Article

FINANCIAL REPORTING QUALITY IN NIGERIA: PERFORMANCE FROM NON-FINANCIAL COMPANIES

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Abstract

In this paper, we investigated the relationship between Financial Reporting Quality and the financial performance of publicly listed non-financial companies on the Nigerian Exchange Group. Secondary data comprising Financial Reporting Quality (measured using the modified Jones model) and financial performance measures (return on assets, return on equity and return on capital employed) were obtained and computed from the annual reports and accounts of twenty-seven (27) non-financial companies from 2013-2022. Data obtained were analyzed using the fixed and random panel data regression model. Findings indicated that Financial Reporting Quality significantly and positively influence the financial performance of publicly listed non-financial companies on the Nigerian Exchange Group, particularly return on capital employed and return on assets. Impliedly, when larger firms tend to produce high quality financial reporting, it has the advantages of increasing financial performance of companies which may likely attract huge returns to fund providers. On the basis of the findings, it was recommended among others that Nigerian companies should have good reporting mechanisms which consider both quantitative and qualitative methods as well as adhering strictly to the stipulated principles which would eventually improve financial reporting and in turn significantly increase financial performance. Also, regulatory authorities should clampdown any reporting entities who fail to follow the principles in the reporting process.

Keywords: Financial reporting quality; Financial performance; Return on assets; Return on equity; Return on capital employed; Modified Jones model

Introduction

The significance of financial documents has increased over the years due to their importance. Financial reporting involves the distribution of official documents from one party to others to facilitate informed decision-making. Saliu (2018) suggests that financial reporting is a tool used to convey financial information to individuals seeking to enhance their knowledge and make informed decisions. Martínez-Ferrero (2014) notes that the global expansion of markets and businesses has led to a greater demand for transparency and information inclusion in financial reporting among investors, stakeholders, and society in general. Aigienohuwa and Uniamikogbo (2013) view financial reporting as a means of expressing the organization's state of affairs to various stakeholders, who are often considered end-users. Financial reports are essential for shareholders, bondholders, employees, managers, suppliers, tax authorities, and host-communities, as these stakeholders have diverse needs for accurate information.

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The principal objective of financial reporting is to furnish dependable information regarding the reporting business that encompasses all stakeholders, therefore facilitating decision-making processes. An enduring controversy exists in the literature regarding the correlation between the quality of financial reporting and performance. Musa argues that financial reports should offer unbiased and memorable resource choices for the entity, particularly in the form of performance indexes. According to Lin, Jiang, Tang, and He (2014), high-quality financial reporting delivers timely, relevant, and transparent information, while low-quality financial reporting promotes unclear, deceptive, and unreliable facts, leading to increased information asymmetry and market illiquidity. Enakirerhi, Ibanichuka, and Ofurum (2020) argue that the relationship between profitability and reporting quality has been a subject of debate due to earnings manipulation during the reporting process. Sohail and Aziz (2019), note that the quality of financial reporting, like concepts of earnings management, accruals quality, and degree of accounting conservatism, has an impact on earnings by removing certain elements of profit. More obvious is the fact that, Both Ball and Shivakumar (2005) and Burgstahler, Hail, and Leuz (2006) highlighted the detrimental effects of taxes and dividends on the accuracy and reliability of financial reporting.

Financial reporting in Nigeria is regulated by stringent specifications established by regulatory bodies including the Securities and Exchange Commission (SEC), the Financial Accounting Reporting Council of Nigeria (FRCN), Nigeria Stock Exchange Group (NSE), and the Financial Reporting Standards Board (IFRSB). The reports are expected to adhere to established principles and standards to ensure accuracy and prevent fraudulent activities. Unfortunately, Afolabi (2013) notes that a significant issue with financial reporting disclosure is the failure to comply with industry corporate governance, ethics, and regulatory standards.

Quality financial reporting is crucial for stakeholders to understand the organization's performance (Olumide, Tanko, & Nyor, 2016). Akintunde (2020) buttressed the relevance of accurately reflecting profits in financial reporting, particularly in economies with uncertainties like Nigeria's with fluctuation in oil prices. The consistency of financial reporting has been a topic of continuous discussion, especially regarding its influence on a company's financial success and the impact of these perceived characteristics on important performance metrics. Worrisome is the fact that despite the significance of financial reporting and its relevance to stakeholders, many Nigerian companies continue to experience significant collapses due to biased measurements and failure to detect earnings manipulation; this are attributable to total neglects of the relevant standards. Non-compliance with accounting standards has led to corporate failures, bringing the accountancy profession into disrepute. The global examples of Enron Corporation, which collapsed in 2001, and the subsequent dissolution of Arthur Andersen, were significant blows to the reputation of the accounting profession.

Nigeria has faced numerous corporate failures, such as the scandals that disrupted the Oceanic bank Plc, Cadbury Nigeria Plc, Intercontinental bank Plc, and African Petroleum. Experts have pointed to issues with reporting credibility, including inadequate disclosure and transparency about financial reporting processes, and manipulation of accounting records. To address these problems, the Nigerian Stock Exchange (NSE) and Central Bank of Nigeria (CBN) have mandated that all quoted financial institutions adopt the international financial reporting standards (IFRS) to prevent corporate failures. Hence there is a need to examine if the Financial Reporting Quality (FRQ) improves firm's performance.

Review of Related Literature

Concept of Financial Reporting Quality
The Conceptual Framework (IASB, 2008), argued that the quality of financial reporting depends on relevance and faithful representation. Martinez-Ferrero (2014) maintained that FRQ should ensure the faithfulness of information and companies should voluntarily provide comprehensive and high-quality information to help market participants make well-informed investment and credit decisions. Ogbebor and Ogbebor (2022) suggested that if the quality of

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financial reporting is improved, the financing frictions of the firm will be reduced. The concept of high-quality financial reporting encompasses both quantitative and non-quantitative elements of annual reports (Abd-Elnaby, Abd-Elkareem, & Adel, 2021; Choi & Pae, 2011). The capacity of quantitative data used in financial reports to accurately and impartially represent company's facts to users is called financial reporting quality. To support argument of quality reporting, Egolum, Egbunike, and Eze (2021) quoted that the sections of 334, 331, and 382 of the Company and Allied Matters Act (CAMA) mandates the directors of a company to take stewardship of financial reporting and maintain proper accounting records.

Many theorists have developed models within the framework of laws to guide the reporting processes by leveraging the gaps in the law. Notable among them are the Jones Model and Roychowdhury model as seen in Enakirerhi *et al.* (2020); Farouk et al. (2019)]. The Jones Model discusses discretionary accruals proposed in 1991 and suggests that the expectation model controls for the effect of economic conditions are on the level of accruals, linking the accounting numbers and injury determination (Jones, 1991). Strakova and Svabova (2021) asserted that Jones's model splits the time series of enterprises' earnings into estimating periods and event periods. The estimation period reflects zero discretionary accruals, but the event period assumes that the discretionary accrual is not zero, resulting to manipulative accounting. Accruals are further split between discretionary and non-discretionary categories. One peculiar assumption of the Jones model as observed in the estimation period is that management does not engage in earnings management, which is sometimes incorrect. Some studies have sought to modify the Jones model because the proposed adjustments in revenues may lead to noticeable changes in receivables (Choi et al. 2011; Dechow et al. 1995).

The modified Jones model is employed as the estimate model for measuring accruals in this study, as it helps reduce the measurement error of discretionary accruals when applied over revenues. In Bangladesh, Islam, Ali, and Ahmad (2011) demonstrated that the Modified Jones model is not useful in detecting earnings management. Enakirerhi et al. (2020) suggest that profitability is inversely proportional to earnings manipulation. Abd-Elnaby et al. (2021) found that the lower the FRQ, the lower the return on equity (ROE). Sohail et al. (2019) revealed that in order to ensure high-quality financial reporting, fundamental and enhancing frameworks such as understandability, timeliness, reliability, and comparability for the preparation and presentation of financial statements are necessary.

Concept of Financial Performance

Performance cannot be defined without making reference to profitability as it is a crucial component of financial performance. Profitability is defined as the adeptness with which management has used both total and net assets. The effectiveness is measured by connecting net profit to the assets utilized in generating the profit. Ahannaya (2022) recommended that the provider of assets will only commit them to the organization if they are satisfied with the value received in exchange as compared to alternative options and as a result, the production of value should be the essence of performance. The efficiency of a corporation is assessed by comparing net profit to the assets used to achieve the profit.

Firm performance is normally a thing of multiple dimensions with no generally accepted methods of measurement, however, most studied measured performance with the aid of ratios such as return on capital employed, return on assets (ROA) and ROE (Enakirerhi, et *al.,* 2020). Egolum, et *al.*, (2021) compared performance with the digital versatile disc. (DVD) in 'play' mode since it is used to calculate whether or not the company has made a reasonable gain or deficit on its operations during the periods. Performance in the owners' perception is all about compensation for parting ways with their resources. It is simply defined as the achievement of quantifiable goals in terms of productivity. Although, performance is a subjective measure of how successfully a firm uses assets from its principal mode of business to create revenues (Akintunde, 2020). Most research emphasised favourable effect of FRQ(FRQ) on financial

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performance (Martnez-Ferrero, 2014; Abd-Elnaby, et al. 2021; Sohail, et al. 2019). The key indicators of performance are usually; ROA, which is often rated as the ability of management to potentially use its investments to generate reasonable profits. ROA is used to forecast earnings especially if management has intention of increasing earnings through techniques. It is a common indicator of financial performance which shows how company is being able to generate enough profits to compensate the providers of such funds. Ahannaya (2022) reinforced that ROA is a metric that measures how efficiently a company's resources are used to generate income.

Abd-Elnaby, et al. (2021) stated that the relationship between FRQ and financial performance can mediate the agency difficulties between business management and its shareholders since it minimises agency costs and capital expenses. The various means of servicing a firm is often referred to as capital structure. As documented in Ogbebor, et *al*., (2022) that capital structure comprises of debt, equity or hybrid securities issued by the firm. It is believed that a well robust financial reporting without manipulative intention will persuade investors. Thereafter, shareholders have a residual right to earnings. Again, in the event of liquidation, the equity holders suffer more because they would be the last to be compensated. Enakirerhi, et *al.* (2020) found that ROE has negative but insignificant relation with the FRQ indicator.

The other key indicator is the return on capital employed (ROCE) which measures how companies generate returns by ways of capital employed. ROCE measures the efficiency and profit-generating capacity of a company's total capital investments. It is attributable to ratios that reveals whether a company has generated enough funds to engage all the structures of capture. On the other hands, Firm size, is described as the number and variety of production capability and potential a firm holds, or the quantity and diversity of services a firm can deliver to its clients at the same time. It is commonly measure as the logarithm of number of years a firm has been in operation. Firm size is crucial in understanding the kind of relationships that a company has both inside and outside of its working environment.

Babalola (2018) maintained that the larger a company is more influential and so large companies outperforms small companies. In an attempt to evaluate the link between firm size and financial reporting quality, firm size is treated as a control variable, and there has been a mixed reactions to the choice. Akintunde (2020) discovered that firm's size has been used widely in numerous researches on FRQ, but found that the effect of size is uncertain. Nedal and David (2020) observed that bigger firm's produces greater portion of profit to compensate shareholders than smaller firms, hence, execution of operations becomes more successfully in larger firms.

Theoretical Framework
Agency theory is the anchored theory for this study. It considers the relationship between the providers of funds (principals) and the users of the funds (agent). Agency theory was propounded by Jenson and Meckling (Jensen & Meckling, 1976). It is assumed that the contract between the shareholders and the managers (user the funds) should not bring financial pains to any of parties, hence, auditors of financial statements should checkmate the activities of the agents in terms of the quality of reports. The theory holds that the efficiency of an organization is judged by its capacity to satisfy both agents and principals who have a stake in the company. The notional believe was that a good FRQ should help in reducing the information asymmetric created by agency issues (Asegdew, 2016). The theory justifies full disclosure requirements of a report. This agency issues became a very challenging topic since there is a divorce of ownership from management. The separation of ownership and control increases the likelihood of conflicting interests between agents and principals, which results in additional costs (Toukabri, Jilani & Jemâa, 2014). The interest of the shareholders is increase of wealth which although be the motivation of the directors but the reverse is the case because the directors pursue self-interests. Toukabri, Ben, and Juliani (2014) and Akintunde (2020) that this approach is highly focused on bond rational decision making around incentives,

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information and self-interest and managers encouraged by their gains with the aim to exploit the shareholder. Abd-Elnaby, et al. (2021) stated that the relationship between FRQ and financial performance can mediate the agency difficulties between company management and its shareholders since it reduces agency expenses and capital costs and boosts return on equity. The mediating roles attract an additional cost which is often referred to as agency cost. Ahannaya (2022) faulted the agency cost which emanated as a result of information asymmetry in which experts have more insider information about the organizational performance than required, and agent are made to pay a portion of agency expenses since the operators want to reduce their agency costs in order to increase their profits.

Empirical Review
Islam, et al. (2011), carried out an investigation to compare the effectiveness of the Jones model and its variations in detecting earnings management in the Slovak Republic. The study adopted the regression analysis and comparative methods. It found various limitations in the Jones model and suggested a modified model to assess earnings management in Slovak companies effectively. In another study, Islam, et al. (2021) highlighted how the Modified Jones Model was utilised to detect earnings management among initial public offers (IPO) registered on the Dhaka Stock Exchange between 1985 and 2005. It adopted some proxies like as revenue, depreciation expenses, retirement benefit expenses, and asset disposal gains/losses, and found that the modified model was highly effective in detecting profits management in the setting of Bangladesh. As a consequence, the study indicated that the modified Jones model adequately measured the degree of earnings management by IPO firms in the Bangladesh capital market.

In a study conducted in Nigeria, Ahannaya (2022) launched an examination between financial reporting and organizational effectiveness. It obtained data from ten (10) Nigerian manufacturing companies and applied expo-facto design and inferential statistics for panel data analysis. The results demonstrated that financial reporting strongly effects the performance of the tested manufacturing enterprises in Nigeria ($R2$ = 0.006, t= 4.145 and p = 0.001). The study has it that a financial accounting report is a dependable tool for evaluating a corporate organization's condition and performance.

The impact of FRQ on financial performance, demanded the studies of Abd-Elnaby (2021) in Egypt which concentrated on 61 Egyptian enterprises listed on the Egyptian Stock Exchange from 2014 to 2018. It considered the Panel Least Squares (PLS) and Estimated Generalized Least Square (EGLS) Regression analysis methods to estimate FRQ and assessed FP using ROE and EPS. The analysis revealed a positive effect of FRQ on ROE but a negative effect on EPS. The study of Farouk et al. (2019) used the Roychowdhury model to show the impact of firm characteristics on FRQ in Nigerian industrial goods companies. It considered proxies such as firm size, leverage, firm age, and the presence of women directors which had a significant and negative effects on earnings manipulation. Akintunde (2022) investigated the implication of FRQ on performance of the Nigerian Capital Market. It used descriptive research design and found that Accrual Quality (AQ) and leverage have an insignificant relationship with financial performance, while Earning Quality (EQ) and Firm Size show positive and significant relationship. Egolum, et al. (2021) evaluated the impact of FRQon corporate performance. The study made employed of an Ex-post facto research strategy and tested its defined assumptions utilising Multiple Logistic Regression. The results demonstrated a strong effect of FRQ on Corporate Performance. It was recommended that accounting information should be made available immediately after the conclusion of the reporting period to prevent loss of value.

Enakirerhi, et al. (2020) examined the impact of IFRS adoption on Nigerian firms' profitability and financial report quality. It adopted the quantitative analysis with variables as ROE and ROA. The results showed mixed effects of profitability on earnings quality after IFRS adoption, with ROE and ROA having varying impacts on discretionary accruals. Saliu (2018) thoroughly examined the influence of financial reporting on the financial performance of publicly traded companies in Nigeria. The study utilized a survey research approach combined with a cross-sectional

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research design. It adopted the stratified sampling technique, and the sample size was determined using the proportional sampling technique. The

Methodology
To conduct study of this nature, the quantitative approach was employed to gather secondary data from the annual reports and accounts of the 27 non-financial listed companies on the Nigerian Exchange Group over ten (10) years, from 2013 to 2022. The study measured FRQ using the

results revealed a noteworthy correlation between the quality of financial reporting and the ROA of the publicly traded companies in Nigeria.
modified Jones model residuals and financial performance using ROA, ROE, and ROCE. Firm size was considered as a control variable, and data analysis was conducted using descriptive statistics, inferential statistical techniques, and fixed and random effects panel data regression. The STATA 13.0 was equally adopted for the statistical analysis due to its robustness.

Model Specification
Model I

$ROA_{it} = a_0 + a_1 FRQ_{it} + a_2 FSIZE_{it} + \mu_t$ - - - - - - - - - *eq.1*

Model II

$ROE_{it} = a_0 + a_1 FRQ_{it} + + a_2 FSIZE_{it} \mu_t$ - - - - - - - - *eq.2*

Model III

$ROCE_{it} = a_0 + a_1 FRQ_{it} + a_2 FSIZE_{it} + \mu_t$ - - - - - - - - *eq.3*

Where:
FRQ_{it} = FRQ (measured by the residuals of the modified Jones model)
ROA_{it} = ROA (by dividing its net income by its total assets)
ROE_{it} = ROE (is measured by dividing the company's net income by its shareholders' equity)
$ROCE_{it}$ = Return on Capital Employed (measured by dividing net operating profit, or earnings before interest and taxes (EBIT), by employed capital)
$FSIZE_{it}$ = Firm Size (proxy by log of total assets of firm i in year t)
U_t = Error Terms
it = Firms at time t., WHILE a_0, a_1, a_2, a_3 are the Repressors.

Results Presentation
Descriptive statistics
The results of the descriptive statistics of the variables are presented as:
Table 1: Summary of Descriptive Statistics of the Variables of the Study

Variables	Obs.	Mean	Std. Dev.	Min	Max
FRQ	269	-1.19	4.60	-5.96	5.49
ROA	269	5.441673	16.9563	-179.92	108.9
ROE	269	7.691078	90.88474	-989.38	255.66
ROCE	269	10.65848	19.46062	-179.52	123.82
FSIZE	269	7.272007	1.003714	5.24	9.38

Source: Researcher's Computation, 2024.

The overview of the descriptive statistics of all the variables of relevance for the time under consideration is addressed in Table 1. The independent variable is the FRQ whereas dependent variables financial performances measured by the ROA, ROE, and ROCE. A total of 269 observations were collected from 27 non-financial enterprises in Nigeria over a 10-year

period. The dependent variables ROA, ROE, and ROCE had mean and standard deviation values of 5.441673, 7.691078, 10.65848 and 16.9563, 90.88474, 19.46062 respectively. The mean value represents the average amount of values recorded for each variable, while the standard deviation measures the level of variability in the dataset. The minimum and maximum values for

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ROA, ROE, and ROCE were -179.92, -989.38, -179.52 and 108.9, 255.66, and 123.82 respectively. Additionally, Table 1 shows that FRQ(FRQ) had mean and standard deviation values of -1.19 and 4.60, with minimum and maximum values of -5.96 and 5.49. The firm size, serving as a control variable, had a mean and standard deviation of 7.272007 and 1.003714, with minimum and maximum values of 5.24 and 9.38 respectively.

Correlation Matrix

The results obtained from correlation analysis represent the coefficients for each pair of variables of this study.

Table 2 Result of Correlation Analysis

Variables	FRQ	ROA	ROE	ROCE	FSIZE
FRQ	1.0000				
ROA	-0.0071	1.0000			
ROE	0.0092	0.2296	1.0000		
ROCE	-0.0622	0.6044	0.2709	1.0000	
FSIZE	-0.3995	0.1849	0.1022	0.1830	1.0000

Source: Researcher's Computation, 2024.

The results in Table 2 clearly indicates that there is a negative correlation between FRQ and performance indicators (ROA, ROE, and ROCE), with the exception of ROE. More so, the correlation coefficients between the independent variables show a mixed of negative and positive relationships, suggesting that an increase in FRQ could potentially lead to a positive increase in the dependent variables. Table 2 further demonstrates that there is no evidence of multicollinearity among the independent variables, as demonstrated by the range of the Pearson Correlation (Pearson R) from -0.0071 to 0.6044. The lowest Pearson R of -0.0071 is between FRQ and ROA, while the highest Pearson R of 0.6044 is between ROA and ROCE. With no pair of independent variables displaying a Pearson R close to or larger than 0.80, it can be inferred that there are no indicators of multicollinearity among the independent variables in this study.

Test of Hypotheses

H_{O1}: There is no significant relationship between FRQ and ROA of listed firms in Nigeria.

Table 3: Fixed and Random Effects Regression Results for FRQ and ROA

Estimator	Fixed Effect (FE)		Random Effect (RE)	
Variable	Coef.	Prob.	Coef.	Prob.
FRQ	2.2800	0.355	2.9300	0.225
	(0.93)		(1.21)	
FSIZE	3.8131	0.001	3.6604	0.001
	(3.45)		(3.31)	
Prob. F.				
R-Sq. (within)	0.0450		0.0445	
R-Sq. (between)	0.3060		0.2282	
R-Sq. (overall)	0.0391		0.0395	
Wald Ch2	10.94			
Prob. Ch2	0.0042			
Hausman Test	0.0168 (Chi2 = 5.72)			

Source: Researcher's Computation, 2024.

Table 3 presents the results of a regression analysis using fixed and random effects for FRQ and ROA. The findings indicated that when using fixed effects (FE), the beta coefficient for FSIZE is 3.8131 and it is significant at the 5% level, while FRQ has a beta coefficient of 2.9300 when using random effects (RE) and is not significant at the 5% level. The t-test results also showed different values for FRQ and FSIZE, indicating that while FSIZE is significant in explaining the variation in return on assets, FRQ is not. The overall R2 for RE was 0.0395, meaning that FRQ and FSIZE together explained approximately 3.95% of the variation in ROA. The Wald statistic result was 10.94 with a probability value of 0.0042, indicating a rejection of the null hypothesis and confirming the alternative hypothesis that there is a substantial association between FRQ and ROA of listed firms in Nigeria.

H_{O2}:   There is no significant relationship between FRQ and ROE of listed firms in Nigeria.

Table 4: Fixed and Random Effects Regression Results for FRQ and ROE

Estimator	Fixed Effect (FE)		Random Effect (RE)	
Variable	Coef.	Prob.	Coef.	Prob.
FRQ	1.2200	0.364	1.1800	0.369
	(0.91)		(0.90)	
FSIZE	11.4100	0.060	11.4117	0.058
	(1.99)		(1.90)	
Prob. F.				
R-Sq. (within)	0.0138		0.0128	
R-Sq. (between)	0.0011		0.0014	
R-Sq. (overall)	0.0134		0.0134	
Wald Ch2	3.63			
Prob. Ch2	0.1630			
Hausman Test	0.9946 (Chi2 = 1.00)			

Source: Researcher's Computation, 2024.

The data analysis in table 4 reveals the outcomes of the fixed and random effects panel data regression for FRQ and ROE. Upon utilizing RE, it is evident that FSIZE displays a substantial beta coefficient of 11.41, while both FE and RE do not achieve significance at the 5% level for FSIZE. Conversely, when FE is employed, FRQ exhibits a beta coefficient of 1.22, yet both FE and RE also fail to attain significance at the 5% level. The t-test results for FRQ and FSIZE are 0.91 and 0.90 for FE and RE, and for FSIZE, they amount to 1.99 and 1.90 for FE and RE respectively. These t-test outcomes confirm that FRQ and FSIZE do not significantly elucidate the variation in return on equity. Nonetheless, the overall R2 stands at 0.0134 for RE, indicating that FRQ and FSIZE collectively explicate approximately 1.34% of the variation in ROE. The outcome of the Wald statistic is 3.63 with a Prob. value of 0.1630, implying the rejection of the alternate hypothesis and acceptance of the null hypothesis that there is no significant link between FRQ and ROE of listed firms in Nigeria.

The outcomes of the panel data regression in Table 5 presented the fixed and random effects for FRQ and ROCE. The results revealed that when utilizing RE, FRQ displayed a substantial beta coefficient of 5.48. Nevertheless, both FE and RE were statistically insignificant at the 5% level. Conversely, when employing FE, FSIZE exhibited a beta coefficient of 3.8190; once more, both FE and RE were insignificant at the 5% level. The t-test outcomes for FRQ and FSIZE were -0.15 and 0.20 for FE and RE, while FSIZE was -3.01 and 2.86 for FE and RE, respectively. These findings validate that FRQ does not significantly elucidate the variability in ROCE, whereas FSIZE holds significance. The overall R2 for RE amounted to 0.0336, denoting that FRQ and FSIZE collectively expound on approximately 3.36% of the variation in ROCE. The Wald statistic yielded a result of 9.25 with a

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probability value of 0.0098, suggesting a rejection of the null hypothesis and an acceptance of the alternative hypothesis, affirming a

considerable association between FRQ and the return on capital utilised by listed enterprises in Nigeria.

H$_{O3}$:   There is no significant relationship between FRQ and return on capital employed of listed firms in Nigeria.

Table 5: Fixed and Random Effects Regression Results for FRQ and ROCE

Estimator	Fixed Effect (FE)		Random Effect (RE)	
Variable	Coef.	Prob.	Coef.	Prob.
FRQ	-4.3100	0.879	5.4800	0.844
	(-0.15)		(0.20)	
FSIZE	3.8190	0.003	3.6478	0.004
	(-3.01)		(2.86)	
Prob. F.				
R-Sq. (within)	0.0415		0.0410	
R-Sq. (between)	0.3913		0.3882	
R-Sq. (overall)	0.0332		0.0336	
Wald Ch2	9.25			
Prob. Ch2	0.0098			
Hausman Test	0.1032 (Chi2 = 2.66)			

Source: Researcher's Computation, 2024.

Discussion of Finding

The validity checks for the regression analysis indicated no evidence of multicollinearity among the independent variables utilised in this study (See Table 4.2). The literature indicates that FRQ has affected the performance of non-financial companies listed on the Nigerian Exchange Group. Studies have revealed that organisations with higher FRQ tend to have better stock performance and stronger investor confidence, demonstrating a favourable association between FRQ and corporate performance.

Hypotheses were tested using fixed and random effects regression. Testing hypothesis one, the t-value for ROA indicated that the ROA of the firm has a significant positive correlation with the FRQ of listed firms in Nigeria. This suggests that

the firm's report quality has a notable impact on the ROA of the sampled firms. These results are in line with the findings of Saliu 2018, Egolum et al. (2021), and Farouk et al. (2019), but differ from those of Enakirerhi et al. (2020). Furthermore, in the test of hypothesis two, the t-value obtained for ROE showed a positive but insignificant relationship with FRQ of listed firms in Nigeria. This is in line with the findings of Enakirerhi et al. (2020) and against those of Islam, et al. (2011). Finally, in the test of hypothesis three, the t-value for ROCE indicated a negative significant relationship with ROCE. This finding contradicts those who reported that CEO tenure is one of the determinants of earnings per share while it is in line with Saliu (2018) against that of Enakirerhi, et al. (2020) and Abd-Elnaby, et al. [20].

indicating that larger firms may have a different FRQ compared to smaller firms, which can impact their overall performance. The study emphasizes the crucial role of FRQ in shaping firms' financial performance and stresses that adhering to established principles and relevant reporting standards gives a competitive advantage over entities that do not follow these guidelines. Larger firms with high FRQ can improve their performance and potentially attract significant returns for fund providers. The study

Conclusion

According to this research, the quality of financial reporting, as judged by the modified Jones Model, strongly affects the financial performance of publicly traded companies in Nigeria. The study explicitly reveals its impact on Return on Assets, Return on Equity, and Return on Capital Employed. It's worth noting that the comprehensive models are statistically significant with the control variable (Firm Size),

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recommends that Nigerian firms should implement strong reporting mechanisms that consider both quantitative and qualitative dimensions while strictly following prescribed principles to enhance financial reporting and, consequently, overall financial performance. Additionally, regulatory authorities are advised to take decisive action against reporting entities that fail to uphold these principles in their reporting processes.

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