FIRM ATTRIBUTES AND FINANCIAL INFORMATION QUALITY OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

BY

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BEING A THESIS SUMBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, AHMADU BELLO UNIVERSITY ZARIA IN PARTIAL FULFILMENT FOR THE REQUIREMENTS OF THE AWARD OF MASTERS OF SCIENCE (M.Sc) DEGREE IN ACCOUNTING AND FINANCE.

DEPARTMENT OF ACCOUNTING

AUGUST, 2014

DECLARATION

I hereby declare that this research work entitled "Firm Attributes and financial information quality of listed Deposit Money Banks in Nigeria" was written by me. It is a product of my own research work. Apart from references made to published literature which has been dully acknowledged. It has not been presented before for the award of any degree or certificate to the best of knowledge.

_____ _____

Umeh Ukah NWOSU Date

DEDICATION

I hereby dedicate this work to the Almighty God, the Fountain of wisdom and Knowledge.

CERTIFICATION

This thesis titled "FIRM ATTRIBUTES AND FINANCIAL INFORMATION QUALITY OF LISTED DEPOSIT MONEY BANKS IN NIGERIA" by NWOSU Umeh Ukah meets the regulations governing the award of the degree of Master of Science degree of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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Abstract

This study examines the influence of Firm Attributes on Financial Information Quality of listed Deposit Money Bank in Nigeria. Firm Attributes were proxied with Economic Profit, Firm Size, Dividend, Leverage and Firm Growth, while Financial Information Quality was proxied with Discretionary Loan Loss Provision Model (Chang et al. 2008). The study employed the use of criteria to arrive at the sample size consisting of thirteen (13) listed Deposit Money Banks (DMB's) in Nigeria out of twenty (20) listed DMB's as contained in Nigeria Deposit Insurance Corporation's Annual Report at 31st December 2012. Secondary data was extracted from the Audited annual reports of the sampled firms from 2006–2012. Both normality test and multicolinearity test were conducted to diagnose the result. The findings revealed that, all the firm attributes used in the study has positive and significant influence on the Financial Information Quality of listed Deposit Money Banks in Nigeria. Therefore it is recommended that the Listed Deposit Money Banks should strive to increase their Economic Profit, Total Asset, and have a consistent increase in dividend payment, while using considerable level of debt to finance the firm activities.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Financial information quality is a key concern for all investors and potential investors in any organization. As posited by Biddle et al. (2009), financial information quality is termed as the precision with which financial reporting conveys information about the firm's operations, in particular its expected cash flows that inform equity investors. Their definition is consistent with the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Concepts No. 1 (1978), which states that one objective of financial reporting is to inform present and potential investors in making rational investment decisions and in assessing the expected firm cash flows. Literature on stewardship accounting posits that an accounting number is deemed value relevant if it has a significant association with equity market value (Barth, Beaver, & Landsman, 2001), and could be used to estimate future returns (Beaver, 1968). Thus, if reported earnings are considered by investors to be value relevant and useful in estimating future returns, market value of shares and earnings should normally be related.

Corporate scandals in organization in the last decade and the collapse of big firms in recent years most especially Enron, Tyco, HealthSouth, Parmalat, WorldCom and Xerox around the world have raised concerns about financial information quality which led to the passage of Sarbanes–Oxley Act which had a focus on the financial aspects of corporate governance. The Nigeria Banking Sector was not also free of these said corporate scandals which led to the various reforms by Central Bank of Nigeria (CBN) that forced some of those affected banks out of Business.

Accounting information is relevant to the extent that it is capable of influencing a decision maker by helping him/her to predict the outcomes of present event or to confirm or correct prior expectations (Bushman, Chen, Engel and Smith, 2004). In order for information to be relevant, it must be timely, and it must have predictive value or feedback value or both (Bello, 2009).

Accounting information is reliable to the extent that users can depend on it to judge the economic conditions or events that it purports to represent. Reliability has the qualities of neutrality, representational, faithfulness and verifiability. Verifiability on the other hand means the ability through consensus among measurers to ensure that information represents what it purports to represent or that the chosen method of measurement has been used without error or bias. It has three key aspects namely; consensus among observers, assurance of correspondence to economic events, and direct and indirect verification (Johnson, 2005).

There are numerous principal firm attributes that varies systematically across organisations. Past research work has revealed that organisations that embark on earnings management activities are often smaller in size (Kinney and McDaniel, 1989), less profitable (Defond and Jiambalvo,1991), lower growth rate, while having higher leverage than their industry average (Callen et al., 2002) and high dividend payment. These studies hypothesize that the degree of earnings management will depend on the firm's operating performance. When operating performance is unusually high, managers tend to decrease earnings by saving it for a rainy day, this may through depreciation of asset to reduce profit. When operating performance is poor, managers tend to increase earnings through untimely sales of assets.

Firm attributes have been found by various researches such as (Shehu, 2012; Ahmed & Courtis, 1999; Ahmed & Nicholls, 1994; Alsaeed, 2006) to have significant role in explaining degree of financial information quality. Firm attributes are referred to as those incentive variables that relatively sticky at firm's level across time. They are variables that affect the firm's decision both internally and externally (Shehu, 2012). The incentive variable ranges from Economic profit, Firm Size, Dividend, Leverage, Firm Growth amongst others.

It is to this end that the study examines the influence of Firm attributes and financial information quality of listed deposit money banks in Nigeria. The Deposit Money Banks is one of the most vital sectors in Nigeria economy such that whatever happens to it may affect other sector within the economy and as such it is important to study these internal and external variables that may affect the quality of financial information quality of Banks.

1.2 Statement of the Problem

Corporate financial reporting has become a global concern particularly in recent time due to the reported cases of corporate failures arising from improper, false and misleading financial reporting in firms which hitherto had enjoyed good reputation due to the track record of great success in their lines of business (Agrawal and Chadha, 2005). A financial statement is said to be misleading if it lacks the qualities of accuracy, relevancy, comparability, reliability, compatibility and it contains fundamental errors or is prepared with the intention to deceive and/or confuse the users. Such deception can be carried out in a number of ways, among which are distortions of accounting records, falsification and omission of transactions, or misapplication of accounting principles (Higgs, 2003).

Several motives may be attributed for the preparation of misleading financial statements. As argued by the various convergence views in literatures. There are views that misleading financial statements are prepared for the demand of high returns by shareholders on their investments. This expectation from investors, that is, the providers of capital places management of some organisations under undue pressure that they (managers) resort to indulging in unethical practice of financial information smoothening, preparation and reporting. Other view is the pursuit to retain and sustain a giant corporate status in the eyes of the business community despite some crippling internal problems, odds in the business terrain or sporadic changes in competitiveness. The craze to satisfy the greed of company's insiders by manipulating the financials, understating or reclassifying expenses is another argument. These arguments of course set the stage for the failure of the firm with time. The consequences of these unethical accounting practices include, but not limited to a yawning gap between reality and the reported position of the firm such that any person placing reliance on such reports for decision making will be misled. The erosion of investor's confidence in corporate entities, attrition of revenue to the government via evasion or avoidance of taxes, reduction in the inflow of foreign direct and portfolio investment are easily achieved through earnings management (Shehu, 2012).

Firm attributes plays a vital role in constraining managers (account information preparers) from manoeuvring the accounting numbers which will ultimately improve the quality of reported accounting information. There has been inconclusive findings and divergent views in prior literatures as to whether firm attributes have impact on financial information quality. To the best of our knowledge, researches conducted in various sectors both Nigeria and Other Countries do not have the combinations of the Firm attributes

variables used in this work, Such as (Shehu, 2012; Farouk & Shehu, 2014; Barako, 2006, 2007; Alsaed, 2006.) Therefore the study seek to find out the level of contributions that Firm attributes have on Financial information quality of listed Deposit Money Banks in Nigeria.

1.3 Research Questions

i. Does Economic Profit influence financial information quality of listed Deposit Money Banks in Nigeria?

ii. To what extend does firm size impact on financial information quality of listed Deposit Money Banks in Nigeria?

iii. Does dividend influences financial information quality of listed Deposit Money Banks in Nigeria?

iv. Does leverage influence financial information quality of listed Deposit Money Banks in Nigeria?

v. To what extend does firm growth impact on financial information quality of listed Deposit Money Banks in Nigeria?

1.4 Objectives of the Study

The Major objective of the study is to investigate the Influence of firm attributes on financial information quality of Listed Deposit Money Banks (DMBs) in Nigeria

In order to achieve the overall objective, the following specific objectives are set forth.

i. to determine the influence of Economic Profit on Financial information quality of listed Deposit Money Banks in Nigeria;

ii. to examine the Impact of Firm Size on Financial information quality of listed Deposit Money Banks in Nigeria;

iii. to determine the effect of Dividend on Financial information quality of listed Deposit Money Banks in Nigeria;

iv. to assess the Influence of Leverage on Financial information quality of listed Deposit Money Banks in Nigeria; and

v. to determine the Impact of Firm Growth on Financial information quality of listed Deposit Money Banks in Nigeria.

1.5 Hypotheses of the Study

With respect to the objectives highlighted above, the following hypotheses have been formulated:

H_{01}: Economic Profit has no significant influence on financial information quality of Listed Deposit Money Banks in Nigeria.

H_{02}: Firm Size has no significant impact on financial information quality of Listed Deposit Money Banks in Nigeria.

H_{03}: Dividend has no significant effect on financial information quality of Listed Deposit Money Banks in Nigeria.

H_{04}: Leverage has no significant influence on financial information quality of Listed Deposit Money Banks in Nigeria.

H_{05}: Firm Growth has no significant impact on financial information quality of Listed Deposit Money Banks in Nigeria.

1.6 Significance of the Study

First, the use of Economic profit in place of accounting profit is aimed at establishing the contribution of economic profit other than accounting profit on the financial information quality of listed Deposit Money Banks in Nigeria. The findings will help establish its own impact on financial information quality.

Second, the result will in no doubt provide an insight into the complex issues of financial information quality and Attributes of banking industry. The result is expected to have an important policy implication for Nigerian Stock Exchange (NSE), Securities and Exchange Commission (SEC), Central Bank of Nigeria (CBN) and other stakeholders in banking regulation to strive hard in improving transparency, informativeness and quality assurance of annual reported earnings for Deposit Money Bamks in Nigeria.

The results of this study can be used as a consideration for investors in deciding to invest and for the creditor in making lending decisions.

In addition, It also provide information and contribute to the development of science, especially research related to financial accounting and management behavior, particularly in earnings management.

The result has an important policy implication for country's reformers and regulators who are striving to improve transparency and quality of financial reporting in the country. That is, the degree of firm attributes is an important determinant of a country's financial reporting quality and lower earnings manipulations.

Finally, in addition to confirming the findings of previous researches in describing the role of Firm attributes of banks as an important determinant of financial information quality, findings of this research would in no doubt add to the existing literatures.

1.7 Scope of the Study

This study is limited to only those Banks that are quoted on the Nigerian Stock Exchange (NSE) between January, 2005 and remain listed up till December 2012. The study is centred on assessing the influence of Economic Growth, Firm Size, Dividend, Leverage and Firm Growth on Financial information quality of Listed Deposit Money Banks in Nigeria.

The study covers the period between 2006 - 2012. This period is considered appropriate as it falls within the period there was financial scandals around the world which Nigerian banking sector was not completely exonerated.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter focus on the review of literature about the influence of Firm attributes on financial information quality of firms. It covers the definition of financial information quality, Earnings Management by Banks, and Earnings Management Techniques. This chapter also reviews empirical literatures related and relevant to Firm attributes and financial

information quality, Emphasis is placed on Economic Profit, Firm Size, Dividend, Leverage and Firm Growth as they relate to financial information quality. The theoretical framework of the study is also discussed in the chapter.

2.2 The Concept of Financial Information Quality

Financial information quality can be expressed via earnings attributes that are market based or accounting based. Market based attributes of earnings are value relevance and timeliness of information. Accounting based attributes are predictability and accruals quality. Accrual quality identifies discretionary accruals through accounting disclosures and tests the abnormality of such accruals. Lower levels of abnormal accruals disclosed by accounting statements indicate higher earnings quality (Biddle, 2009). The main objective of financial reporting is to provide decision makers with information that meets their expectation, an examination of earnings quality and its effect on firm's performance as well as governance code of conduct needs to be examined. Analysis of relationships between governance, earnings quality and firm performance improves confidence of decision makers with respect to usage of accounting information and would help in establishing best disclosure practices for firms. The significance of establishing reporting standards in ensuring high earnings quality would help stakeholders to view accounting information as valuable decision tools (Shehu, 2012).

Earnings quality is a theoretical concept that has a multidimensional orientation. Financial Accounting Standards Board (FASB, 1995) discusses primary earnings qualities as predictive value, feedback value, timeliness, verifiability, neutrality and representational ability. Dechow et. al., (2010) in an elaborate review of earnings quality, their determinants and their consequences, defined earnings quality as higher quality earnings that provides

more features of a firm's financial performance that is relevant to a specific decision made by a specific decision-maker. Within this broad definition of earnings quality they have reviewed not less than 300 research papers that are centered on attributes of earnings. The most common measure of earnings quality is the Jones (1991) model. Dechow et. al., (1995) brought out the modified Jones model that adjusts for growth in credit sales. Kothari et. al., (2005) modified the Jones model to identify performance based discretionary accruals. Francis et. al., (2005) decompose the standard deviation of residuals from the accruals model into one component that reflects the firm's operating environment and a discretionary component that reflects managerial choice.

Accounting information is only relevant if it fulfils certain qualities which includes clearity, understandability, relevance and simplicity. The whole functions of accounting revolves around measurement and communication of income or earnings. The earnings reported should be a useful tool for shareholders to take a decision that will add value to their investment. As in Hung (2001), this approach (reporting of Earnings) allows users to examine the ability of the accounting performance measures to capture information that affects the value of the firm. Earnings are used as a summary of accounting performance measure. Therefore, the value-relevance accounting research is based on the premise that if information is useful, investors will adjust their behaviour and the market will respond quickly through changes in share prices. Therefore, if share returns is associated with the release of accounting information, then the accounting information is considered relevant and helpful to the investor. The information content of accounting earnings are based on the understanding that accounting earnings, serve as a performance measure and value relevant.

There has been significant range of studies, since Ball and Brown (1968), empirically showing the importance of accounting earnings as value-relevant information for investors (e.g. Liu and Thomas, 2000; Lipe et al., 1998; Das and Lev, 1994; Wild, 1992; Easton and Harris, 1991; Collins and Kothari 1989, all cited in Fan Wong, 2002).

The value-relevance of a particular firm's accounting earnings depends on the ability of current accounting earnings to facilitate the prediction of future returns by predicting future earnings and cash flows. Reliable earnings are price informative, because empirical evidence shows that reliable measures of future earnings and cash flows (i.e. permanent earnings) provide value relevant information. Although the market places greater emphasis on reliable earnings, it is hard for shareholders to observe the reliability of earnings. Among the indicators of earning reliability is corporate governance mechanisms, of which, economic profit, firm size, dividend, leverage and firm growth are part considering previous studies in this area. The importance of earnings reliability rests with the assumption that more reliable earnings will be of greater relevance in assessing the value of a firm. The less reliable earnings are the less informative.

Given the focus on decision usefulness, the informativeness of reported earnings is of interest to those who use financial reports for contracting purposes and for investment decision making. A major interest in financial reporting is the earnings quality, which is part of the overall financial reporting quality. Accountants are not the only group that care about reported earnings. A recent survey by (Graham et al. as cited in Juana, 2010) finds that managers also view earnings, especially EPS, as key metric for outsiders. Also, (Juana, 2010 as cited in Carla and Sloan, 2007) that there is no single measure of earnings quality that captures all the dimensions of earnings quality. Prior studies have indicated a number of

features with different earnings quality such as accrual persistence, estimation errors in the accrual process, absence of earning management and conservatism.

2.2.1 Earnings Management by Banks

Earnings management by banks is not an intensively studied topic. Most studies on earnings management or financial information quality exclude banks due to the complication effects of guidelines and the distinctiveness of bank's financial Information. However, it is important to note that regulations on banks do not eliminate the chances of earnings management by bank managers. On one hand, regulatory scrutiny helps decrease management opportunistic tendencies, though banks management may have high degree of motivations to embrace cosmetic accounting practice to steer clear of regulatory interventions, e.g. by underestimating loan loss provisions to improve capital ratios (Beatty et al, 1995, 2002, Cheng et al, 2011).

Loan loss provision is a non-cash expense for banks to account for future losses on loan defaults. Banks enter a percentage of loans as an expense when calculating their pre-tax incomes, assuming that a certain percentage of loans will default or become slow-paying. This guarantees a bank's solvency and capitalization if and when the defaults occur. Since its magnitude is subject to managers' subjective judgment, loan loss provisions can be used to manipulate earnings and/or capital adequacy ratios (e.g. Beatty, Chamberlain and Magliolo 1995; Beatty, Ke and Petroni, 2002; Cheng, Warfield and Ye, 2011; Fonseca, and González, 2008; Kim and Kross 1998; Kanagaretnam, Lobo and Mathieu, 2003; Niswander and Swanson 2000). A bank can inflate reported earnings by underestimating the loan loss provision or decrease reported earnings by overestimating the loan loss provision.

Banks could also manipulate earnings through realized security gains and losses (e.g. Barth, Beaver and Wolfson, 1990; Beatty, Chamberlain and Magliolo 1995; Beatty, Ke and Petroni, 2002; Moyer, 1990). Bank managers time security sales so as to smooth earnings. It is often observed that realized security gains and losses tend to be high (low) when income from other sources tends to be low (high) (Barth, Beaver and Wolfson, 1990). Compared with loan loss provisions, realized security gains and losses are less stringently regulated and audited (Cornett, McNutt and Tehranian, 2009). Therefore, realized security gains and losses could be subject to managers' discretion to an even larger extent than loan loss provisions.

Healy and Wahlen (1999) define earnings management as the altering of financial statements through the use of judgement in structuring transactions to either mislead the firm's stakeholders about the true economic picture of the firm or to achieve some contractual benefit that is based on accounting numbers. This means that earnings mangement is the manipulation of financial statement by managers, using accounting choices, estimates and methods, to achieve some objectives that are largely in conflict with the underlying economic status of the firm.

Considerable speculation about the provision of large loan losses to influence earnings sprang in the early 1980s when it was revealed that U.S. banks provided inadequate loan losses to understate net assets and profits (Grey & Clarke, 2004). Loan loss provision is an expense on the income statement which signifies managers' assessment of expected future losses. This means that an increase in loan loss provision reduces net income, while a fall increases net income. Since it is the result of managers' assessment of the likely loss that the company would incur should the borrower fail to repay his obligations as at when due, the provision for it is considered to have two portions: non-discretionary and discretionary

portions. The "non-discretionary portion is a function of specific quality determinants in the loan portfolio- non-accrual loans, renegotiated loans, loans past due over 90 days, specific analyses on troubled large credits, usually implying internal grading system" (Grey and Clarke 2004: p323). This means that the non-discretionary portion is the provision that is based on fair and objective analysis of the firm's economic conditions. While the discretionary portion are those accruals that largely depend on the outcome of the managers' future expectation of uncertain events.

In their review of earnings management research, Sun and Rath (2010) note that the arguments that support the use of specific accrual (e.g loan loss provision) to detect earnings management was proferred by McNichols (2000: p.126) who summarized its advantages into two. "First, this approach enables researchers to develop intuition for the key factors that influence the behaviour of the accrual. Second, the approach can be applied in industries in which a certain type of businesses can result in a specific accruals being material". They further note that the problems attributed with measuring earnings management through specific accruals do not affect banks and insurance because some particular accruals accounts (loan loss provision in the case of banks) are very material due to the peculiar nature of the business. Therefore, since it constitutes large accruals for banks and since its provision has a significant impact on earnings, loan loss provision is an important tool for earnings management in banking sector.

Different incentives to manage earnings are widely discussed in the literature. Bhat (1996), linked it to the attempt to enhance shareholders' value and to maximize executive compensation through income smoothing and earnings management respectively. Income smoothing, occassional big bath, living for today and maximization of variability are

identified by Koch and Wall (2000). Most recently, Chang et al. (2008) note three incetives to manage earnings. Firstly, because of capital market motivation, which includes initial public offerings, seasoned equity offerings, management buoyant plans and plans for mergers to meet earnings forecast, to smooth earnings, etc. Secondly, contracts motivation such as management compensation, debt agreement or job security also constitutes the incentive for earnings management. Thirdly, laws and regulations such as import regulation, industrial regulation, antitrust laws, also serve as incentives. Cornett et al. (2009) note that managers use discretionery accruals for opportunistic earnings mangement. This includes options (the incentive for bonus income by attaining some level of performance) and affecting stock prices to enhance managers'wealth through restricted stock compensation.

2.2.2 Techniques of Earnings Management.

Earnings management is a very popular term used by management to manage earnings. However, it does not mean any illegal activities by management to manage earnings but can be described as unethical behaviour. Managers can achieve earnings from accounting choices or by operating decisions. Managers can manage earnings because they have flexibility in making accounting or operating choices. The most successful and widely used earnings management techniques can be classified into twelve categories as cited in the works of (Rahman, Moniruzzaman & Sharif, 2013)

i. "Cookie jar reserve" technique:

The cookie-jar technique deals with estimations of future events. According to GAAP, management has to estimate and record obligations that will be paid in the future as a result of events or transactions in the current fiscal year based on accrual basis. But there is always uncertainty surrounding the estimation process because future is not always certain.

There is no correct answer; there may be reasonably possible answers. Management has to select a single amount according to GAAP so there is a chance of taking the advantage of earnings management. Under the cookie-jar technique, the corporation will try to overestimate expenses during the current period to manage earnings. If and when actual expenses turn out lower than estimates, the difference can be put into the "cookie jar" to be used later when the company needs a boost in earnings to meet predictions. Some examples of estimation to manage earnings are: sales returns and allowances, estimates of bad debt and write-downs; estimating inventory write downs; estimating warranty costs; estimating pension expense; terminating pension plans and estimating percentage of completion for long term contracts etc.

ii. "Big Bath" Techniques:

Although a rare occurrence, sometimes corporations may restructure debt, write-down assets or change and even close down an operating segment. In these instances, expenses are generally unavoidable. If the management record estimated charge (a loss) against earnings for the cost of implementing the change then it will negatively affect the cost of the share price. But the share price may go up rapidly if the charge for restructuring and related operational changes is viewed as positively. According to Big bath technique, if the managers have to report bad news i.e., a loss from substantial restructuring, it is better to report it all at once and get it out of the way.

iii. "Big Bet on the Future" technique:

When an acquisition occurs, the corporation acquiring the other is said to have made a big bet on the future. Under Generally Accepted Accounting Principles (GAAP) regulations, an acquisition must be reported as a purchase. This leaves two doors open for

earnings management. In the first instance, a company can write off continuing R&D costs against current earnings in the acquisition year, protecting future earnings from these charges. This means that when the costs are actually incurred in the future, they will not have to be reported and thus future earnings will receive a boost. The second method is to claim the earnings of the recently acquired corporation. When the acquired corporation consolidated with parent company earnings, then immediately receive a boost in the current year's earnings. By acquiring another company, the parent company buys a guaranteed boost in current or future earnings through big bet technique.

iv. "Flushing" the investment portfolio:

To achieve strategic alliance and invest their excess funds, a company buys the shares of another company. Two forms of investment are trading securities and available for sale securities. Actual gains or losses from sales or any changes in the market value of trading securities are reported as operating income where as any change in market value of available for sale securities during a fiscal period is reported in "other comprehensive income components" at the bottom of the income statement, not in operating income. When available for sale securities are sold, any loss or gain is reported in operating income. A manager can manage its earnings through various techniques which are: i. timing sales of securities that have gained value: The Company can sell a portfolio security that has an unrealized gain and can report the gain as operating earnings if it is required ii. Timing sales of securities that have lost value: If the manager wants to show lower earnings then he can sell the security that has an unrealized loss and report the loss in operating earnings. iii. Change of holding intent, write-down "impaired securities: Management can manage earnings through change of its holdings from available to sale securities to trading securities and vice versa. This

would have the effect of moving any unrealized gain or loss on the security to or from the income statement. iv. Write-down "impaired securities", that is, securities that have an apparent long term decline in fair market value can be written down to the reduced value regardless of their portfolio classification.

v. "Throw out" a problem child

To increase the earnings of future period, the company can sell the subsidiary which is not performed well i. e. "the problem child" subsidiary may be "thrown out". Earnings can be managed through sell the subsidiary, exchange the stock in an equity method subsidiary and spin off the subsidiary. A gain or loss is reported in the current period statement when a subsidiary is sold. The existing shareholders become the owner of the problem child by distributing or exchanging the shares of a subsidiary with the current shareholders. As a result, no gain or loss is normally reported on a spin off. Moreover, it is possible to "swap" the stock in an equity method subsidiary without having any recordable gain or loss.

vi. Introducing new standard

New rules and regulations are introduced in GAAP due to changing demand of business environment. Accounting principles can be modified in a way that will not change the earnings. When a new accounting standard is adopted it takes two to three years to comply with the standard. Voluntary early adoption may provide an opportunity to manage the earnings. A company can take the advantage to manage earnings by changing the time an accrual basis rather than cash basis. Moreover, timely adoption of a better revenue recognition rule will provide a new window to manage the earnings.

vii. Write off of long term operating Assets:

The cost of long term operating assets used or consumed is recorded as an amortization (intangible assets- goodwill, patents, copyrights, and trademark), depreciation (tangible assets- buildings, machinery, equipment) and depletion expense (natural resources- timber, coal, oil, natural gas) over the periods expected to be benefited. Management has the discretionary power when selecting the write off method; write off period; estimating salvage value. It is not necessary to record depreciation or amortization expense if the long term operating asset changed to non operating asset.

viii. Sale/Leaseback:

A company can enhance the earnings of the financial statement by selling a long term asset that has unrealized gain or losses. For instance, the cost of a machine showed in the balance sheet at Tk 20 lac, but its market value is now Tk. 30 lac. If the machine is sold then Tk. 10 lac gain will enhance the current period earnings. In addition, by recording a gain or loss a company can manage its earnings. According to IAS 17, losses occurring in a sale/leaseback transactions are recognized on the seller's book immediately and the gain is amortized over the period if it is capital lease or proportion of the payment is operating lease.

ix. Operating versus non operating Income:

Earnings are two types: operating and non- operating. Non operating earnings will not affect future earnings whereas operating earnings are expected to continue in the near future. Non operating income includes: discontinued operations, extraordinary gains or losses, cumulative effect of change in accounting principles. The manager can manage its earnings when making decisions about items which falling into those areas. To illustrate, a disposition of a major manufacturing plant could possibly be classified as either a special or unusual

charges or as discontinued operations. What classification is more accurate may depend on management judgment regarding this factor.

x. Early Retirement of Debt:

Management can manage the earnings by selecting the fiscal period of early retirement of debt. A gain or loss is occurred when the company makes the early payment of cash which is different from the book value of long term debt such as bonds. This gain or loss is recorded as an extraordinary item at the bottom of the income statement which boosts the earnings of that period.

xi. Use of Derivatives:

Derivatives offer a lot of opportunities for manager to manage earnings. Derivatives can be used to protect against some types of business risk, such as: interest rate changes; commodity price change; the weather; oil price changes; changes in foreign currency exchange rates. Derivates should be reported as assets and liabilities in the balance sheet and measured at fair value. Gains and losses from derivate transactions are generally recognized immediately in regular income. For example, suppose a company had a large issue of bonds outstanding at a fixed interest rate. The company could enter into an interest rate swap that would effectively convert the fixed rate bonds into variable rate bonds. When the interest rate increases, the company would then record an increase in interest expense for the bonds and a decrease if the rate has decreased. Since, when the company enters into the swap is up to the company, the timing option provides an opportunity to manage the earnings

xii. Shrink the ship:

Companies do not have to report any gain or loss for repurchase of their own shares on the income statement because no income is recognized on the transaction. Income is only earned

through equity transactions outside the firm, not with those involving the firm's owners. A stock buy does not affect earnings but it is used to affect earnings per share. So, these are the common & popular earnings management techniques. Management uses these techniques as & when required to manage earnings. Management uses cookie jar reserve technique to show boom earnings in the future period. Big Bath technique are used in the belief that if a manager have to report bad news i.e., a loss from substantial restructuring , it is better to report it all at once and get it out of the way. Sometimes a subsidiary may under-performed & the earnings of this type of security are managed by throw out a problem child method. Companies that changes GAAP have to take care that stock market does not view the change as lowering the quality of earnings. Timely disposition of long term productive assets (Sale/leaseback and asset exchange technique) can result in the recording of unrealized gains or losses. Under the amortization, depreciation and depletion method, management manages earnings by selecting the write off method, period and estimating salvage value.

2.2.3 Proxy for Measurement of Financial information quality

A variety of models have been advanced by various researchers in recognizing the accruals that is discretionary in the banking sector. Majority of these models mainly emanate from McNichols and Wilson (1988) who used estimated residuals of bad debts regression model as a surrogate of discretionary accruals. The study adopts Chang *et al.* (2008) model in estimating the discretionary component of loan loss provisions as it captures the necessary ingredient of financial information quality.

Loan loss provision is a linear function of loan charge-offs and the beginning balance of allowance for bad and doubtful debts for that year. Mathematically, it is expressed as follows:

$$LLP = f(LCO + BBAL) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (i)$$

The intuition underlying the choice of these variables is that "In practice most bank managers decide the amount of loan loss provisions every month according to individual risk assessment on potential uncollectible loans and loans write-offs." (Chang *et al*., 2008:13).

$$LLP_t = \alpha_0\ 1/TA_{t-1} + a_1\ LCO_t/TA_{t-1} + a_2\ BBAL_t/TA_{t-1} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\text{(ii)}$$

Since discretionary accruals cannot be observed directly, it is estimated by regressing loan loss provision on the independent variables in equation (ii). The discretionary loan loss provision is the error term which is the difference between loan loss provisions, on the one hand and loan charge-offs for the year and the beginning balance of loan losses, on the other. All variables are scaled by the beginning balance of total assets in order to avoid heteroskedasticity. Some studies, such as Grey and Clarks (2004) and Zhou and Chen (2004), have included change in non-performing loans as one of the explanatory variables. This study ignores it for the reason our preliminary test such as normality test for decision influencing factor reveals that the coefficient significant of the variable is not robust. This approach is also consistent with Chang *et al*. (2008). Discretionary loan loss provision is therefore estimated as follows:

$$DLLP_t = \varepsilon_t = LLP_t - (\ \alpha_0\ 1/TA_{t-1} + a_1 LCO_t/TA_{t-1} + a_2\ BBAL_t/TA_{t-1}) \ldots\ldots \text{(iii)}$$

The Firm Attributes variables of the study, which are Economic Profit, Firm Size, Dividend, Leverage and Firm Growth, are then introduced into the final parsimonious model.

Next, a linear relationship between DLLP and the Firm Attributes variables is formulated. The study uses absolute value of DLLP. This is because the positive or negative sign value only indicates whether earnings are being managed upwards or downwards by the sample banks. Since our interest is based on the magnitude rather than the direction of

accruals. The absolute discretionary accrual serves to measure the extents to which managers knowingly pursue certain techniques to adjust reported accounting numbers (You, Tsai and Lin, 2003).

2.3 Review of Empirical Studies on Firm Attributes and Financial Information Quality

2.3.1 Economic Profit and Financial information quality.

Economic profit is also identified as one of the firm attributes to have great impact on financial information quality of firms. The works of Hashem et al (2012) shows that Return on assets used as proxy for performance of firms is significantly positively related to earnings management, which implies that when there is increase in performance of firms, there will be a corresponding increase in manipulative accounting, which as a result will lead to decrease in the Financial information quality. Also, the study carried out by Davidson, Stewarts and Kent (2005), and Klein (2002b) have similar findings. They argued that changes in profit influences the manipulation of accounting accruals, especially when they are low. Thus the financial information quality of such firms will be low. However, the works of Nelson and George (2013), Alsaeed (2006), Haniffa and Cooke (2002) found no significant relationship between firm performance and earnings management and voluntary disclosure and thus performance has no any impact on the Financial information quality of firms.

Organisations which have encountered losses for a good number of years have also been claimed to have the likelihood to embark in lower financial information quality. A study conducted by Loebbecke, Eining and Willingham (1989) put forward that poor financial performance often causes management to place undue prominence on earnings and profitability, thus increasing the possibility of financial statement frauds and misstatements.

While in the works of Beasley (1996) did not find significant association with financial information fraud. In the same vein Abbott, Parker and Peters (2004) did not find significant relationship between firms experiencing losses and restatement of their financial accounts.

A lot of studies have suggested that meagre profits are not good evidence of earnings management. Dechow, Richardson, and Tuna (2003), in a large-sample study, find no relation between attainment of small profits and increases in discretionary accruals. Some findings such as McNichols, and Nelson (2003), however, suggest a relation between small profits and other recognized proxies for earnings management. Beaver, McNichols, and Nelson (2003) find a positive correlation between earnings management of loss reserves and small profit realizations at P&C insurers. Firms that was able to use more aggressive revenue recognition techniques, which might provide greater opportunities for earnings management are more likely to report small profits and are less likely to report small losses (Altamuro, Beatty & Weber, 2005).

Several empirical studies have tested the relationship between profitability and financial information quality (Singhvi and Desai, 1971; Wallace and Naser, 1995; Meek et al., 1995; Inchausti, 1997; Glaum and Street, 2003; Akhtaruddin, 2005). The outcomes of these researches are mixed. Because the preponderance of earnings management research have been focused on discretionary accrual behavior around a single event, there has been, in general, scanty attention paid to the longer-term implications of past earnings management. Reaching and sustaining profitability is a fundamental objective of every publicly traded company. For firms in a loss state, the condition must be temporary if it is to continue as a going concern. The importance of losses to investors, and ultimately to managers, relates to the long-term association between profit generation and the dividend paying ability of the

firm. Not surprisingly, the profit threshold has been shown to be a critical single-period benchmark. Burgstahler and Dichev (1997) and DeGeorge et. al, (1999) studies shows the propensity of firms to avoid losses with the use of available working capital accruals when reported losses would otherwise be small, providing evidence that accounting discretion is used by managers to avoid a loss state.

Lower accounting profits also provide motivation for firms to manipulate earnings because these firms are possibly facing more financial constraints. White (1970) finds that firms with declining profitability tend to smooth earnings. Ashari et al. (1994) report that managers' incentive to smooth earnings will be stronger when the firm's profitability is poor and its fluctuations in income are severe. Researchers have also argued that earnings management firms tend to exhibit a high profitability because profitability can affect managers' job security and the compensation contract give manages implicit incentives to manipulate earnings (Fudenberg and Tirole, 1995). Wang (2004) argues that the firm's propensity for fraud is positively related to growth prospects and negatively related to the profitability of the firm's current assets. The underlying implication for this is that firms with good growth opportunities but low profitability (or low cash flow) should demand for more external finance. Earnings manipulation and its resultant favourable accounting figures enable the firm to raise capital in a better term.

2.3.2 Firm Size and Financial information quality.

Firm size is measured as the natural logarithm of total asset as used in Farouk and Shehu (2013) Shehu, (2012), Chen et al (2005), Ghazali (2010), Hassan and Ahmed (2012). These studies focus on the impact of Firm Size on earnings Management and Financial information quality. There are several argument that the larger the firm, the higher the agency

problem that firms may likely face. In the works of Ahmed and Courtis (1999) as cited in Farouk and Shehu (2013), identified theoretical argument linked to firm size include as agency cost, political cost, signalling and information asymmetry, capital needs, litigation cost and audit firm reputation.

Dwi Lusi (2013) in his work found that firm size is associated and has negative impact on earnings management implying that the larger the firm size, the lower the earnings manipulations and thus the higher the financial information quality. The study of Naser et al, (2002), Glaum and Street, (2003), Akhtaruddin (2005) as cited in Farouk and Shehu, (2013) also found a negative relationship between size and financial information quality. However, Hashem et al, (2012) found positive and significant relationship between size and earnings management which indicates that the reported information content of the financial statement is of lower quality. In the same direction, Adelopo (2010) found a significant positive relationship between voluntary disclosure and firm size. On the other hand Nelson and George, (2013) found significant relationship between firm size and earnings management and thus implies that the quality of the reported earnings is good. McNally et al (1982) examine the quality of financial reports with corporate characteristics and found that the only significant variable among the corporate characteristics used in the study was firm size and information quality.

Buzby (1975) points out an association between asset size and financial reporting quality which, is referring to the special characteristics surrounding the size of a firm. Size is a proxy for a number of corporate characteristics, thus many reasons have been advanced in the literature supporting a priori expectation of an association between corporate size and disclosure. Singhvi and Desai (1971) and Buzby (1975) put forward three reasons. First,

larger firms generally have a more diverse product range and more complex distribution networks than smaller firms. As a result, larger and more complex management information systems and databases are required for management control purposes. Consequently, disclosure costs may be generally lower for larger firms. Second, larger firms make more extensive use of capital markets for external financing relative to smaller firms. It is further argued that firms can increase the marketability of their securities in capital markets, and obtain capital more easily and cheaply through more extensive disclosure. Third, smaller firms may consider themselves to be placed at a competitive disadvantage relative to larger firms through more detailed corporate disclosure.

2.3.3 Dividend and Financial information quality.

An extant literature in corporate finance dated back to the works of Miller and Modigliani (1961), addresses the information content of dividends hypothesis, under which managers' dividend decisions convey information about their firm's earnings.

There is a large empirical literature on this hypothesis, although there is little clear evidence in support of it. This research examines the empirical validity of the information content of dividends hypothesis by providing evidence on the relation between dividends payment and quality of reported earnings. The main objective is to find out whether dividends provide information about the quality of reported earnings. From the classic works of Lintner's (1956), it was discovered that managers are reluctant to increase dividends unless they believe that dividends can be sustained at the new level. Consequently, by committing to pay a dividend, managers can help convince investors of the quality of the earnings numbers that they report. This question seems especially important in recent years, during which there has been a substantial increase in reported losses, increasing dispersion in

the cross-section of reported earnings, and increasing questions about the quality of reported earnings. The evidence presented here shows that dividends provide information about earnings quality, where high quality earnings are more likely to be sustainable in future periods.

Several empirical works examine the belief that managers use dividends to signal the earnings prospects of their firms. While it is well known that stock prices react when firms announce unexpected changes in dividends (Aharony and Swary, 1980; Asquith and Mullins 1983 and Michaely et al. 1995), the evidence generally does not support the idea that unexpected changes in dividends provide information about future earnings changes. According to the information content of dividends hypothesis, managers' dividend decisions provide information about the earnings prospects of their firms. Under the most common interpretation of this hypothesis, changes in firms' dividends map directly into changes in future earnings. Dividend increases have become less frequent and smaller over time, (Allen and Michaely, 2002 and DeAngelo et al, 2008).

The fact that dividends are now primarily the domain of large mature firms (DeAngelo et al. 2004) is also inconsistent with managers using dividends to communicate their firms' earnings prospects; if anything, the demand for signaling would seem to be highest among younger, growth firms with more volatile earnings. DeAngelo et al. (2008, p. 99) conclude that ''extant empirical evidence is strongly incompatible with the notion that the primary purpose of dividends is to signal managers' views of future earnings to outside investors''.

Increases in earnings that managers consider to be permanent will be accompanied by dividend increases, while earnings increases that are largely transitory will not. The

prediction also follows from the empirically robust finding that managers are reluctant to cut dividends and only increase dividends when they are sure that there is a sustainable increase in their firms' long-run ability to generate earnings (Brav et al, 2005).

2.3.4 Leverage and Financial Information Quality.

Leverage has been regarded as one of the most important firm attributes to have contributed to financial information quality of firms. For example Shehu (2009) shows that leverage is positively associated to financial information quality. Similarly, the findings in the study conducted by Naser (1998), Tower et al (1999), Wallace et al (1994), Wallace and Naser (1995), Mangena et al (2007), Yang and Krishnan (2005) concurred to the earlier findings of others which found positive relationship between Leverage and Financial information quality.

On the other hand, the works of Hashem et al (2012) found positive and significant association between debt ratio and earnings management an indication that the financial information quality is lower with increase debt ratio. In the same line, Nelson and George (2013) found a significant positive relationship between leverage and earnings management implying also a low financial information quality for firms. These result is consistent with signalling theory, because highly leveraged firms would engage in earnings management in bid to have reports that will enable them attract capital at reasonable rate; and as a result the quality of their financial information is jeopardised.

Agency theory has also been often used to describe the association between leverage of firm and financial information quality. It has been argued over time that as leverage increases in amount, there will be wealth transfers from fixed claimants to residual claimants. As debenture holders are able to 'price protect' themselves, managers and shareholders have

an incentive to voluntarily increase the level of monitoring, such as by increasing the disclosure of additional information about the firm's activities (Schipper, 1981). While Adelopo (2010), Lau (1992), Courtis (1979), Malone et al. (1993), Hossain et al.(1995), Hossain et al.(1994), Patton and Zelenka (1997) have all found a positive relationship between leverage and financial information quality, many researchers did not find any relationship between the variables (Ahmed and Nicholls, 1994; Wallace et al., 1994; Wallace and Naser, 1995; Ahmed, 1996; Inchausti, 1997; Raffournier, 1995; Chow and Wong-Boren, 1987;). On another hand, the research work of Zarzeski (1996) finds a significant negative relationship between leverage and disclosure, which suggest that firms with high degree of leverage have a propensity to reveal private information to their creditors which may not be reflected in their annual reports and accounts. Also, Collett and Hrasky, (2005) could not record any association between intention to raise new debt capital and disclosure. These outcomes are in sharp contrast with these studies that have found positive relationship between corporate disclosure and leverage such as the works of Ahmed and Courtis, 1992; Barako et al, 2006. This variance in the outcome provides unique motivation for onward enquiry of this association

The degree of debt to equity has also been argued by previous researchers to have an influence on financial information quality. As per the terms of the degree of disclosure, Alsaeed (2006) argues that firms with higher debt have high agency costs and as such need to have more information disclosed in the financial statements so as to please the needs of creditors for information. In a study by Craig and Diga (1998), they found a significant positive association linking debt ratio and level of disclosure. Meanwhile, Alsaeed (2006) work had failed to find a significant relationship between both variable, and it was argued

that this may be due to the fact that the creditors may have shared private information with their debtors. In contrast, Rahman and Ali (2006) posited that higher leverage company have higher bankruptcy risk, which consequently will lead to litigation risk and thus, increase management's tendency to manipulate firm's financial reporting to overcome this risk. In support of this were the findings by Klein (2002b) which revealed that a firm's leverage is positively and significantly related to the level of abnormal accruals. Furthermore, a research by Davidson, Stewart and Kent (2005) had also found a significant positive relationship between leverage and discretionary accruals. However, a subsequent study by Rahman and Ali (2006) did not record any significant association between firm leverage and accruals.

Some previous studies have indicated that there is no significant relationship between leverage and the level of disclosure as in the works of Ahmed and Nicholls (1994), Naser (1998), Meek et al (1995), Camfferman and Cooke (2002), Ali et al. (2004) and Al-Saeed (2006), Archambault and Archambault (2003). Conversely, Naser et al (2002), Naser and Al-Khatib (2000), and Hassan et al (2006) find a significant association linking leverage and disclosure level. Therefore, it is posited that companies that borrow more will disclose more information than those companies that do not borrow from banks.

2.3.5 Firm Growth and Financial information quality.

Firm Growth in prior literatures has been found to have mixed findings as relates to its relationship with financial information quality. Any organisation that is growing is bound to have less sustainable earnings as argued by Nissim and Penman, (2000). Some other scholars such as Farouk and Shehu (2013) argued that, a growing firm will want to maintain that trend and as result engage in earnings management which reduces the quality of the financial

information reported. Some of the management actions to smooth the earnings may be attributed to pressure to meet earnings benchmark.

While some growing firm that experience decrease in growth still want to report it as it is because they are aware that manipulating such earnings just to portray good image of the business may in the end spell doom for the organisation in the long run especially when the firm is not under any pressure to meet earnings benchmark. In the research conducted by Beaver et al, (1968) shows that growth opportunities provides managers with incentives to smooth earnings as earnings fluctuations increases perceived firm risk which will in turn adversely affect the cost of capital needed by the organisation. This is in line with the study of Pincus and Rajgopal (2002), Firth et al, (2007), and Young, (1999).

Earnings sum up performance of the firm's earnings process during the reporting period. If the fundamental process changes (i.e., grows), so will earnings, and properties of earnings like persistence and smoothness will be adversely affected. Studies like Penman and Zhang (2002) provide more contextual evidence about how the accounting system affects the degree to which growth matters. In addition to the impact of growth on the fundamental element of earnings properties, growth also is associated with greater measurement error and more manipulation opportunities (Richardson et al., 2005). Doyle et al., (2007a) and Ashbaugh-Skaife et al. (2007) find that young growth firms disclose more internal control weaknesses. Researchers have, however, examined growth as a determinant of the external indicators of quality. Lee et al. (2006), however, do not find evidence supporting the association between restated amounts and growth.

An opportunity of Growth is another firm-level attributes that has been studied repeatedly. In the works of Beaver et al. (1968). It is found that growth opportunities

provides managers with motivations to smooth earnings as earnings instability increase perceived firm risk which negatively have effect on the cost of capital needed by the organisation. Collins and Kothari (1989) and Easton and Zmijewski (1989) all find that earnings response coefficients are a function of growth and risk. Skinner and Sloan (2001) find that the market severely penalizes growth firms for negative earnings surprise. Thus, managers of high growth firms are likely to have strong incentives to meet earnings benchmarks. Richardson et al. (2002) also finds that restatement firms tend to be high growth firms which are under pressure to inflate earnings to meet or beat analysts' forecasts. Firth et al. (2007) point out that it is easier for fast growing firms to engage in earnings management than it is for mature firms since it is difficult to observe the business activities of fast growing firms.

2.4 Theoretical Framework

There are many theories in extant literatures that have been used to underpin research of this nature. The theories are efficient contracting theory associated with managers to exercising accounting discretion in an efficient manner such that in the long run firm value is maximized. The opportunist theory assumes that managers have a short-term self interest as an incentive to form poor firm structure to manage earnings for their own benefit (Klein (2002). While the agency theory is one this research work will be hinged on. Therefore, the study is based on the proposition of agency theory, the theoretical framework most often used by researchers to understand the relationship between the Firm Attributes and Financial information quality (Carter, Simkins and Simpson, 2003). It involves a contract under which the principal (Owners) engages another party (Managers), called agent, to perform some services on their behalf, where some power of decision making are delegated to the agent

(Jensen and Meckling, 1976). In the modern business world, the principal is the shareholders, who are the owners of the company, whereas the management of the company represents the agent.

As posited by Brennan (1995), agency problem may arise as the agent fails to act in the best interest of principal and the effect may be reflected in the company's share price. It specifically exists in the companies when the management has incentives to achieve their own interests at the expense of the shareholders (Agrawal & Knoeber, 1996) and will act in an opportunistic manner to maximize their rewards. As parties internal to the organization, management tends to have an information advantage over the principal due to the day-to-day information and the insider knowledge.

When considering the earnings management practice, the agency theory elucidates the existence of the incentive for management to use earnings management. The agency problem will cause that managers are able to give a misrepresentation of the earnings figure without the opportunity of shareholders and others to see through (Salah, 2010). Furthermore, management could use earnings management to mislead shareholders by showing a different image of the company's earnings (Salah, 2010).

Because of the opportunistic behavior of agents, organizations will try to put in place mechanisms that have to align the interests of the agents and principles or at least minimize the differences. One of the important mechanisms is through the establishment of board of directors. In addition, to safeguarding the interests of shareholders, board of directors is appointed through the election in the annual general meeting. The board of directors is the agent to the shareholders in ensuring the transparent financial reporting that reflect the real financial position of the companies. Thus, the role of the board of directors is imperative to

counter "managerial opportunistic" behavior, which includes taking action for their own personal interests at the expense of the shareholders interests (Donaldson & Davis, 1991). In this sense, corporate governance framework in which board of directors is a part serves as an effective tool in meeting the expectations and needs of the shareholders. Board of directors may provide better monitoring of management, therefore, can lead to transparent and reliable reporting.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology used in the study. It considers the methods of Inquiry, data collection, analysis and interpretation for the purpose of ascertaining the association among the variables of the study. The chapter explain the research design, population of the study, sample size and sampling technique, techniques for statistical analysis of data and finally the Justification of Techniques Used.

3.2 Research Design

The research method adopted is the descriptive research method as it helps describes a particular phenomenon in the study. In selecting the choice of research method to be used by a researcher for the purpose of acquisition, analysis and interpretation of data, it is very paramount to put in mind the nature of the study, the problem at hand and the desired objective. In line with this, Ex-post facto design was adopted for the study.

3.3 Population and Sample Size

The population of this study consists of all the twenty (20) listed Deposit Money Banks as contained in Nigerian Deposit Insurance Corporation Annual Reports & Statement of Accounts of 2012. The population was reduced to a sample size for the study. Sample size of thirteen (13) Listed Deposit Money Banks was arrived at based on the availability of their Annual Reports and Accounts of the Various Banks.

3.1: Population of the Study

S/NO.	BANK
1.	Access Bank Plc
2.	Citibank Plc
3.	Diamond Bank Plc
4.	EcoBank Plc
5.	Enterprise Bank
6	Fidelity Bank Plc
7	First Bank Plc
8	FCMB Plc,
9	G T Bank Plc
10	Keystone Bank
11	Mainstreet Bank
12	Standard Chartered Bank Nig Ltd.
13	Skye Bank Plc
14	Stanbic IBTC Plc
15	Sterling Bank Plc
16	United Bank for Africa Plc
17	Union Bank Plc
18	Unity Bank Plc
19	Wema Bank Plc
20	Zenith Bank Plc

Source: NDIC 2012 Annual Report & Statement of Accounts

Table 3.2: Sample Banks and their Data Description

S/No.	BANK	DATA PERIOD	OBSERVATION
1	Union Bank Plc	2006 – 2012	7
2	Fidelity Bank Plc	2006 – 2012	7
3	Zenith Bank Plc	2006 – 2012	7
4	Diamond Bank Plc	2006 – 2012	7
5.	Access Bank Plc	2006 – 2012	7
6	FCMB Plc	2006 – 2012	7
7	Sterling Bank Plc	2006 – 2012	7
8	UBA Bank Plc	2006 – 2012	7
9	First Bank of Nigeria Plc	2006 – 2012	7
10	Eco Bank Plc	2006 – 2012	7
11	IBTC Bank Plc	2006 – 2012	7
12	Skye Bank Plc	2006 – 2012	7
13	GT Bank Plc	2006 – 2012	7
	Total Observations		**91**

Source: Compiled by the author 2013.

3.4 Sources and Method of Data Collection

The data of the thirteen selected Listed Deposit Money Banks in Nigeria within the period of seven years (2006-2012) used in this study were collected from secondary sources only (Published Annual Reports and Accounts of the Listed Deposit Money Banks in Nigeria) The various data were sourced based on the parameters of the variables, and the respective values or percentages were taken before running the data using the SPSS statistical software.

3.5 Variables and their Measurements

The study uses one dependent and five independent variables. The dependent variable, financial information quality is represented by Discretionary Loan Loss Provision as employed by Chang *et al.* (2008), while the independent variables are economic profit, firm size, dividend, leverage, and firm growth.

Table 3.3 presents the summary of variables and their measurements as used in the study.

Table 3.3: Summary of Variables and Measurement

No	Variable	Measurement
1	Financial information quality	Measured as in Chang *et al.* (2008)
2	EVA	Measured as Current-period after-tax economic earnings net of the charge for the use of capital as measured by Stewart, 1982.
3	Firm Size	Natural logarithm of Total Asset.
4	Dividend	Dividend Per Share paid at the end of the year.
5	Leverage	Ratio of Debt to Equity.
6	Firm Growth	Growth is measured as Changes in Total Assets

Source: compiled by the author 2013.

3.6 Model Specification

Model specification for this study is derived from the research efforts of previous contributors in this area of study. To study the Influence of Economic Profit, Firm Size, Dividend, Leverage, and Firm Growth on Financial information quality of listed Deposit Money Banks in Nigeria, the financial information quality were estimated by regressing the proxies for Firm Attribute against the residuals from the Discretionary Loan Loss Provision Model of Chang *et al.* (2008) adopted in the study.

$$FIQ_{it} = \beta_0 + \beta_1(EVA_{it}) + \beta_2(FSize_{it}) + \beta_3(Div_{it}) + \beta_4(Lev_{it}) + \beta_5(FGrowth_{it}) + \mu_{it}$$

Where;

FIQ = Financial information quality

EVA = Economic Profit

FSize = Firm Size

Div = Dividend

Lev = Leverage

FGrowth	=	Firm Growth
β_0	=	the intercept/constant;
$\beta_1, \beta_2, \beta_3 \beta_4 \beta_5$	=	are the parameters;
μ	=	the residual/error term

3.7 Justification for the Technique Used

Multiple regression analysis was used because it tries to forecast a normal or scale dependent variable from a combination of several scale and/or dichotomous independent/predictor variables. Morgan et.al., (2004), opines that there are many methods provided in the Statistical Package for the Social Sciences (SPSS) to analyze data with multiple regression. The researcher used the Ordinary Least Square (OLS) method. Ajani (2012), states that the Ordinary Least Square (OLS) is a multiple regression analysis method where it is assumed that all of the predictor variables are important. This enables a researcher to see what is the highest possible multiple correlation of these variables with the dependent variable. Multiple regression using Ordinary Least Square (OLS) allows the researcher to consider all the variables at the same time.

Multiple regression was also used because Miettinen (2008), states that most researches investigating the relationship between audit quality and other factors have mainly used multiple regression because it produces the most objective results. Using the Ordinary Least Square (OLS) procedure leads to unbiased and consistent associations/correlations. A 5 percent (0.05) significance level is chosen for this study because it is the most often used significance level in financial information quality research. Osuala (2005) suggests that although researchers are allowed to choose arbitrary standards as levels of significance, as a

general rule, it is wise to demand a significance level of at least 0.05 in behavioural science research.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter deals with the preliminary analysis of the sample using descriptive statistics. This was followed by the presentation of result, analysis and interpretation of the data collected for the purpose of testing the model used in this study. Also, findings were discussed and policy implications from the findings were also drawn.

4.2 Descriptive Statistics

The descriptive statistics for each of the variables were designed to show the

Minimum, Maximum, Mean and Standard deviation, Skewness and Kurtosis values. Descriptive statistics helps readers to understand the measures of central tendency, measures of variances associated with the variables of the study and the normality of the data used in the study.

Table 4.1: Descriptive Statistics of the Variables

Variables	N	Min	Max	Mean	Std. Dev.	Skewness	Kurtosis
FIQ	91	.01	.09	.0372	.02189	.772	-.142
EVA	91	11.07	20.54	15.5133	1.35259	.305	2.490
FSize	91	15.70	21.62	19.6787	1.35493	-.996	.579
Div	91	.00	2.23	.5275	.37494	1.589	4.702
Lev	91	.12	.95	.4031	.24430	.812	-.362
FGrowth	91	14.08	20.50	18.3980	1.26380	-1.141	1.939

Source: Extract from SPSS printout result

As presented in Table 4.1, the mean value of financial information quality is 0.0372, while Economic Profit has a mean value of 15.5133, Firm Size has an average value of 19.6787, meanwhile dividend recorded an average of 0.5275, leverage and Firm Growth have their mean value as 0.4031 and 18.3980 respectively. The mean value of leverage indicated that, the capital of the bank is financed with 40% debt, while the remaining 60% is from equity. From the mean values as displayed above, Firm Size and Firm Growth have the highest mean values followed by the Economic profit. Amongst the Independent variables, Leverage has the least mean indicating that Majority of the Banks capital is financed through equity, as the remaining 40% is financed through debt. For Financial information quality to have a mean of 3% from the residual value of the model indicate that the discretionary aspect of the loan loss provision model is at minimal level, which implies that the possibility of manipulation is low and hence the financial information is of quality type that can be relied upon. The minimum value for Economic profit is 11.07 and the maximum value is 20.54, while Firm Size has a minimum value of 15.70 and a maximum value of 21.62, the minimum

Value for Dividend is 0.00 and the maximum value is 2.23, the minimum value indicating that there was a particular year within the selected banks that dividend was not paid. 0.12 were recorded for Leverage as the minimum Value while 0.95 was the maximum value for Leverage. Also Firm Growth recorded a minimum value of 14.08 amongst the observations while 20.50 stood as the maximum value. A study is considered valid when it is based on valid data, and this data is considered valid if obtained from the data quality. Using the descriptive statistics to test or determine whether there is data outlier in the study, therefore, the results of the skweness shows that all values were close to zero and one which clearly shows that the data is normally distributed, therefore we can consider the data to be tolerably mild.

4.3 Correlation Matrix

The correlation matrix is used to determine the association between the explained and the explanatory variables of the study. The table below therefore represents the correlation matrix for the sample observations. The full details are attached as appendix

Table 4.2: Correlation Matrix of the Dependent and Independent Variables

Variable	FIQ	EVA	FSize	Div	Lev	FGrowth
FIQ	1					
EVA	.837	1				
FSize	.760	-.128	1			
Div	.540	-.002	.027	1		
Lev	.944	-.212	.334	.143	1	
FGrowth	.837	-.011	.540	.061	.148	1

Source: Extract from SPSS printout result

Table 4.2 indicates that there is a Positive correlation between Economic Profit, Firm Size, Dividend, Leverage, Firm Growth and Financial information quality of listed Deposit

Money Banks in Nigeria. Economic profit and Firm Growth are positively related to Financial information quality of Listed Deposit Money Banks to the tune of about 84%, while Firm Size is associated with Financial information quality of listed Deposit Money Banks at 76%, meanwhile Dividend, Leverage are also positively related with Financial information quality of listed Deposit Money Banks in Nigeria at 54% and 94% respectively. The correlation amongst the explanatory variables of the study is expected not to be too strong, and even if the correlation is strong, it should not be significant, therefore, all the explanatory variables of the study are not strongly related except for Economic profit and Leverage, Firm Size and Leverage, Firm Size and Growth which are significantly related.

The tolerance values and the variance inflation factor (VIF) are two good measures generally concurred by various research scholars as being good measures for determining multicollinearity between the explanatory variables of a study. If the VIF of all the explanatory variables are less than ten (10), multicollinearity does not exist and the model is said to fit otherwise multicolinearity is assumed to exist. Another measure for determining the presence or absence of multicollinearity is the tolerance values. A tolerance value of 1 or above signifies the presence of multicollinearity, while tolerance values of less than 1.00 in all the observed variables signifies the absence of multicollinearity (Cassey et.al., 1999; Neter et.al., 1996) as cited in Shehu and Buba (2011).

The variance inflation factors of all the independent variables of the study are consistently less than 10 which is the benchmark for determining multicollinearity (1.056<10, 1.573<10, 1.026<10, 1.191<10, and 1.425<10). In addition, the tolerance values are less than 1.00 which is another yardstick for determining multicollinearity (0.947<1.00, 0.636<1.00, 0.975<1.00, 0.840<1.00 and 0.702<1.00). This shows the appropriateness of

fitting the model of this study with five independent variables of the study. It also shows the complete absence of multicollinearity between the independent variables of the study. Thus, the results of this study can be applied with the guarantee.

4.3 Summary of Regression Result

The hypothesized relationships were tested; properties of the casual paths, including Unstandardized Coefficients, t-values and p-values for the equation in the hypothesized model are shown in the table below.

Ordinary least square was used as a result of absence of heteroscedasticity. Heteroscedasticity is used to test the null hypothesis that the error variances are all equal versus the alternative that the error variances are a multiplicative function of one or more variables. The alternative hypothesis states that the error variances increase (or decrease) as the predicted values of Y increase or decreases respectively. Thus, the bigger the predicted value of Y, the bigger the error variance. A large chi-square would indicate the presence of heteroscedasticity. In the result obtained from the heteroscedasticity test conducted in this work, the chi-square value was large (2.75) and the p-value is small (0.0974), indicating heteroscedasticity was absent and this shows non-violation of assumption number four of classical linear regression model which state that there must be constant variance, that is, the disturbances u_i appearing in the population regression function are homoscedastic. Therefore, as a result of the absence of heteroscedasticity, the researcher decided to interpret the result of Ordinary Least Square. (see appendix 3)

Table 4.5: Summary of Regression Result

Variables	**Co-efficient**	**t-Statistics**	**t-sig.**	**Tolerance / VIF**
Constant	*.082*	*1.677*	*.097*	
EVA	*.301*	*4.738*	*.043*	*.947 / 1.056*

FSize	*.102*	*5.132*	*.021*	*.636 / 1.573*
Div	*.207*	*5.180*	*.021*	*.975 / 1.026*
Lev	*.109*	*4.885*	*.039*	*.840 / 1.191*
FGrowth	*.301*	*6.388*	*.009*	*.702 / 1.425*
R				*0.713*
R^2				*0.590*
Adjusted R^2				*0.501*
F-Statistics				*10.805*
F-Significance				*0.004*
Durbin Watson				*2.014*

Source: Result output from SPSS 15

Informativeness of Accounting Earnings (IAE) = 0.082 + 0.301 (EVA) + 0.102 (FSize) + 0.207 (Div) + 0.109 (Lev) + 0.301 (FGrowth) + 0.02201

As displayed in Table 4.3, it shows the combined relationship of the regressors and the regressand at 71 percent indicating a strong relationship. An adjusted R^2 of 0.501 indicates that 51.0 percent of the variation in financial information quality can be explained by variability in Economic Profit, Firm Size, dividend, leverage and firm growth of Listed Deposit Money Banks in Nigeria and other factors account for the remaining 41.0 percent. It can be deduced that Firm attributes to a great magnitude influences the financial information quality of Listed Deposit Money Banks in Nigeria.

Also, the Fishers statistics of 10.805 which is significant at one percent indicates that the financial information quality model is fit. Hence, the outcome of the study can be greatly relied upon. The value of F which is statistically significant at a level of 0.004 means that there is a 99.6 percent probability that the association among the variables is not due to mere chance.

Durbin (1970), states that when the Durbin Watson statistic value is above 0.5 or 50 percent, independent observation is assumed. In other words, there is no auto correlation among the residuals of the study. While some are of the view that a Durbin Watson Statistics

value between 1.5 – 2.5 indicates a complete absence of serial correlation. The Durbin Watson statistic value of 2.014 therefore indicates that there is no autocorrelation among the residuals of this study.

The value of the regression co-efficient for the intercept describes a particular financial information quality denominator for Listed Deposit Money Banks in Nigeria, while the remaining co-efficient describe the impact of each explanatory variable on Financial information quality of listed Deposit Money Banks in Nigeria.

4.5 Economic Profit and Financial information quality

From Table 4.3, it is observed that Economic Profit (EVA) has a t-value of 4.378 and a coefficient value of .301 with significant value of 0.043. This signifies that EVA is positively and significantly influencing Financial Information Quality of listed Deposit Money Banks in Nigeria. This implies that for every one point increase in Economic Profit, the financial information quality of listed Deposit Money Banks in Nigeria will increase by 0.30.

4.6 Firm Size and Financial information quality

The regression result shows that Firm Size as displayed in table 4.5 have a t-value of 5.132 and a coefficient value of .102 with a significant value of 0.021. This signifies that Firm Size (FSize) has strong and significant impact on financial information quality of listed Deposit Money banks in Nigeria. This implies that for every one point increase in the total asset of the listed banks, the financial information quality of listed Deposit Money Banks in Nigeria will increase by 0.10.

4.7 Dividend and Financial information quality

The Dividend has a t-value of 5.180 and a coefficient value of .207 with a significant value of 0.021. This signifies that Dividend (Div) positively and significantly affects the financial information quality of listed Deposit Money Banks in Nigeria. It implies that for every one point increase in Dividend per share of listed Deposit Money Banks, the financial information quality will increase by 0.21.

4.8 Leverage and Financial information quality

The Leverage has a t-value of 4.885 and a coefficient value of .109 with a significant value of 0.039. This signifies that Leverage (Lev) is strongly and positively influencing the financial information quality of listed Deposit Money Banks in Nigeria. It implies that for every one point increase in debt of listed Deposit Money Banks, the financial information quality will increase by 0.11.

4.9 Firm Growth and Financial information quality

The Firm Growth has a t-value of 6.388 and a coefficient value of .301 with a significant value of 0.009. This signifies that Firm Growth (FGrowth) positively and significantly Impacts on the financial information quality of listed Deposit Money Banks in Nigeria. It implies that for every one point increase in changes in total asset of listed Deposit Money Banks, the financial information quality will increase by 0.30.

4.10 Hypothesis Testing

In this segment the univariate examination is carried out in an attempt to test the hypotheses stated in chapter one of the study. Also, robustness checks were conducted to examine the outputs under varying circumstances. The robustness test gives greater reliability and credibility to the overall findings of the study. The regression result used for the hypotheses test is presented in Table 4.4

Table 4.4: Variable Coefficients

Variables	**t-Values**	**Sig. Values**	**Tolerance**	**VIF**
Economic Profit	*4. 378*	*0.043*	*0.947*	*1.056*
Firm Size	*5.132*	*0.021*	*0.636*	*1.573*
Dividend	*5.180*	*0.021*	*0.975*	*1.026*
Leverage	*4.885*	*0.039*	*0.840*	*1.191*
Firm Growth	*6.388*	*0.009*	*0.702*	*1.425*

Source: Result output from SPSS 15

Table 4.6 shows that all of the explanatory variables (Economic Profit, Firm Size, Dividend, Leverage, and Firm Growth) are positive. All the regressors are significant at 5% except for Firm Growth that is significant at 1% level. This reveals that all the Firm attributes variables used in the study explain the attitude of financial information quality of listed Deposit Money Banks in Nigeria. The implication of this is that, it shows the fitness of the study model and the correct selection and combination of the explanatory variables of the study.

The results for each hypothesis are presented below:

H_{01}: Economic Profit has no significant influence on financial information quality of listed Deposit Money Banks in Nigeria

Economic Profit measured as the current period after tax economic earnings net of the use of capital is found to be statistically significant and positively associated with the Financial information quality at 5% level of significance indicating that, when there is increase in the level of Economic Profit of Banks, it has significant positive influence in the Financial information quality of listed Deposit Money banks in Nigeria. Therefore, Economic Profit has significantly affected the financial information quality.

In view of the above result with respect to Economic profit showing that the variable is statistically significant in influencing the financial information quality, there is therefore sufficient evidence of rejecting the null hypothesis one of the study.

H_{02}: Firm Size has no significant impact on financial information quality of listed Deposit Money Banks in Nigeria

Firm Size is measured as the natural logarithm of total asset in each of the selected Banks is found to be Positively significant at 5% level, which means that it has significant relationship with the Financial information quality of listed Deposit Money Banks in Nigeria. Therefore Firm Size has significantly affected the financial information quality.

Following the above result presented with regards to Firm Size which shows that the variable has statistically significant impacted on the financial information quality, this study therefore provides evidence of rejecting the null hypothesis two of the study.

H_{03}: Dividend has no significant effect on financial information quality of listed Deposit Money Banks in Nigeria

Dividend is measured as the value of dividend per share held in the various listed Deposit Money Banks. This is found to be significantly associated with the financial information quality of listed Deposit Money Banks in Nigeria. Therefore Dividend has

significantly affected the financial information quality. In line with this, the study therefore rejects the null hypothesis three. Thus, for hypothesis 3, H_{03} is rejected.

H_{04}: Leverage has no significant contribution on financial information quality of listed Deposit Money Banks in Nigeria

Leverage, measured as ratio of debt to equity, is found to be statistically significant and positively associated with the financial information quality at 5% level of significance indicating that, when there is increase in the level of debt of Banks, it has significant positive influence in their financial information quality. Therefore, Leverage has significantly affected the financial information quality.

In view of the above result with respect to the relationship between LEV and FIQ , there is therefore enough statistical evidence to reject the null hypothesis four of the study.

H_{05}: Firm Growth has no significant impact on financial information quality of listed Deposit Money Banks in Nigeria

Firm Growth, measured as the changes in total asset of the selected Banks is found to be Positively significant at 1% level, which means that it has significant association with the Financial information quality of listed Deposit Money Banks in Nigeria. Therefore Firm Growth has significantly affected the financial information quality. This result thus provides evidence of rejecting the null hypothesis five of the study.

4.5 Marginal Effect Analysis

Marginal effect analysis is used to illustrate the marginal change in the dependent variable i.e. financial information quality, given a degree of change in selected explanatory variables, holding all other variables constant. The five influencing factors derived from the

multiple regression models are ranked below.

Table 4.7: Marginal Effects of Firm Attributes Measures

Measure	Marginal Effects	Ranking
FGrowth	.301	1
EVA	.301	2
Div	.207	3
Lev	.109	4
FSize	.102	5

Source: Extract from SPSS printout result

The marginal effects table shows that Firm Growth has the strongest influence on financial information quality. As the result shows, a degree of increase in Firm Growth carries a 30.1 percent probability that there will be a increase in the influence of Firm Growth on Financial information quality. Although Economic profit has same marginal effect with Firm Growth but Firm Growth is ranked above Economic profit because t-value of Firm Growth far outweighs that of Firm Growth.

The marginal effects table shows that Dividend among the significant variables is the third in influencing the financial information quality of listed Deposit Money Banks. While Leverage followed by Firm Size has the least influence on financial information quality. As the result shows, a degree of increase in Dividend and Firm Size carries a 10.9 and 10.2 percent probability that there will be a increase in the influence of Dividend and Firm Size on Financial information quality.

Finally, the study revealed that there are other extraneous variables which account for the financial information quality of listed Deposit Money banks to the tune of 41.0 percent as the selected variable can only explain the dependent variable for about 59%. The researcher therefore suggests that these other variables may include firm age, profitability, liquidity, equity ownership etc.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This study made use of secondary data in analyzing the relationship and impact between Firm attributes and financial information quality of the thirteen (13) Deposit Money Banks listed in the Nigerian Stock Exchange. The secondary data was obtained basically from published Annual reports and Accounts of the selected Banks and Nigerian Deposit Insurance Corporation 2012 Annual Reports & Statement of Accounts (NDIC).

The OLS regression analysis was used to find out whether there is a relationship and impact between the variables measured (i.e. Firm attributes and Financial information quality of the listed Deposit Money Banks in Nigeria) and also to find out if the relationship is significant or not.

The findings of the result reveal that Economic Profit, Firm Size, Dividend, Leverage and Firm Growth have a significant positive impact on the financial information quality of listed Deposit Money Banks in Nigeria. While Economic profit, Firm Size, Dividend and Leverage were all significant at 5%, Firm Growth was significant at 1% therefore implying that all the selected Firm attributes in the study has impacted positively to the financial information quality of listed Deposit Money Banks in Nigeria.

5.2 Conclusion

A lot of studies have been carried out on Firm attributes, including the connection with financial information quality. This study therefore is also carried out to investigate the influence of Firm attributes on financial information quality of listed Deposit Money Banks in Nigeria. Samples of 13 quoted Banks were used out of the 20 listed in the Nigerian Stock

Exchange as at 31st December 2012 and the Nigerian Deposit Insurance Corporation 2012 Annual Reports & Statement of Accounts.

The five measures of Firm attributes are Economic Profit, Firm Size, Dividend, Leverage and Firm Growth which stood as the explanatory variables of the study, while the residuals from the regression of the Discretionary loan loss provision represented the explained variable of the study as financial information quality.

The findings of the study indicate that Economic Profit has a strong, positive and significant, influence on the financial information quality of listed Banks in Nigeria. The outcome is expected because any bank making high profit is likely to have high Quality financial information.

Firm Size is found to have significant, positive and strong effect on financial information quality of listed Deposit Money Banks in Nigeria, Therefore is concluded that any Bank with a large asset size is likely to have a Quality Financial Information.

Dividend payout has significant positive impact on Financial information quality of listed Deposit Money Banks in Nigeria, Therefore is concluded that any Bank paying dividend consistently is likely to have a Quality Financial Information.

Leverage has significant positive contribution to Financial information quality of listed Deposit Money Banks, Therefore is concluded that any Bank that is highly levered is likely to have a Quality Financial information as it is expected that the owners of those capital will serve as a monitoring agent to the banks and as a result managers will be constrained to report a Quality Financial Information.

Firm Growth has significant positive influence on financial information quality of listed Deposit Money Banks in Nigeria, Therefore is concluded that any bank with a consistent growth is likely to have a Quality Financial Information.

5.3 Recommendations

On the basis of the findings and conclusion reached, the following recommendations are made:

The listed Deposit Money Banks in Nigeria should strive to continually make a higher economic profit in order to have quality financial information which can be greatly relied upon by the banks investors and potential investors.

Second, the Banks should make sure that they have good and functional assets, i.e. increasing the value and quality of their asset size both current and non-current asset of the banks as the resultant effect of this will bring about quality financial information.

Third, Dividend payment in any organisation is one of the most difficult decisions to make; the reason being that, there are two conflicting views about dividend payment; some are of the view that the entire profit made should be ploughed back into the business for expansions, while some are only interested in getting return from their investment. From the findings of our result, it is clear that any Bank that pays dividend consistently to their shareholders is likely to have high Quality Financial Information.

Fourth, Banks with high debt that channel such to a highly profitable investment is likely to have their Financial information to be of higher quality and as a result will have enough from what they have gotten as a return to service the debt and the Quality of their financial information will in turn encourage the creditors to be willing and ready to loan out more to the banks.

Finally, the banks should strive hard to continuously harness the resources of their organisation as it will bring about positive changes in the organisation. If their banks continue to grow from strength to strength, then there is assurance that the banks will report a Quality Financial Information.

5.4 Limitations of the study

There is hardly any study conducted without encountering some limitations. This study is therefore not without its limitations.

Many banks listed on the Nigeria stock exchange do not have their financial Statements readily available as this has limit our access to some banks in the required data needed to carry out the research work, therefore leaving us with only the option of using some selected Deposit Money Banks in Nigeria as Sample to represent the entire population. The result of the entire population surely may have been different and more robust than that of the sample which may also make the findings different.

The findings of the study will be limited to only listed Deposit Money Banks in Nigeria as it does not include Nigerian Bank listed in foreign country.

5.5 Areas for Further Study

This research work does not claim to have covered everything in the area of Firm attributes and financial information quality. Some areas are yet to be investigated. Studies can be conducted to cover longer period of time beyond 2005 downward.

Another thing that needs to be done is that further studies should include other variables that are not included in this study as firm attributes such as Liquidity, Accounting profit, Bank Age, Industry type, Corporate Governance Mechanisms. Etc.

Also other research should make effort to assess other models used in representing financial information quality or rather come up with more advanced model that is all inclusive in capturing the Information Quality content of financial Statement. This may make room for comparison of results with various models and appreciate better one and work to strengthen the weaknesses inherent in others.

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APPENDIX I Population of the Study as 31st December, 2012

S/NO.	BANK
6.	Access Bank Plc
7.	Citibank Plc
8.	Diamond Bank Plc
9.	EcoBank Plc
10.	Enterprise Bank
6	Fidelity Bank Plc
7	First Bank Plc
8	FCMB Plc,
9	G T Bank Plc
10	Keystone Bank
11	Mainstreet Bank

12	Standard Chartered Bank Nig Ltd.
13	Skye Bank Plc
14	Stanbic IBTC Plc
15	Sterling Bank Plc
16	United Bank for Africa Plc
17	Union Bank Plc
18	Unity Bank Plc
19	Wema Bank Plc
20	Zenith Bank Plc

Source: NDIC 2012 Annual Report & Statement of Accounts

Sample of the Study

APPENDIX 2: Sample Banks and their Data Description

S/No.	BANK	DATA PERIOD	OBSERVATION
1	Union Bank Plc	2006 – 2012	7
2	Fidelity Bank Plc	2006 – 2012	7
3	Zenith Bank Plc	2006 – 2012	7
4	Diamond Bank Plc	2006 – 2012	7
5.	Access Bank Plc	2006 – 2012	7
6	FCMB Plc	2006 – 2012	7
7	Sterling Bank Plc	2006 – 2012	7

8	UBA Bank Plc	2006 – 2012	7
9	First Bank of Nigeria Plc	2006 – 2012	7
10	Eco Bank Plc	2006 – 2012	7
11	IBTC Bank Plc	2006 – 2012	7
12	Skye Bank Plc	2006 – 2012	7
13	GT Bank Plc	2006 – 2012	7
	Total Observations		**91**

Source: Compiled by the author 2013.

Appendix 3: Result

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. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of iae

         chi2(1)      =     2.75
         Prob > chi2  =   0.0974
```