Financial Reporting Quality. The result revealed that increasing board size is statistically significant and positively drives firms' financial reporting quality. This outcome is consistent with recent research by Ahmed (2024), which indicates that the advantages

of diversified oversight for Nigerian businesses exceed the risk of communication breakdown that is frequently connected with larger groups.

Additionally, board independence is statistically significant and positively drives firms' financial reporting quality, meaning that the quality of financial reporting significantly improves as the percentage of independent directors rises. This result validates independent directors' crucial role as a "check and balance" against opportunistic management behavior theory. This supports the findings of Aldiansyah and Murwaningsari (2022), which emphasize that the main strategy for lessening information asymmetry is independence. Furthermore, audit committee effectiveness drives firms' financial reporting quality in Nigeria, implying that the effectiveness of audit committee one of the important factor forcefully drives the financial reporting quality of firms. Frequent meetings make it easier to quickly identify any fraud and accounting irregularities. This is in line with Alhadab and Al-Own (2017), which supports the notion that maintaining the integrity of accruals requires an active audit committee as opposed to a passive one. Also, firm size also shows a substantial favorable impact (0.0077) as a control variable. Higher reporting standards are a logical consequence of larger firms in Nigeria being exposed to more stringent regulatory scrutiny and having the financial means to invest in advanced internal control systems.

#### 5. Conclusion and Recommendations

This research examining the effect of corporate governance structure on the financial reporting quality of non-financial services firms in Nigeria discovers positive and significant influence of board size, board independence and audit committee

effectiveness on financial reporting quality of non financial services firms in Nigeria. This study concludes that corporate governance structure effectiveness improves the financial reporting quality of non-financial services firms. This study's findings revealed that corporate governance is a crucial factor in determining the financial transparency in the Nigerian context. The study demonstrates that the ensuring board independence, increasing board size, and the effectiveness of audit committee are among the driving forces behind the firms' excellent financial reporting. The study demonstrates that the size and percentage of independent directors on the board provide a strong barrier against financial opacity and earnings manipulation. This study informs the relevant authorities on the need to powder about switching from a simple majority recommendation of independent directors to a stricter benchmarks to increased the proportion of independent board members to prevent firms' executive influence financial reporting process

This recommends that regulatory organizations in Nigeria like Security and Exchange Commission and Financial Reporting Council of Nigeria should consider switching from a "simple majority" recommendation of independent directors to a stricter requirement as the increasing in the proportion of independent members could further shield the reporting process from executive influence as identified in this study' results Additionally, stakeholders of the firms should go beyond the legally mandated minimum of four audit committee meetings annually. Since active participation is directly associated with improved accrual quality, shareholders should promote a culture where audit committees convene more frequently to analyze interim financial reports and internal control evaluations. Besides, Nigerian non-financial services

firms' managers should prioritize "quality over quantity" by ensuring that board expansions are driven by the need for specific financial and technical expertise. This ensures that a larger board remains a resource for monitoring rather than becoming a cumbersome body prone to communication failures.

Also the firms' managers of Nigerian companies should put "quality over quantity" by making sure that board expansions are motivated by the need for specialized financial and technical knowledge. More so, since firm size was found to be correlated with reporting quality, regulators should offer smaller listed entities more support or streamlined reporting frameworks. This is because smaller-scale boards may be more susceptible to reporting errors due to their lack of access to the vast resources of larger corporations; therefore, customized governance training could close this gap.

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