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HUMAN CAPITAL COST AND FINANCIAL PERFORMANCE: EVIDENCE FROM LISTED OIL AND GAS FIRMS IN NIGERIA

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Abstract

Despite the huge amount of funds invested on human capital, the traditional accounting practice failed to report these costs appropriately in the statement of the financial position of the organization as it is the case with other physical assets. This study assesses the effect of human capital cost, proxied by employee remuneration, training and development cost, medical and health expenses, together with total debt ratio (introduced as a control variable) on financial performance also proxied by return on assets of listed oil and gas firms in Nigeria. Both the expo-facto and correlational research designs were adopted with reliance on secondary data from annual report of listed firms. The purposive sampling technique was employed in selecting the 12 firms out of 14 oil and gas firms in Nigeria for 2011 to 2020 financial year. To achieve the objective of the study, the three criteria for panel regression – likelihood ratio, Hausman test and Lagranger multiplier test – were examined, with the estimation technique of fixed effect decided upon based on the Hausman test using the instrumentality of E-views 10. Finding show that human capital cost has a positive and significant effect on return of asset. The study therefore concludes that human capital cost has a significant and positive effect on financial performance and does substantially reduces the inefficiencies in productivity of listed oil and gas companies in Nigeria. The study recommends that Individuals, partnership business, shareholders and government who employ the services of human resources in Nigeria should ensure that the human capital group have the right competence and experience and that can be brought to bear positively on more positive impact on the organization.

Keywords: Training and Development Cost, Return on Asset, Investor, Oil and Gas Firms, Financial Performance

INTRODUCTION

One of the key contributory factors to a firm performance is the human resources of that firm. Human resources play a significant role of coordinating all firms' activities, towards the achievement of the

corporate goals and objectives. With machines, materials and money little or nothing could be achieved without human contributions (Olaniyan & Lucas, 2008). This confirms the extent of importance of human resources in organizations. The importance of human resources to the success of firms is also confirmed by Akintoye and Adidu (2008), when they stated that human resource is a key factor in the determination of measurable growth of any nation. Oke (2010), highlighting the importance of human asset, he stated that successful and effective organizations understood that their success is directly related to the quality of their human capital.

However, the quality of human capital or human asset that Oke (2010), referred to depends on the knowledge or the intellectual capability that the employees or managers of firm's organizations possessed. Thus, there is an indication that the importance of human intellectual capability is indispensable in the assessment of firm performance. Considering the valuable role of human resource within an organization, it is important that human resource cost in terms of hiring, training and development are properly recorded and recognized in the statement of financial position like other intangible assets that are usually disclosed in the statement of financial position of organizations. The essence of human asset or human resource accounting is to establish a generally acceptable model of valuation for human asset and ensuring that the value of human asset that drives the organization for desired performance is adequately represented and disclosed in organization's financial statement as intangible asset. According to Chaturvedi (2013), the development of human resource accounting originated from the growing needs of the importance of human assets in the management of organization. It functions as a department that monitors the people that are involved in the organizational resources, as well as monitoring the development, progress in assets and revenues of the company.

The importance of human resource cannot be over emphasized. Human resource is one of the intellectual assets of an organization (Oyewo, 2013). Human resource constitutes a valuable resource to every organization. It is as important as the machines, materials and money without whom other resources cannot be blended and coordinated for the purpose of achieving profitability (Abubakar, 2011). Enofe, Mgbame, Sunday and Ovie (2013) noted that the success of any organization depends on the ability of the human resources to effectively and efficiently optimize other resources such as land, equipment and money hence human resources are the greatest assets at the disposal of businesses. Human resource at macro level indicates the sum of all components such as skills, creative abilities, innovative thinking, intuition, imagination, knowledge and experience possessed by all the people. An organization with abundant physical resources may sometimes fail miserably unless it has the right people to manage its affairs. Thus, the importance of human resource cannot be ignored. Therefore, it becomes important to pay due attention on proper development of such an important resource of an organization. Considering the valuable role of human resource within an organization, it is important that human resource cost in terms of hiring, training and development are properly recorded and recognized in the balance sheet like other intangible assets that are usually disclosed in the balance sheet or statement of financial position of organizations. Oke (2010), highlighting the importance of human asset, stated that successful and effective organizations understood that their success is directly related to the quality of their human capital. However, the quality of human capital or human asset that Oke (2010) referred to depends on the knowledge or the intellectual capability that the employees or managers of firms or organizations possessed. Thus, there is an indication that the importance of human intellectual capability is indispensable in the assessment of corporate performance. Human resources development is receiving broader consideration with the emergent of current globalization and unstable job market due to the present economic recession in Nigeria. Developed and developing countries in the world have placed emphases on Human resources development as instrument geared towards improving employees' performance by devoting necessary organization resources towards manpower training and knowledge transfer (Obi-Anike, Ofobruku & Okafor, 2017). Thus, the pivotal role of human resources in an organization, informed the importance that its development cannot be

optional but something that must be done irrespective of the personnel previous training or experience. Human resources development is an indispensable component of strategic human resource management as well as a means of reducing inefficiency among organizational key asset- its human resources, and it is vital for workers' productivity and organizational performance (Wabara, Chijindu & Emerole, 2017).

Since human resources development include all attempts to increase performance by increasing an employee's ability to perform better, its importance need not to be under-rated as cost of human resources development is obviously an investment to the organization (Nwachukwu 2006). Human resources development is the crucial area of human resource management; it is the fastest growing segment of personnel activities. Human resources development is one of the most important organizational dynamics. It constitutes the pivot in which organizational survival is run. The development process is one of the most pervasive methods for enhancing the productivity of individuals and communicating organizational goals to personnel (Ezeani & Oladele, 2013). The growing importance of human capital in all sectors of economy led to this new direction in knowledge-based economy especially in oil and gas sector as there is a general notion that we now live in the intangible economy. Knowledge economics is the new reality (Edvinsson, 2002). Researchers have moved to assessments of the stock of intellectual capital at the national level which signifies an intellectually based economy that is characterized among other things, by a defiance of the long-standing economics law of diminishing returns (Edvinsson, 2002) where the power of increasing returns for knowledge gained is the order of the day. In other words, the increase in knowledge can be subjected to the law of diminishing return with time and usage, renewable from time to time, growing stronger with sharing and exchange (Akintoye, 2012). The knowledge-based economy has been described as the notion that economic wealth is created through the creation, production, distribution and consumption of knowledge and knowledge-based products (Harris, 2001), otherwise termed the weightless or information economy. Human capital is one of the valuable strategic assets. It has enormous contribution in the field of inventions and innovation therefore, its importance cannot be overlooked in the knowledge base economy (Olayiwola, 2015).

Despite the huge amount of funds invested on human capital, the traditional accounting practice failed to report these costs appropriately in the statement of the financial position of the organization as in the case of other physical assets. The conventional accounting disregards the efforts of human resources towards the contribution of business performance. This therefore does not provide the true and fair view of the company's financial position and performance as it leaves out the human and capital accounting components (Canibano, 2000; Ashton, 2005s). Although, human capital is not captured by most oil and gas companies in Nigeria in their statements of financial position, it is an important resource for making organizations to have competitive advantage. The Companies that intensively account for intellectual capital in the statement of financial position are more competitive than other companies that do not account for the intellectual capital and are therefore more successful (Youndt, 2004).

Studies such as those of Cordelia, Ogechi & John (2016), Onipe (2019) and Omole, Yusuf and Adeyemo (2017) that have been conducted in Nigeria showed mixed results on human capital efficiency relationship with corporate performance. Also, most of these studies have not looked at effect of human capital efficiency on the value of oil and gas firms in Nigeria. Hence, there is need to empirically examine the effect of human capital efficiency on financial performance of listed oil and gas firms in Nigeria. Similarly, the empirical evidence reveals conflicting findings and the timeframes considered in these studies were short resulting to knowledge gap in literature. This position necessitated a more systematic and comprehensive study that also utilizes broader data set and timelines, as against those used in the previous studies. Furthermore, this study made use of more robust proxies including; employee remuneration, training and development cost, as well as medical

and health expenses, which constitute major component of an organization's running costs. They are unavoidable administrative costs that must be incurred by all firms that have members of staff. In fact, without the human capital, no organization can succeed. The empirical analysis has also become more expedient, given that the amount of staff costs incurred by organizations is dependent on the organizational policy, management's placement on the welfare of its employees and a number of other variables affecting the entity on the one hand; and the oil and gas sector is one of the high-paying sectors in Nigeria on the other hand. The staff costs therefore constitute a huge component of the overall administrative expenses due to their nature of operations, as well as the risky nature of their operations. The foregoing thus necessitated the need for an empirical study to examine the effect of human capital efficiency on financial performance of listed oil and gas firms in Nigeria. The basic hypotheses underlying this study are stated thus;

H01: Employee remuneration has no significant effect on financial performance of listed oil and gas firm in Nigeria

H02: Training and development cost has no significant effect on financial performance of listed oil and gas firm in Nigeria

H03: Medical and health expense has no significant effect on financial performance of listed oil

LITERATURE REVIEW

Conceptual Clarifications

Human Capital Efficiency

Human Capital is defined as the knowledge, experience, skill and expertise of firms' employees (Edvinsson & Malone 1997). Diez, Ochoa, Prieto and Santidrian (2010) define human capital as firm's competencies and value creation efficiencies which are linked by employee's knowledge, skill and intellectual capabilities. Sveiby (1997) describes human capital as ability to work in different dimensions that enhance value creation both in tangible and intangible assets. Bontis, (1998) concludes that in order to find out paramount solutions of structured and unstructured problems there is a need to combine the capabilities of firms' employees which are extracted from the knowledge, experience and skill of individuals. Frederiksen and Westphalen (1998), define human capital accounting as the process of identifying, measuring and communicating information about human resources in order to facilitate effective management within an organization. Okpala and Chidi (2010), explain that human resource accounting relates to the quantification in monetary terms of human resources employed by an organization and assert that a well-developed system of human resource/capital accounting could contribute significantly to internal decisions by management and external decisions by investors.

Human capital efficiency as a concept seems to be giving way to concepts such as human resource development, manpower development and human resource management in most literature. Olusoji and Adedayo (2017) defined human capital efficiency as a form of activities undertaken to expose an employee to perform an additional duty and assume positions of importance in the organizational hierarchy. Human capital efficiency involves preparing employees for higher responsibilities in future. Organization for Economic Co-Operation and Development (2001) defined human capital efficiency as the improvement of skills, knowledge, capabilities, and qualities personified in persons that enable the making of personal, societal and commercial well-being. This implies that human capital efficiency could lead to better employees' productivity and ultimately improve organization productivity. Sowunmi, Eleyowo, Salako and Oketokun (2015) see human capital efficiency as the continuous process of improving the skill content of staff members of an organization which is a function of job change.

Human capital efficiency cost represents sacrifice that was incurred today in order to train and develop employee. It refers to the sacrifice that must be made to train a person either to provide the expected

level of performance or to enrich the individual's skill (Aguinis & Kraiger, 2009). Abubakar (2008) noted that Human capital efficiency cost includes the following: formal training cost, on the job training cost, special training cost, and development programs cost. To be more specific, Adebawojo, Enyi and Adebawo (2015) noted that human resources development costs include cost for induction period, cost of remuneration for the trainee and trainer, cost of travel for the trainee and the trainer, if any, cost of training materials, imputed cost of machines and equipment's, used during the training, cost for development of training modules, cost of training evaluation, cost of material wastage during training, if any, cost of production loss for the trainee and the trainer (if he is within the organization, for in-house training), etc. To accurately ascertain cost of training and development, it is necessary to develop a checklist or a worksheet, delineating all direct and indirect costs of training.

In contemporary times, it is becoming increasingly clear that intangible factors such as the firm's investments in human resource are playing an increasingly dominant role in the creation of wealth. Corporate profitability is often driven more by intellectual capabilities than by control over physical resources, and even the value of physical goods is often due to such intangibles as technical innovations embodied in the products, brand appeal and creative presentation (Feng Gu Baruch Lev, 2003). According to Olayiwola (2016) In spite of this, conventional accounting systems still treat investment/cost associated with the selection, recruitment, training of personnel in an organization as an expense charged against the income statement and which is used to reduce profit unlike any other physical assets such as properties, plant and equipment. The costs of acquisition of these assets are capitalized in the Statement of Financial Position and only a depreciable amount being charged against the Profit or Loss Account every financial year. The amount of intangible/intermediate assets are also capitalized in the Statement of Financial Position and are amortized for a respective number of years. The traditional accounting practice is notable to place value on such intangible assets as employee capabilities and knowledge. Newman (1999) stated that traditional accounting views virtually all expenditure related to the improvement and intellectual development of an organization's human resource as expenses. However, there is therefore an increasing need to develop a standard of recognition, measurement and reporting of company's investment in its human capital. That is to say, the standard that will capitalize human capital like their financial commitments on the selection, recruitment of its personnel as well as training programs designed to enhance the value of human assets in the statement of financial position. Starovic & Marr (2009) added that the concept of human capital accounting has been given adequate consideration in some developed economies. United State of America (USA) and some parts of Europe do have a formalized system of human resources accounting reporting in the annual report of their companies while India and some parts of Asia capitalize human resources costs in their statement of financial position.

Employee Remuneration

Employee remuneration has been a subject of much debate in developed countries like Switzerland, New Zealand, United Kingdom, U.S. and others (Adeyemi, 1991). Researchers have always been concerned about certain factors that influence financial performance of firms with a view to knowing how to constantly maximize returns on investments of shareholders. There are a lot of factors that interplay to influence the performance of firms. Employee remuneration is one of the myriads of factors that can impinge on firms' performance (Ayodele, 2012). Often, investigations are hardly made to unravel what remuneration should be made to the top executives who direct the affairs of a company, together with other forms of compensations and incentives. According to Adeyemi (1991), executive remuneration is the package which goes with labour services. Hence Adeoti and Isiaka (2006) argued that the objective of employee remuneration is to attract; motivate and retain good people for attainment of the organizational performance. Executive compensation which is interchangeably used with employee pay or remuneration comprises of salary and incentive pay. Incentive pay could consist of cash and non- cash packages; and is an aspect in finance and accounting that is yet to gain

ascendancy in research especially in developing countries like Nigeria. Compensation normally takes the form of basic pay such as salary or non-financial rewards (Ayodele, 2012).

Training and Development Cost

Training is one of the main functions that directly contribute to the development of employees. Research also suggests that the organizations investing considerably in training justify their investment by the contribution training makes to improve individual and firm performance (McElroy, 2001; Khan, 2010; Batool and Batool, 2012). Training and development cost being employed by organizations helps them to enhance employee skills and firm performance (Solkhe and Chaudhary, 2011; Delaney and Huselid 1996;). Rajashekharaiyah (2014) assert that training and development is also attracting, developing, and retaining a diverse workforce that helps in providing the different skills required to maintain and improve the firm performance and Chow (2005) opined that training and development are the component of HPWSs. The components of training and development activities including formal training develop employee skills and impart knowledge beyond the current position off the job training. induction training program for new comers and training programs for present employees. Expenditure on staff training is another dimension of staff costs incurred by entities. Trainings usually involve costs payable by entities. Staff training costs are seen as expenditures incurred on staff or employees for capacity building in order to maximize performance (that is profit). Capacity building entails investment in human capital, institutions and practices necessary to enhance human skills, overhaul institutions and improves procedures and systems. According to Abiodun (1999), training is a systematic development of the knowledge, skills and attitudes required by employees to perform adequately on a given task. Employee's training and development is seen as the most important formation of any competent management.

Medical and Health Cost

Staff medical expenses entail costs incurred by the entity to ensure the health of their employees. It involves mostly medical bills and other health-related expenses such as health insurance expenses. Despite the fact that people are working and spend most of their working hours at the workplace, little attention and resources are accorded to health and safety at work. In emerging economies, workplace safety and health has been overlooked in their industrial development policy and strategies. They are mostly focused on the production volume or profit undermining the latent effect of dissatisfactory working environment. Safe workplaces are profitable workplaces, whether measured in a company's bottom line, its market share, its broader consumer reputation, or its ability to attract and retain workers, managers, or investors. Healthy people are expected to contribute more to productivity and innovation. However, absenteeism from workplace site causes productivity loss. Huang (2012) provided empirical evidences to support the assertion that employee health and safety cost has a positive and significant relationship with profitability, while Nordlof (2015) found no relationship between employee health and safety cost and profitability.

Firm Solvency (Total Debt Ratio)

The debt ratio is a financial ratio that measures the extent of a company's leverage. The debt ratio is defined as the ratio of total debt to total assets, expressed as a decimal or percentage. It can be interpreted as the proportion of a company's assets that are financed by debt. A study by Bryan (2015), found that debt ratios can be used to describe the financial health of individuals, businesses, or governments. He found that debt ratio for a given company reveals whether a business has loans and, if so, how its credit financing compares to its assets. Differing costs and benefits of both short-term and long-term debt entails that examining the relationship between total debt, by adding both short-term debt and long-term debt together, and financial performance may lead to spurious findings. This is because "most variables influence the maturity structure of debt rather than leverage: the effects on

long- and short-term debt tend to cancel out” (Van der & Thurik, 1993). This is also probably to occur as even though firms may have varying policies regarding short-term debt and long-term debt, there is some interaction between the borrowing levels of both short-term debt and long-term debt. Financing a firm through debt provides it with an opportunity for growth through expansion when used appropriately without affecting the firm’s ownership. This will be preferred by firms that do not want to dilute its shareholding in the firm by issuing of new shares.

When companies use debt to provide additional capital for their business operations, equity owners get to keep any extra profits generated by the debt capital, after any interest payments. Given the same amount of equity investments, equity investors have a higher return on equity because of the additional profits provided by the debt capital. If using debt doesn’t threaten the solvency of the firm in times of difficulties, equity owners welcome certain debt uses to help enhance their investment returns. According to the theory of debt tax shield, for two firms with an identical business size and expected future operation income, the firm with the lower-levered capital structure usually has a lower market value compared to the firm with a higher leverage level and the difference in their market values comprise of the debt tax shield (Wang, 2015). Debt is always preferable if a firm achieves relatively high profits as it results in higher returns to shareholders. The use of debt is expected to enhance a firm’s net profit margin which is the ultimate measure of profitability.

Financial Performance

A firm’s financial performance is of importance to investors, stakeholders and the economy at large. Investors are interested in the returns for their investment. A business that is performing well can bring better reward to their investors. Financial performance of a firm can increase the income of its staff, rendering quality product or services to its customers and creating more goodwill in the environment it operates. A company that has good performance can generate more returns which can lead to future opportunities that can in turn create employment and increase the wealth of people. Firm’s performance is the ability of a firm to achieve its objectives resources. According to Rahul (1997) a company’s performance is its ability to achieve its target objectives from its available resources. Suleiman (2013) viewed a firm’s performance as the result of a company’s assessment or strategy on how well a company accomplished its goals and objectives. Financial performance provides a deductive measure of how well a company can use assets from business operations to generate revenue. Van Horn (2005) defined financial performance as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term according to Pandey (2001) is used as a general measure of the overall financial health of a business. Research on the firm’s financial performance emanates from organizations theory and strategic management. The notion of financial performance is used to describe performance of an entity with the legal status of a company. The concept of financial performance is a controversial issue in finance due to its multidimensional meaning. In analyzing a firm’s financial performance, emphasis should be made in formulating an adequate description of the concept of a financial performance.

Measuring of firm’s financial performance is one of the management strategic functions aimed at satisfying the interest of shareholders and other stakeholders in a company. Firm’s performance appraisal involves a periodic and systematic evaluation of its operations to determine the achievements of the firm’s objectives. Evaluation of a firm’s performance requires the use of certain principles that may be either internal or external. Internal principles are the ability of a company to achieve its stated objectives, while external principles refer to the comparison of a company with its competitors in the industry in order to develop a good business strategy that will enable the firm compete favorably in the market. The existing researches on the relationship between human capital efficiency and financial performance used different methods of measuring firms’ financial performance. Most of the previous studies on firms’ financial performance measured firm performance from the accounting based or

market-based methods of measuring company's financial performance. The most commonly used performance measures are accounting based which include: return on assets (ROA), return on equity (ROE) and return on investment (ROI).

Return on Asset

Return on asset measure the effectiveness of the economic unity in using its assets to generate profit especially manufacturing, the higher this ratio, the better the economic unity of them as it indicates the management efficiency in using its assets to generate profit and also it represents the ratio of how much a has earned on its assets base, and the return on assets (ROA) is can be obtained by dividing net profit with total assets. Micah, Ofurum and Ihendinihu (2012) noted that return on Asset (ROA) is measured as Profit before Tax/Average Total Assets. ROA is a measure of profitability that takes into consideration the assets necessary to produce income.

Return on Assets expresses the net income earned by a company as a percentage of the total assets available for use by that company. ROA suggests that companies with higher amounts of assets should be able to earn higher levels of income. ROA measures management's ability to earn a return on the firm's resources (assets). The income amount used in this computation is income before the deduction of interest expense, since interest is the return to creditors for the resources that they provide to the firm. The resulting adjusted income amount is thereby the income before any distribution to those who provided funds to the company. ROA is computed by dividing net income plus interest expense by the company's average investment in asset during the year.

Empirical Review

Agbi, Popoola and Edem (2020), examined the effect of Human Capital Efficiency on profitability of listed oil and gas firms in Nigeria covering a period from 2006 to 2018 using ex-post facto research design. From a population of twelve firms, nines were selected purposively on the basis of data availability and period of listing. Secondary data was sourced from annual audited financial reports of sampled firms as well as from Nigerian Stock Exchange (NSE) facts sheets. The dependent variable is profitability which was computed as Return on Assets (ROA) while the independent variables are Human Capital Efficiency (HCE), Value Added Intellectual Coefficient (VAIC), and Firm Size (FIZ). The regression result revealed that both HCE and VAIC had significant positive effect on ROA. Stemming from this, the study concludes that human capital is very vital in determining the profitability of listed oil and gas firms in Nigeria. The major recommendation of the study was that management of oil and gas firms should strategically invest more in human capital through continuous manpower development as well as provision of adequate incentives to boost productivity and by extension increase profitability.

Manukaji, Osisima and Okoye (2019), examined the effect of human resources development on the performance of quoted companies in Nigeria. The study is anchored on resources-based view theory by Barney (1991). The study adopted ex post facto research design. A total of five companies quoted on the Nigerian Stock Exchange were examined using their 2014 to 2018 annual reports and accounts. Data were sourced on employee remuneration; training and development cost, size of the employee, and return on assets a proxy for performance. The data generated were analyzed using descriptive statistics, correlation test and ordinary least square estimation technique. The study found that employee remuneration and training and development cost have significant effect on performance of quoted companies in Nigeria. Size of employees was found to have insignificant effect on performance of quoted companies in Nigeria. The study concludes that human resources development has significant effect on performance of quoted companies in Nigeria. The study recommends systemic and continuous evaluation of the human resources to determine those that needs development.

Onipe (2019) examined effect of intellectual capital management and financial competitiveness of listed oil and gas firms in Nigeria. In Nigeria, most of the interests of scholars and policy makers are on the competitiveness of the economy. Very little is said about firm-level competitiveness. In view of this, this study interrogates the influence of intellectual capital management on firm financial competitiveness. Financial competitiveness is measured using financial performance proxies (return on assets, return on equity and asset turnover). Intellectual capital management is measured by value added intellectual coefficient score, human capital efficiency, structural capital efficiency and capital employed efficiency. The analysis is based on oil and gas firms listed on the Nigerian Stock Exchange and covers the period 2006 to 2018. Results indicate that capital employed and human capital has significant positive effects on return on assets. However, structural capital shows significant negative effect on return on assets. The study, therefore, recommends that management of oil and gas firms should increase their investment in capital employed and human capital while reducing investment in structural capital.

Oyedokun and Saidu (2018) examined the impact of intellectual capital on financial performance of listed Nigerian oil marketing companies over 10 years (2007-2016). Intellectual capital was measured by market to book value ratio (MB), Value Added intellectual coefficient (VAIC), and monetary model of Tobin's Q (MMQR) while financial performance was measured by return on asset (ROA). Ex-post facto research design was adopted while data was extracted from the firms' financial statements. Results showed that market to book value has a negative significant impact on return on asset. Monetary model of Tobin's Q has insignificant impact on return on asset while Value added intellectual coefficient also has insignificant impact on return on asset. The study recommends that oil and gas companies in Nigeria should not put more resources in intellectual capital.

Ugwuanyi and Onyekwelu (2018) assessed the effect of intellectual capital on revenue and market values of 3 listed information and communication technology firms in Nigeria over 10-year period (2004-2013). Human capital, structural capital and capital employed were used as proxies for intellectual capital while gross revenue and market price per share were used for measuring financial performance. The study adopted ex-post facto research design and data were sourced from annual reports and accounts and analyzed using Ordinary Linear Regression. Results showed that intellectual capital has positive and insignificant influence on revenue. Also, result showed that human capital efficiency has positive and insignificant influence on share price. The study recommends that human capital efficiency should be increased so that share price of oil and gas companies can be maintained in Nigeria.

Sani and Usma (2018), examine the impact of financial performance on human capital efficiency of quoted oil and gas companies in Nigeria. The secondary sources of data were employed while the panel data collected were analysed using multiple regression model. The findings revealed that the level of human capital efficiency in the Nigerian oil and gas companies could be influenced by market price per share and book value per share. The study recommends that oil and gas companies in Nigeria should increase their human capital investment to boost their book value per share through continuous training and retraining of human asset, among others.

Theoretical Discussion

There exist many theories that underpin Human Capital Efficiency and financial performance which includes amongst others: the opened system theory, stakeholder theory and human capital theory. The major theories underlying this study are subsequently discussed.

Opened System Theory

Opened system theory was initially developed by Ludwig von Bertalanffy (1956), a biologist, but it was immediately applicable across all disciplines. Traditional theorists regarded organizations as closed systems that are autonomous and isolated from the outside world. In the 1960s, however, more holistic and humanistic ideologies emerged, recognizing that traditional theory had failed to take into account many environmental influences that impacted on the organizational efficiency and effectiveness. In modern time, the opened system theory is embraced by theorists and researchers because of how external environment influence the performance an entity. The term opened system reflected the recent belief that all organizations are unique in part because of the unique environment in which they operate and that they should be structured to accommodate unique problems and opportunities. From the economic perspective, opened system theory considers the variables that can affect the financial performance of oil and gas companies in Nigeria, which are inflation, economic growth, unemployment and among others. In the present study, the external variables examined are inflation and economic growth. High inflation is detrimental to the financial performance of companies for the fact that it lowers the profitability of companies because of the high cost of raw materials acquired from the external environment (Muraina, 2018; Cekrzi, 2015). Also, growing economies affect the performance of entities positively because in that period, other economic indicators are maintained at minimum level. Economic growth implies that macroeconomic problems are reduced to their barest by the government in an economy. This is how related the theory is to the study. Thus, the theory is adopted by the researcher in the present study.

Stakeholder Theory

In the middle of 1980, a stakeholder approach to strategy came up. One principal point in this movement was the publication of Richard Edward Freeman. He was generally credited with popularizing the stakeholder concept. The general idea of the stakeholder concept is a redefinition of company. In general, the concept is about what company should be and how it should be theorized. Friedman (2006) states that the company itself should be thought of as grouping of stakeholders and the purpose of the company should be to manage their interests, needs and perspectives. This theory is related to the present study because of the fact the primary expectation of all the stakeholders of oil and gas companies is that the financial performance should continue to rise so that the oil and gas companies will be in the industry perpetually. From these views, we can see that managers have role to play in the determination of financial performance of companies. Most especially, the internal variables, such as capital structure, liquidity, size and so on, which are under the control of the management (Wanjugu, 2014). This is because of the fact that poor performance of any company must always affect some group of stakeholders negatively. So, it is the duty of the management of company to ensure that sound policies are made in order to cause the internal variables to affect the financial performance positively (Hassan & Farouk, 2014). Hence, the researchers adopted this theory in this study.

Human Capital Theory

This study is built on the Human Capital theory proposed by Schultz (1961) and extensively developed by Becker (1964) as cited in (Seth, 2009). The theory has its root from labor economics which is a branch of economics that focuses on general work force in quantitative term. According to the theory, Human capital theory contends that education or training raises the productivity of workers by imparting useful knowledge and skills, thus raising workers' future income through increase in their lifetime earnings. The theory postulates that expenditure on education or training and development is costly, and should be considered as investment since it is undertaken with a view to increasing personal incomes.

Human capital approach is used to explain or support occupational wage differential. However, the position of this study is that education or training and development will not only increase employee personal income, it will also serve as a means of achieving corporate competitive advantage which reflects ultimately in organizational performance. According to Flamholtz and Lacey (1981), as in Baney and Wright (1997), human capital theory distinguished between general skills and firms' specific skills of human resources. General skills are skills possessed by individuals which provide value to a firm and are transferable across a variety of firms. For instance, all competitor firms have the potential to accrue equal value by acquiring employees with knowledge of general management, the ability to apply financial ratios, or general cognitive ability. On the other hand, specific skills provide value only to a particular firm, and such skills are of no value to competing firms. An instance of this is the knowledge of how to use a particular technology used only by one firm, or knowledge of a firm's policies and procedures provided to that firm, but usually would not be valuable to other firms. Thus, human capital is a means of production into which additional investment yields additional output. Human capital is substitutable, but not transferable like land, labor or fixed capital.

METHODOLOGY

This study adopts both the ex-post factor and the correlational research design by employing descriptive and inferential statistics using regression analysis method. The ex-post factor design involves experimental study of examining the effect of human capital efficiency on financial performance of listed oil and gas firms in Nigeria. It shows empirical analysis of annual financial reports and accounts of all the 14 selected financial companies quoted on the Nigerian Stock Exchange and it requires the use of inferential statistics for data analysis as a result of the need to test hypothesis. Similarly, a correlational study tries to measure the degree of relationship between one or more variables for making predictions about relationship. In order to use the correlational research design, the variables of the study must be related; each variable of the study must be expressed in numerical form, that is, it must be quantifiable; and the research must follow a quantitative. Hence, the choice of ex-post facto and correlation design is because the study aimed at evaluating effect of human capital efficiency on financial performance of listed oil and gas firms in Nigeria.

The population of the study covers all the fourteen (14) oil and gas firms, listed on Nigerian Stock Exchange as at 31st of December, 2020. A ten years' period ranging from 2011 to 2020 is selected in order to bring a clearer picture of the problem in a determinable period of time. The sample size of twelve (12) was selected using the purposive sampling technique as the basis for selection. The data of the twelve (12) listed oil and gas firms for the period of ten years from (2011-2020) utilized in this study was collected from secondary sources, basically from the published annual reports of the individual firms. The firms are public limited companies listed on the Nigerian Stock Exchange and by virtue of being public limited companies and as a requirement of being listed, annual financial report has to be made available to the Nigerian Stock Exchange. Considering also that the study is also ex-post factor in nature, the data that was collected from the financial reports of the selected listed oil and gas firms was analyzed using E-view 10 statistical package.

Technique for Data Analysis and Model Specification

The panel regression analysis was used in this study and the analysis incorporated the descriptive statistic; correlation analysis which was conducted to determine the strength of the linear association between human capital efficiency (HCE) on financial performance (FP) of listed oil and gas firms in

Nigeria. The major reason for using regression and correlation analysis is to be able to model, examine and identify the relationship between the hypotheses. The inferential analyses will also involve the application the appropriate statistical technique of Panel Regression Analysis; and this is due to the nature of the data. However, in conducting the basic econometric test for Panel data, the pre-estimation, panel data properties and robustness tests was conducted before and after the regression analysis. The model developed was to determine the effect of human capital efficiency on return on asset (ROA) of listed oil and gas firms in Nigeria and in the model, panel regression model specified financial performance (FP) as the dependent variable and human capital efficiency (HCE) as the explanatory variable.

Thus, incorporating these variables into equation 3.1, and specifying the model in the form in which it can be estimated in line with the research hypothesis stated in chapter one, the models of the study are reflected below:

$$ROA = \beta_0 + \beta_1ER + \beta_2TDC + \beta_3MHE + \beta_4FS + \epsilon_{it}..... (3.1)$$

Where:

β_0 = The autonomous parameter estimate (Intercept or constant term)

$\beta_1 - \beta_3$ = Parameter coefficient of Human Capital Efficiency

ROA= Return on Asset

EM= Employee Remuneration

TDC= Training and Development Cost

MHE= Medical and Health Expenses

FS = Firm Solvency (Total Debt Ratio)

ϵ_{it} = Stochastic Error term

RESULT AND DISCUSSION

The result of regression analysis on the effect of human capital efficiency on financial performance of listed oil and gas firms in Nigeria using the panel regression analysis technique is presented. In addition, the results of other statistical estimations such as correlation, R^2 , Adjusted R^2 , t-statistic and F-statistic are also presented, as the importance of data and empirical evidence in any research effort cannot be overemphasized. The estimation technique and procedure capture the objectives of the research and the estimation processes in analyzing the human capital efficiency on financial performance of listed oil and gas firms in Nigeria, was carried out using Econometrics Views 10 as the statistical tool and the raw data set is presented in the appendix.

In order to have glimpse of the data used in the study, a first pass at the data in form of Pre-estimation result focusing exclusively on the descriptive statistics and correlation matrix, as further explained and articulated below. Subsequently, the Panel Data Properties of the Variables encompassing the Fixed Effect Likelihood ratio, the Hausman test as well as the robustness (diagnostic) test of multi-colinearity and heteroskedasticity was also carried out.

Descriptive Statistics Result

	ROA	ER	TDC	MHE	FS
Mean	36.23217	6.486667	1.134500	1.133417	60.10367
Median	36.98000	5.870000	1.000000	0.985000	60.58500
Maximum	46.98000	23.54000	1.990000	3.000000	150.4500
Minimum	23.50000	1.050000	0.090000	0.090000	4.280000
Std. Dev.	4.483476	3.636525	0.469353	0.605219	21.37531
Skewness	-1.202471	1.252783	0.226369	0.401392	1.151041
Kurtosis	4.572787	5.914419	2.019029	2.575713	7.699276
Jarque-Bera	41.28702	73.85851	5.836380	4.122401	136.9139
Probability	0.000000	0.000000	0.054031	0.127301	0.000000
Sum	4347.860	778.4000	136.1400	136.0100	7212.440
Sum Sq. Dev.	2392.085	1573.694	26.21477	43.58850	54371.55
Observations	120	120	120	120	120

Source: E-View 10 Output (2022)

The Table above presents the descriptive statistics of the effect of human capital efficiency on financial performance of listed oil and gas firms in Nigeria during the period of 2011 to 2020. The table shows that return on asset (ROA) as a measure of financial performance has a mean of 36.23217 with a standard deviation of 4.483476 and a minimum and maximum value of 23.50000 46.98000 respectively. Although the range between the minimum and maximum is wide, it implies a stable performance as the standard deviation indicated that there is no wide dispersion of the data from the mean value. For the other measure of human capital efficiency, employee remuneration (ER) from the table shows a mean of value of 6.486667 with standard deviation of 3.636525 and the minimum and maximum values of 1.050000 and 23.54000 respectively. This implies that the human capital efficiency in terms of employee remuneration witnessed a substantial increase during the study period, as the standard deviation is so wide compared to the mean, together with the huge range between the minimum and maximum values. Similarly, the table shows that the training and development cost (TDC) during the period has an average value of 1.134500 with standard deviation of 0.469353 and the minimum and maximum values of 0.090000 and 1.990000 respectively. This implies a tremendous increase in the training and development of employees during the study period. Also, the mean value for medical and health expenses (MHE) is 1.133417, while the standard deviation also indicates 0.605219. The minimum and maximum value for medical and health expenses is 0.090000 and 3.000000 respectively. Also, the mean value for Firm Solvency (proxied by the combination of the short and long term debt) is 60.10367, while the standard deviation also indicates 0.605219 21.37531, while the minimum and maximum value for the Firm Solvency is 4.280000 and 150.4500 respectively.

The standard deviation values shown on the table indicates the dispersion or spread in the data series and the variable with the highest degree of dispersion from the mean is the return on asset. Skewness which measures the shape of the distribution and equally shows the measure of the symmetry of the data set, indicated that ER, TDC MHE and FS are all positively skewed and have values greater than zero which suggests that the distribution tails to the right-hand side of the mean, except for ROA, which is negatively skewed, have values less than zero. Kurtosis value measures the peakness and flatness of the distribution of the series. If Kurtosis value is less than 3, it means the distribution of the variable is normal, but when it is more than 3, the distribution of the variable is said to be abnormal. Variables with value of kurtosis less than three are called platykurtic (fat or short-tailed) and TDC and MHE with a kurtosis value of 2.019029 and 2.575886 respectively, qualified for this during the study period. On the other hand, variables whose kurtosis values are greater than three are called leptokurtic

(slim or long tailed) and the variables; ROA, ER and FS qualified for this during the study period. The Jarque-Bera statistic is for testing normality of a variable. If the variable is normally distributed, the histogram will be bell-shaped and as such the Jarque-Bera test of normality is an asymptotic, or large-sample test. Jarque-Bera also measures the difference between the skewness and kurtosis of each of the variables. FS has the highest Jarque-Bera value of 136.9139, while MHE has the lowest Jarque-Bera value of 4.122401.

Correlation Analysis Result

	ROA	ER	TDC	MHE	FS
ROA	1.00000 -----				
ER	0.322326 0.000000	1.00000 -----			
TDC	0.361616 0.000000	0.319096 0.000000	1.00000 -----		
MHE	0.414517 0.000000	0.213028 0.000000	0.433717 0.000000	1.00000 -----	
FS	0.292488 0.000000	0.013565 0.000000	0.050670 0.000000	-0.22354 0.000000	1.00000 -----

Source: E-View 10 Output (2022)

The Pearson correlation coefficient (r) was employed to establish the measures of associations between the variables. The table above shows the Pearson correlation coefficient (r) and the respective probabilities of the relationship between financial performance variables (ROA) and human capital efficiency variables (ER, TDC, MHE and FS). The results show that the coefficient of the correlation between ROA and ER stood at 0.322326 which is positively correlated. This implies that an increase in ROA would lead to a substantial increase in ER. This is supported by its p-value which is 0.0000 stating that the correlation is significant at 5%. The coefficient of the correlation between ROA and TDC stood at 0.361616, which is equally positive. This implies that an increase in ROA would lead to a substantial increase in TDC. Furthermore, the coefficient of the correlation between ROA and MHE stands at 0.414517, which equally shows a positive correlation. This implies that an increase in ROA would lead to a significant increase in MHE. Consequently, the coefficient of the correlation between ROA and FS stands at 0.292488, which equally shows a positive correlation and implies that an increase in ROA would lead to a significant increase in FS to the tune of 29%.

Fixed Effect Likelihood Ratio Test

The Fixed Effect Likelihood Ratio test is a test for model specification in panel data analysis and this test is employed to choose between pooled effect model and the fixed effects model. Due to the panel nature of the data set, both pooled effect and fixed effect regressions were analysed. Fixed effect likelihood ratio specification test was then conducted to choose the preferred model between the pooled effect and the fixed effect regression models. The test basically checked if the error terms were correlated with the regressors. Thus, the decision rule for the fixed effect likelihood ratiospecification is stated thus; at 5% Level of significance:

H₀: Pooled effect is most appropriate for the Panel Regression analysis

H₁: Fixed effect is not appropriate for the Panel Regression analysis

As encapsulated above, if the p-value is greater than 0.05 the decision rule is to reject the null hypothesis which states that pooled effect is most appropriate for the Panel Regression analysis (meaning that the preferred model is fixed effects). Similarly, if the p-value is less than 0.05 the decision rule is to accept the null hypothesis which states that pooled effect is most appropriate for the Panel Regression analysis (meaning that the fixed effect model is to be rejected).

Fixed Effect Likelihood Ratio Table

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	14.415357	(11,105)	0.0000
Cross-section Chi-square	110.442547	11	0.0000

Source: E-View 10 Output (2022)

The Result of fixed effect likelihood ratio test shows that chi-square statistics value is 110.442547 while the probability value is 0.0000. This implies that there is enough evidence to reject the null hypothesis which states that pooled effect is most appropriate for the Panel Regression analysis. It thus stands that error component model (pooled effect) estimator is not appropriate because the pooled effects are probably correlated with one or more regressors. Thus, the most consistent and efficient estimation for the study, given the options of a pooled effect analysis and a fixed effect analysis, is the fixed effect model of regression analysis. Consequently, the result suggests that the fixed effect regression model is most appropriate for the sampled data (given the two options as encapsulated above), because the likelihood ratio test statistics as represented by corresponding probability value is greater than 5%. It is most logical therefore to proceed to another test which is the Hausman test, which will show the appropriateness of otherwise of using the fixed effect model or the random effect model.

Hausman Test

The Hausman test is a test for model specification in panel data analysis and this test is employed to choose between fixed effects model and the random effects model. Due to the panel nature of the data set utilized in this study, both fixed effect and random effect regressions were run. Hausman specification test was then conducted to choose the preferred model between the fixed effect and the random effect regression models. The test basically checked if the error terms were correlated with the regressors. Thus, the decision rule for the Hausman specification test is stated thus; at 5% Level of significance:

H₀: Random effect is most appropriate for the Panel Regression analysis

H₁: Fixed effect is not appropriate for the Panel Regression analysis

As encapsulated above, if the p-value is greater than 0.05 the decision rule is to reject the null hypothesis which states that fixed effect is most appropriate for the Panel Regression analysis (meaning that the preferred model is random effects). Similarly, if the p-value is less than 0.05 the decision rule is to accept the null hypothesis which states that fixed effect is most appropriate for the Panel Regression analysis (meaning that the random effect model is to be rejected).

Hausman Test Result

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.110830	3	0.0176

Source: E-View 10 Output (2022)

The Result of Hausman test shows that chi-square statistics value is 10.110830 while the probability values of is 0.0176. This implies that there is enough evidence to reject the null hypothesis which states that random effect is most appropriate for the Panel Regression analysis. It thus stands that error component model (random effect) estimator is not the most appropriate because the random effects are not well correlated with the regressors. Thus, the most consistent and efficient estimation for the study is the fixed effect cross-sectional model. Consequently, the result suggests that the fixed effect regression model is most appropriate for the sampled data because the Hausman test statistics as represented by corresponding probability value is less than 5%.

Robustness (Diagnostic) Test

In order to validate the robustness of the estimates, the multicollinearity test was conducted, using the Variance Inflation Factor (VIF) as a diagnostic check. Multicollinearity happens when one or more of the independent variables exert superior influence on the others and this position is a violation of the assumptions for linear regression modeling, and so it can impact the validity of the result from any analysis.

Multicollinearity Test (VIF) Result

Variance Inflation Factors
Date: 01/11/22 Time: 13:46
Sample: 2011 2020
Included observations: 120

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	292.1616	419.4793	NA
ER	4.815887	57.69095	1.606359
TDC	7.965870	16.60376	2.077011
MHE	23.15898	16.85700	1.117771
FS	0.019448	132.6604	2.652948

Source: E-View 10 Output (2021)

***Decision rule:** Centred VIF of less than 10 is an indication of absence of multi-collinearity, while the centred VIF of more than 10 is an indication of presence of multi-collinearity.

As encapsulated above, the decision rule for the multicollinearity test using the variance inflation factor is that Centred VIF of less than 10 shows that there is absence of multi-collinearity, while the centred VIF of more than 10 is an indication of presence of multi-collinearity. The Table above clearly shows that there is absence of multicollinearity among the independent variables, given that the entire independent variables (ER, TDC, MHE and FS) have a center VIF that is less than 10.

Heteroskedasticity Test

Similarly, in order to validate the robustness of the estimates, the Heteroskedasticity test was equally conducted as a diagnostic check. Heteroskedasticity happens when the standard errors of a variable, monitored over a specific amount of time, are non-constant. Heteroskedasticity is a violation of the assumptions for linear regression modeling, and so it can impact the validity of the result from any analysis while heteroskedasticity does not cause bias in the coefficient estimates, it does make them less precise; lower precision increases the likelihood that the coefficient estimates are further from the correct population value.

Heteroskedasticity Test Result

Panel Cross-section Heteroskedasticity LR Test
Null hypothesis: Residuals are homoskedastic
Equation: UNTITLED
Specification: ROA C ER TDC MHE FS

	Value	Df	Probability
Likelihood ratio	81.81827	12	0.5512
LR test summary:			
	Value	Df	
Restricted LogL	-317.3485	116	
Unrestricted LogL	-275.4393	116	

Source: E-View 10 Output (2022)

***Decision Rule: At 5% level of Significance**

H₀: No conditional Heteroskedasticity (Residuals are homoskedastic)

H₁: There is conditional Heteroskedasticity

The null hypothesis of the test states that there is no Heteroskedasticity, while the alternate hypothesis states that there is Heteroskedasticity. The null hypothesis is to be accepted if the P value is greater than 5% level of significance. From the result in the table above with a ratio value of 81.81827 and a corresponding probability value of 0.5512 which is greater than 5%, the study therefore accepts the null hypothesis and rejects the alternative hypothesis that there is no Heteroskedasticity problem. Consequently, based on the diagnostic probability 0.5512 the null hypothesis is accepted, thus there is no conditional heteroskedasticity, indicating that residuals are homoskedastic and as such the samples give a true reflection of the population.

Test of Research Hypothesis

In panel regression analysis, the ultimate goal is estimation of the relationship between dependent and independent variables. This goal can be achieved through the estimation of the coefficients of each independent variable in the model. The sign of coefficients of independent variables indicates their relationship with dependent variable, while the magnitude of the coefficients implies the responses of dependent variables to independent variables.

Decision Rule: The decision rule for accepting or rejecting the null hypothesis for any of these tests will be based on the Probability Value (PV) and the Probability (F-statistic). If the PV is less than 5% or 0.05 (that is, if $PV < 0.05$), it implies that the regressor in question is statistically significant at 5% level; and if the PV is more than 5% or 0.05 (that is, if $PV > 0.05$), it is categorized as not significant at that level. This implies that the level of significance for the study is at 5% (for the two-tailed test).

Thus, the decision rule for accepting or rejecting the null hypothesis is based on both the Probability Value (PV) and the Probability (F-statistic).

Test of Research Hypothesis (Return on Asset)

H0₁: Employee remuneration has no significant effect on financial performance of listed oil and gas firm in Nigeria

H0₂: Training and development cost has no significant effect on financial performance of listed oil and gas firm in Nigeria

H0₃: Medical and health expense has no significant effect on financial performance of listed oil and gas firm in Nigeria.

The result of the estimated regression model with specific focus on ROA as the dependent variable is presented below.

Panel Regression Result (Fixed Effect)

Dependent Variable: ROA

Method: Panel Least Squares

Date: 01/11/22 Time: 13:30

Sample: 2011 2020

Periods included: 10

Cross-sections included: 12

Total panel (balanced) observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	32.67580	1.423720	22.95100	0.0000
ER	0.331120	0.160371	2.064713	0.0414
TDC	2.345185	0.811947	2.888347	0.0047
MHE	0.819181	0.664304	1.233142	0.2203
FS	-0.036280	0.015560	-2.331636	0.0216

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.537040	Mean dependent var	36.23217
Adjusted R-squared	0.470267	S.D. dependent var	4.483476
S.E. of regression	3.263198	Akaike info criterion	5.326858
Sum squared resid	1107.440	Schwarz criterion	5.698524
Log likelihood	-303.6115	Hannan-Quinn criter.	5.477793
F-statistic	8.042759	Durbin-Watson stat	1.356282
Prob(F-statistic)	0.000000		

Source: E-View 10 Output (2022)

From the table above, the coefficient of multiple determinations (R^2) is 0.537040. This indicates that about 54% of the total variations in return on asset is explained by the variations in the independent variables (ER, TDC, MHE and FS), while the remaining 46% of the variation in the model is captured by the error term. This indicates that the line of best fit is highly fitted. The standard error test is applied in order to measure the size of the error and determine the degree of confidence in the validity of the estimates. Usually if the standard error is smaller than half the numerical value of the parameter estimate, it can be concluded that the estimate is statistically significant. Having carried out a standard error test on the parameters estimated and as also indicated by their respective probability values, the parameter estimate for ER as shown in the regression result is both positive and statistically significant, given that the individual probability is 0.0414 which is less than 5% and the coefficient is positive at 0.331120, while that of TDC also shows a positive coefficient of 2.345185 and it is also statistically significant given that the individual probability is 0.0047 less than 5%. In addition to the estimates for

ER and TDC, the parameter estimate for MHE is not statistically significant given that the individual probability is 0.2203 which is greater than 5%, although the coefficient is observed to be positive at 0.819181. Consequently, the parameter estimates for FS introduced as a control variable in the study (and measured as the total value of both short-term and long-term debts) is though statistically significant, given that the individual probability is observed at 0.0216 which is less than 5%, but the coefficient is negative at -0.036280.

However, when taken collectively, the regressors (ER, TDC, MHE and FS) against the regressed (ROA), the value of F-statistic is 8.042759 and the value of the probability of F-statistic is 0.000000. This result implies that the overall regression is both positive and statistically significant at 5%.

The coefficient of employee remuneration (ER) is 0.331120, while that of training and development cost (TDC), medical and health expenses (MHE) and firm solvency (FS) is 2.345185, 0.819181 and -0.036280 respectively. This shows that all the explanatory variables ER, TDC and MHE are all positively related to ROA, while FS is negatively related to ROA, such that a unit increase in ER, TDC, MHE and FS will increase ROA by 0.33, 2.35 and 0.82 respectively. While a percentage increase in FS will decrease ROA by 0.034. This result is consistent with 'a priori' expectation which hypothesizes that increase in ER, TDC and MHE will lead to a significant increase in ROA and the empirical evidence suggests that the relationship between ER, TDC and MHE and ROA is infact statistically significant. Consequently, when taken collectively and based on the probability (F-Statistics) value of 0.000000, which is less than 0.05, the null hypothesis of the study is hereby rejected. In other words, the empirical analysis of the study shows that there is evidence to take the following position:

- i. The hypothesis that employee remuneration has no significant effect on return on asset of listed oil and gas firms in Nigeria is hereby rejected.
- ii. The hypothesis that Training and development cost has no significant effect on return on asset of listed oil and gas firm in Nigeria is hereby rejected.
- iii. The hypothesis that Medical and health expense has no significant effect on return on asset of listed oil and gas firm in Nigeria is hereby rejected.

Discussion of Findings

The result for the model of the study (which is a direct consequence of the first, second and third hypothesis of the study) showed that when taken individually, employee remuneration (ER), as well as training and development cost (TDC), taken as a measure of human capital efficiency, have a positive and significant effect on return on asset taken as a measure of financial performance, although the medical and health expenses (MHE) when taken individually has a positive but insignificant effect. However, when taken collectively, the independent variables (ER, TDC, MHE and FS) all have a significant effect on the dependent variable (ROA).

This implies that human capital efficiency is a significantly and relevant predictor of financial performance in listed oil and gas firms in Nigeria. That is to say there are empirical evidences to suggest that the attributes exhibited by the human capital group of oil and gas companies, which naturally should promote efficiency and productivity in oil and gas firms' financial dealings in Nigeria, is already having the desired effect. As such, the human capital elements of the listed oil and gas firms have been able to exert the needed level of influence that is required to improve the tendencies of improved financial performance framework of the oil and gas sector in Nigeria.

The findings of this study are in agreement with the research efforts of Agbi, Popoola and Edem (2020), who examined the effect of Human Capital Efficiency on profitability of listed oil and gas firms in Nigeria covering a period from 2006 to 2018 using ex-post facto research design. Their study

found a positive and significant relationship between Human Capital Efficiency on profitability of listed oil and gas firms in Nigeria. Similarly, the findings of the study are also in agreement with the position of Manukaji, Osioma and Okoye (2019), who examined the effect of human resources development on the performance of quoted companies in Nigeria. The study specifically found out that employee remuneration and training and development cost have positive and significant effect on performance of quoted companies in Nigeria, although the size of employees was found to have insignificant effect on performance of quoted companies in Nigeria. The study therefore concludes that human resources development has significant effect on performance of quoted companies in Nigeria.

CONCLUSION AND RECOMMENDATIONS

In the Accounting and Financial literature several studies have investigated the link between human capital efficiency and financial performance of listed oil and gas firms in Nigeria. This research contributes to the strands of literature by investigating the effect of human capital efficiency on financial performance of listed oil and gas firms in Nigeria. A positive and statistically significant relationship exists between human capital efficiency and financial performance of listed oil and gas firms in Nigeria. These results support the findings of Agbi, Popoola and Edem (2020), Manukaji, Osioma and Okoye (2019), Omole, Yusuf and Adeyemo (2017), as well as Okpako, Atube and Olufawoye (2014), who found similar results. The policy implication of the finding from the analysis in this study is that human capital efficiency is contributing immensely and able to spur listed oil and gas firms in Nigeria to increased financial performance and reporting quality, as well as provide a spring board that can enable the oil and gas sector at large to emerge as a quality-oriented sector in terms of its financial performance devoid of earnings management, with its attendant positive multiplier effects on the overall economy. This revelation is instructive, given the magnitude of activities within the oil and gas sector of the Nigerian economy, punctuated by the fact that Nigeria earns huge natural resources from the oil and gas industry.

The conclusion of the study therefore is that human capital efficiency has a significantly positive effect on financial performance and does substantially reduces the inefficiencies in productivity of listed oil and gas companies in Nigeria. This conclusion is substantive where human capital efficiency is proxied by employee remuneration, training and development cost, medical and health expenses and firm solvency. The result and the findings of the study present implication for regulators such as security and exchange commission, financial regulating council and professional bodies within the oil and gas sector of Nigeria. First regulators should not entertain policies that will impede human capital efficiencies and competencies because it is found to have a significantly positive effect on financial performance. Also, regulators should endeavor to improve in the supervisory role that can guarantee that financial reports and opinion reflect true state of the financial statement so as to justify the activities of the management. Regulators should also not allow organizations within the oil and gas sector (and by extension all sectors of the economy) have obnoxious policies that can negatively impact on employee remuneration, training and development and medical and health expenses, given that the result of the study revealed such scenario will have an insignificant and negative effect on financial performance of listed oil and gas firms. Finally, regulators and professional bodies within the manufacturing industry as well as oil and gas sectors, should have sanctions and penalties like suspension and total withdrawal of license for firms that do not lay premium on quality human capital group and those who provide wrong financial positions which are fraught with dishonesty in Nigeria generally, in order to emphasize expertise and safeguard the sector's reputation.

Since every sector of the economy, including the listed oil and gas firms are highly dependent on the expertise of the human capital efficiency, coupled with the fact that good financial performance is a necessity for every organization based on regulatory requirements, the continued insistence on full

compliance to every form of best practices in the oil and gas sector, is of great and immerse benefit to industry players, manufacturing firms, the economy at large and to the citizenry of the country. Anything to the contrary may suggest presence of ‘Dutch Disease’ in the country. This means that, in spite of the right regulatory framework for all sectors of the economy, failure to achieve effective human capital productivity and functional financial performance (devoid of illegalities), can compromise the performance of oil and gas firms, as well as lead the Nigerian economy to the path of slow and inefficient economic growth. Based on the findings of the study and its implication on the overall activities of the listed oil and gas firms in Nigeria, the following recommendations are made:

- i. Individuals, partnership business, shareholders and government who employ the services of human resources in Nigeria should ensure that the human capital group have the right competence and experience and that can be brought to bear positively on the organization. This is because human capital efficiencies are associated with less ineffective financial performance of listed oil and gas firms in Nigerian. Those who are saddled with the responsibility of appointing and recruiting human resources in Nigeria should consider competence and experience of the individuals, as this will go a long way to reduce the inefficiencies in the overall activities in the company.
- ii. Management of oil and gas firms should strategically invest more in human capital through continuous manpower development as well as provision of adequate incentives to boost productivity and by improved remunerations commensurate with high performance of employees.
- iii. There is a need for corporate organizations, particularly listed firms to engage in systemic and continuous evaluation of the human resources to determine those that require development and constantly enhance such capacities for sustainable organizational growth and development.
- iv. Organizations should also create requisite standards for human resource medical and health status, as well as disclosure and measurement in order to enhance valuation of human capital, ensure uniformity in disclosure and more reliable interpretation and comparison of financial statements.

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CONSTANT CHANGES IN TAX COLLECTION AND REMITTANCE METHODS: CHALLENGES AND PROSPECTS

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Abstract

The issues of tax collection and remittance methods for government expenditure have been in existence for the olden days of civilisation. Regular changes in tax collections and remittance methods metamorphosed to the present day electronic tax transactions in quest of enhancing tax compliance for revenues generation. This study focused on constant changes in tax collection and remittance methods with emphasis on its challenges and prospects. It is a conceptual paper by employing library

type of research. Information used was obtained from seminar papers, textbooks, journal articles and conference papers. Following review of related extant studies, it was observed that constant changes in tax collections and remittance methods could be faced with myriad of problems like incompetent tax administrators and agencies in terms of use of information and communication technologies, software application, inadequate tax personnel thereby giving rooms for slowness in assessment, registration, loss of revenues as result of low level of compliance. On the other hand,, constant changes in tax collection and tax remittance methods are necessary for effective and efficient tax mobilisation and administration of revenues generation for government expenditures on infrastructures and security. It gives room to various tax reforms and regular policies initiations capable of ensuring proper tax administration and surmounting antics of fraudulent practices like tax avoidance and evasion.

Keywords: Constant changes, Tax collection, Remittance, Revenues and Expenditures

INTRODUCTION

It is a common saying that everything changes except change that is constant. The metamorphose signature of tax collection has a long time history from the traditional approach of chasing and forcing people to pay tax to the present day paradigm shift to digital or electronic collection and application of different remittance methods. All nations of the world depend on tax collection and remittance as major source of revenues for executing government expenditures needed to enhance the standard of living of her citizenry (Adeyeye, 2019; Enofe, Embele & Efosa, 2019). Tax collection is used in carrying out the legitimate duties of government including the provision of security, healthcare, basic infrastructure and education necessary for economic development (Modugu & Anyaduba, 2014). The constant changes in tax collection and remittance methods have become necessary in ensuring efficiency and effectiveness capable of promoting tranquillity and harmony in tax administration for the good of the society. Tax collection and remittance methods result in deployment of information and communication technology (ICT) in tax administration and has the following features: capacity to capture taxpayer information to include personal, business, employment and assets data in a single profile, profile taxpayers, assets, businesses, assess taxpayer based on data captured and profiled, send notifications, on line tax registration, provides multiple modes of settlement, online real-time receipt and online Tax Clearance Certificate (TCC) application (Ajala & Adegbe, 2020).

Constant changes in tax collections and remittance methods are backed by laws. “Chapter 2 of the Constitution of the Federal Republic of Nigeria 1999 contains fundamental objectives and directive principles of government tax policy, while Chapter 4 (4.1) of the National Tax Policy 2017, indicates that all taxable persons shall be registered and issued with Taxpayer Identification Number. In this regard, appropriate tax laws, administrative processes and procedure are being made to advance the constitutional provisions. Therefore, tax policies, laws and administration promote the attainment of the ability of all taxable persons to declare their income honestly to appropriate and lawful agencies and pay their tax promptly” (Federal Ministry of Finance, 2017, 2019). Regular changes in tax collection and remittance methods give room to various tax reforms and regular policies initiations experienced in developed and developing countries of the world to ensure proper tax administration and surmount antics of fraudulent practices. It assists in ensuring turn out of compliance and reduces increasing cases of incidence of tax delinquents. “The Federal Inland Revenue Service (FIRS, 2018) reports a tax gap of N861.76 billion in 2017 and N1.4 trillion in 2018 representing about 18% and 21% of targeted revenue respectively. Implicitly, this demonstrates a compliance rate of about 80%. Yet, as of 2018 Nigeria still records a low tax-to-GDP ratio of about 6% suggesting that a significant amount of tax revenue is unreported (Punch, 2019 as cited in Enofe, Embele & Efosa, 2019:48)”.

However, nations lost huge amount annually to various tax frauds practices like tax avoidance and evasion. For instance, in 2011, Amazon reported a tax liability of £1.8 million on its total sales of £3.35 billion, whereas Google's UK unit reported a tax of £6 million for £395 million worth of sales (Barford & Holt, 2013). Likewise, in 2014, the accounts for Google Netherlands Holdings book value showed that Google transferred funds amounting to 10.7 billion euros to its Irish-registered affiliate in Bermuda, Google Ireland Holdings (Sterling & Bergin, 2016). In Nigeria there have been reports of tax avoidance and evasion by some oil companies, for example, Chevron Nigeria Limited was embroiled in a \$10.8 billion tax avoidance and evasion scam following queries raised against them by ABZ Integrated Limited, tax consultants to the EFCC (Igbikiowubo, 2005). Akande (2005) reported that Nigeria have lost millions of dollars of revenue due from contractors' companies lifting Nigeria's crude oil, who are not being assessed for tax and so have been avoiding taxes. The former Executive Chairman, Federal Inland Revenue Service (FIRS) Tunde Fowler has said that Nigeria loss about \$ 15 billion to tax manipulations and evasion annually (Okwe, 2019). Omoigui (2006) acknowledges that the weak and incapacitated tax administration method of collection and remittances have resulted with high level of tax evasion and avoidance among companies in Nigeria.

Thus, constant changes in tax collection and remittance methods in Nigeria have been plagued with myriads of problems and difficulties, most of which can be attributed to lack of or inadequate application of Information Technology otherwise known as digitalisation in tax administration (Adeyeye, 2019; Ajala & Adegbe, 2020). The familiarization use of manual computation by tax administrators and agencies in Nigeria resulting in persistent delay in tax assessments, inaccuracies and errors, loss of tax revenue generation due to inadequate taxpayers' database, non-tax compliance, increasing tax evasion, ineffective tax assessment and returns, high level of professional incompetence and unskilled tax administrators, huge reported unethical sharp practices and corruptions cases (Ayodeji, 2016; Ifere & Eko, 2014).

Thus, this paper sought to conceptually examine constant changes in tax collection and remittance methods in term of challenges and prospects in Nigeria.

Tax Collection

Tax has been defined by many scholars in the past, it is a compulsory levy imposed by the government on the income of individuals and cooperation to generate revenue for running the activities of the government. Ariwodola (2001) describes tax as a compulsory levy imposed by the government authority through its agents on its subjects or his property to achieve some goals. Arnold and McIntyre, (2002) define tax as a compulsory levy on income, consumption and production of goods and services as provided by the relevant legislation. Tax is a charge imposed by government authority upon property, individuals, or transactions to raise money for public purposes. Taxation is described as a compulsory contribution by the government and concluded that even though taxpayers may receive nothing identifiable in return for their contribution, they nevertheless have the benefit of living in a relatively educated, healthy and safe society.

The Nigerian tax administration in form of collection and remittance is in line with the British model of tax administration since 1960 and has been operating this up to 1990 when the self-assessment scheme came into play which seems similar to the American model of tax administration system (Adesola, 2004). The British model of tax administration assumes tax payers are incompetent as to tax process and tax authorities do not rely on information supplied by tax payers. Returns of the tax payer are carefully verified through the application of the American model in reference to the rigid British model. The American model despite the advantages that can be derived from its application has not found a good place in Nigeria because all the phenomenon that made it a success in America such as

voluntary compliance system, competence of tax payer, efficient data processing system which aids detection of fraud are still not present in the Nigeria context. However, some constant changing tax collections in Nigeria include:

(i) Petroleum Profits Tax (PPT)

Petroleum Profits Tax is imposed on income of companies in petroleum operations (Upstream). The tax is governed by the Petroleum Profits Tax Act, Cap P13 LFN 2004 (as amended): (a) Companies liable to PPT are not liable to Companies Income Tax (CIT) on the same income; (b) Rates of the Tax: (1) for Joint Venture and Sole Risk Companies in their first five years of operation, the rate of tax is 65.75% of chargeable profit; (2) for Joint Venture and Sole Risk Companies in operation for more than five years, the rate of tax is 85% of chargeable profit; and, (3) for a Company under Production Sharing Contract is 50% of chargeable profit; and (c) Education Tax is a deductible expense in computation of assessable profits of petroleum companies

(ii) Companies Income Tax (CIT)

CIT is governed by Companies Income Tax Act (CITA), Cap C21, LFN 2004 (as amended). CIT is a tax imposed on profit of a company from all sources: (1) the rate of tax is 30% of total profit of a company; (2) some profits are exempted from CIT provided they are not derived from trade or business activities carried out by the company e.g. Cooperative society; (3) the due date for filing returns: (a) For newly incorporated companies, within eighteen (18) months from the date of incorporation or not later than six (6) months after the end of its accounting period, whichever is earlier; (b) for existing companies, within six (6) months from the end of the accounting year.

(iii) Withholding Tax (WHT)

WHT is a method used to collect Income Tax in advance as follows: (a) it is deducted depending on the transaction at varying rates from 5% to 10%; (b) the due date for filing WHT returns (remittance) is 21st day of every succeeding month; (c) penalty for late filing of returns is N25, 000 for the first month it occurs and N5, 000 for each subsequent month the failure continues.

(iv) Personal Income Tax (PIT)

Personal Income Tax is guided by the Personal Income Tax Act Cap P8 LFN 2004 (as amended) as follows: (1) the tax is imposed on income of Individuals, Corporate sole or body of individuals, Communities, Families and Trustees or Executors of any settlement; (2) an individual is entitled to a Consolidated Relief Allowance of N200,000 or 1% of gross income whichever is higher plus 20% of gross income; (3) the rate of the tax ranges from 7% to 24%, depending on the amount of chargeable income; (4) individuals are subject to minimum tax of 1% of gross income where the income is less than N300,000 per annum; (5) the due date for filing returns of the tax is 31st March of every year; (6) the due date for remittance of PAYE is 10th day of every succeeding month.

(v) Value Added Tax (VAT)

VAT is governed by Value Added Tax Act Cap V1, LFN 2004 (as amended) as follows: (a) VAT is a consumption tax paid when goods are purchased and services rendered; (b) all goods and services (produced within or imported into the country) are taxable except those specifically exempted by the VAT Act; (c) VAT is charged at a rate of 5% to the present 7.5% with effect from 2021; (d) some goods and services such as non-oil exports are zero rated; (e) all taxable persons are required to file; (f) VAT monthly returns not later than 21st day following the month

of transaction; (g) all MDAs and Oil & Gas Companies serve dual roles as taxpayers and agents of VAT collection and are also required to file monthly returns not later than 21st day following the month of transaction; (h) Offences include: (i) failure to register; (ii) failure to charge VAT; (iii) failure to issue tax invoice; (iv) failure to remit VAT charged and (iv) Failure to file returns

(vi) Education Tax (EDT)

It is now governed by Tertiary Education Trust Fund (Establishment, etc) Act 2011 as follows: (a) imposed on all companies registered in Nigeria; (b) the rate of the tax is 2% of assessable profit; (c) the due date for filing returns is the same as that of CIT and PPT (The due date for filing returns (remittance) is 21st day of every succeeding month); (c) the tax is an allowable deduction in computing the assessable profits of companies engaged in petroleum operations (Upstream); (d) funds derived from the tax are used for rehabilitation, restoration and consolidation of tertiary education in Nigeria by the Tertiary Education Trust Fund (TETFUND); (e) the amount in the Fund is distributed between Universities, Polytechnics and Colleges of Education in the ratio 2:1:1 respectively; (f) first offence against the Act is liable on conviction to a fine of N1, 000,000 or a term of 6 months imprisonment or both; and, (g) second and subsequent offences attract a fine of N2, 000,000 or a term of 12 months or both.

(vii) Stamp Duties (SD)

It is ruled by Stamp Duties Act, CAP S8, LFN 2004 (as amended) as follows: (a) it is directed on written documents only; (b) managed by both FIRS, FCT and respective States Internal Revenue Service (IRS); (c) FIRS assesses and collects duties on documents executed between a company and an individual, group or body of individuals; (d) Forms of Stamp Duties include: (1) Fixed Duties- duties that do not vary with consideration, e.g. duties on payment receipt, proxy forms, guarantor forms, etc. (2) Ad-valorem- Duties that vary with consideration, e.g. duties on Share Capital, Deed of Assignment, Debenture, Bills of Exchange, etc.: (e) Methods of stamping: (1) embossing with die; (2) affixing adhesive stamp; and, (3) affixing postage stamp in lieu of adhesive stamp; (f) Duties are paid before documents are executed.

(viii) Capital Gains TAX (CGT)

This tax is regulated by Capital Gains Tax Act, Cap C1 LFN 2004 (as amended) as follows: (a) it is charged at a flat rate of 10% of chargeable gains; (b) all chargeable assets are subject to Capital Gains Tax when disposed at a gain, except those specifically exempted by the Act; (c) chargeable assets include all forms of property whether or not situated in Nigeria; (d) the due date for filing return and payment of the tax is the same as in Companies Income Tax; (e) allowable expenditure for the purpose of CGT includes fees, commissions or remunerations paid for professional services and cost of transfer; (g) gains exempted from CGT include those arising from disposal of decorations awarded for valour and gallant conduct, life insurance policy, Nigerian government securities, stock and shares etc.; (h) gains shall not be chargeable if it accrues to some organizations provided the gain is not derived from any disposal of any asset acquired in connection with any trade carried on by the organization, e.g. (i) An ecclesiastical, charitable or educational institution of a public character, (ii) Statutory registered friendly society, (iii) Cooperative society registered under Cooperative Societies Law of any State, (iv) Trade union registered under the Trade Unions Act.

(ix) National Information Technology Development Levy (NITDL)

The Levy is governed by National Information Technology Development Agency Act, CAP N156 LFN 2004 (as amended). The Levy is charged at the rate of 1% of Profit before tax and same is charged on specified companies with turnover of N100 million and above. Companies liable to pay the Levy are: GSM Service Providers and all Telecommunication Companies, Cyber Companies and Internet Providers, Pension Managers and Pension Related Companies, Banks and other Financial Institutions and Insurance Companies The due date for filing return and payment of the Levy is the same as in Companies Income Tax. Failure to pay the Levy at due date shall attract a penalty of ten per cent (10%) and interest at prevailing minimum rediscount rate of the CBN and if payment is not made within one month, enforcement shall take place

Method of Tax Remittance

Recent tax remittance methods adopted or adapted by countries include:

(1) Online tax filing

Constant changes in tax collection and remittance methods give birth to present day electronic filing or online filing of tax returns by tax authority (Ibrahim, 2012). Wasao (2014), states that online tax filing system as a tax collection and remittance method entails the use of electronic approach in handling taxpayers' data and information via the internet by registration and taking a personal identification number so as to lodge filed returns, to apply and print compliance certificates. The electronic filing has an inside built software programmed to charge already approved information on completion of processes necessary to tax authority by the taxpayers accordingly or directed depending on the nature (Thee- filing integrates the procedure for registration, for preparing tax, to file tax as well as possibly payment of tax (Lukorito, 2012). Hussein, Mohamed, Ahlan, Mahmud & Aditiawarman (2010) claim that eligible taxpayer needs permission to login using computer, software, good internet connection and adequate knowledge to make proper utilization of electronic filing.

(2) Online tax registration

Taxpayer registration is concerned with methods tax authorities undertakes collection of main eligible taxpayer identification profile like names, addresses, and legal entity types etc (Deloitte, 2013). With the available information tax authority can be able watchful of its taxpayers, location, and if active or inactive. Awitta (2010) notes that online registration of taxpayers facilitated improvement in revenue generation, equity in manner of tax burden is distributed across the community, consistent and fairness to businesses and individuals concerned, gives more room for implementation of fiscal reforms, reduction in compliance as regards cost for taxpayers, a rise in registered numbers of taxpayers, decrease tax evasion and frauds, improvement in management of tax arrears, improvement in services concerning tax payers and, more concern for transparent and integrity in tax administration.

(3) Personal Identification Number (PIN)

Personal Identification Number is applied irrespective of whether a tax payer is registered as an individual tax payer, corporation tax payer or VAT (Seelmann *et al.*, 2011). It is important that proper registration and recording of taxpayer information is a key issue in tax administration and, to reasonable extent facilitates how other principal administrative functions work. Poor and incorrect taxpayer database can result in low compliance to pay tax and invariably could affect revenue generation. Murdoch (2013) states that ability to quickly collect and record real vital information about the taxpayer allows tax authority to understand its taxpayer data base, equip itself in terms of material and personnel and to take adequate planning of other basic tax administration activities or task. In order to increase government revenue generation, requires expanding tax payers base by attracting good numbers of taxpayers into the tax bracket by way of severe tax payer enrolment and registration which can successfully achieved in most cases through use of intentional online enrolment and registration (Murdoch, 2013). Essence of adoption of online filing by

government around the was necessitated as means to mitigate the blunders that are associated with manual filing and especially for prevention of tax evasion as regards data matching (Manly, Thomas & Ritsema, 2005). For instance, an online registration or tax system can spontaneously confirm any new PIN issued which cannot be possible to verify using manual especially the population of taxpayers is many in number (Deloitte, 2013). Online tax registration allows for tax payers fairness and consistency, reduction of tax evasion and compliance.

(4) Online taxpayer identification

Eligible tax payers are required to have identification number. With online, number can be generated and forwarded to any tax payer applying for it. Akinleye, Olaoye, and Adeduro (2019:178) “define tax identification number (TIN) as a system, producing special index numbers, issued and assigned to each person registered in its database”. “TIN is an electronic system for taxpayers’ registration and it permits easy identification of taxpayers and is available for everybody” (Olaoye & Awe, 2018:36). Taxpayer identification number (TIN) is a system that aids taxpayer identification and registration, thereby minimizing mistakes and errors accompanied by registering manually and strengthening existing weaknesses in the tax system of the country” (Akinleye, et al., 2019:178). According to Federal Inland Revenue Services (2015), Tax Identification Number (TIN) is a unique number allocated and issued to identify a person (Individual or Company) as a duly registered taxpayer in Nigeria. Ezugwu and Agbaji (2014) define Taxpayer Identification Number (TIN) as a 10 (ten) digit number that is exclusive to one taxpayer and taxable companies that earn a stable income. Tax identification number (TIN) was introduced into Nigeria tax system and commenced usage with effect from February 2008. TIN has 10(ten) digit number which is given to only individual tax payer and taxable companies that are earning income from time to time (Ezugwu & Agbaji, 2014). According to Ebifuro, Mienye, and Odubo (2016), TIN assist to increase the manner in which tax payers’ information are processed and also fosters enforcement and awareness of tax administration and increase revenue generation.

(5) Integrated Tax Administration System – (ITAS)

The FIRS introduced ITAS in 2013 to improve tax administration in Nigeria and transform the tax compliance process away from the current manual system which is tedious and bureaucratic. Federal Inland Revenue Service (FIRS) embarked on an Integrated Tax Administration System (ITAS) project in 2013. ITAS is aimed at enhancing tax administration and simplifying the tax compliance process in Nigeria through the use of technology. The role of ITAS is to automate all core processes around registration, payment, assessment, debt and credit management, audit and investigation, case management, and returns filing.

Challenges of Constant changes in tax collection and remittance methods

Several multidimensional challenges confront constant changes in tax collection and remittance methods. The National Tax Policy (2017:2) “highlighted some challenges of Nigeria Tax System despite the potentials of taxation as a dynamic tool for sustainable national development among others, include: (1)lack of robust framework for the taxation of informal sector and high network individuals, thus limiting the revenue base and creating inequity; (2)fragmented database of taxpayers and weak structure for exchange of information by and with tax authorities, resulting in revenue leakage; (3) inordinate drive by all tiers of government to grow internally generated revenue which has led to the arbitrary exercise of regulatory powers for revenue purpose; (4) lack of clarity on taxation powers of each level of government and encroachment on the powers of one level of government by another; (5)insufficient information available to taxpayers on tax compliance requirements thus creating uncertainty and non-compliance; (6) poor accountability for tax revenue; (7)insufficient capacity

which has led to the delegation of powers of revenue officials to third parties, thereby creating complications in the tax system; (8) use of aggressive and unorthodox methods for tax collection; (9) failure by tax authorities to honour refund obligations to taxpayers; (10) the non-regular review of tax legislation, which has led to obsolete laws, that do not reflect current economic realities; and (11) lack of strict adherence to tax policy direction and procedural guidelines for the operation of the various tax authorities”.

Ola (2001) as cited in Zakariyau and Muzainah (2015:189) posited that “revenue collected from income tax of individual and corporate bodies is tend to be too low because of inadequate level of knowledge (tax literacy), poor association between tax authorities and taxpayers, insufficient number of qualified and competent accountant among the staff of tax authorities”. Abdullahi (2012) identified inadequate tax collection personnel or manpower, negligence and misconduct, bribery, corruption and fraudulent nature among some tax collectors, absence of voluntary compliance behaviour from the tax payers, poor record keeping (books of account), insufficient training and operational facilities. Frequently, the problems of tax administration and collection as identified by different findings are similar and tend to be unique. This is because the nature of the issue and the consequences are all same. Soyode and Kajola (2006) state that the problem causes low revenues realization and which is negatively impacting on government expenditure. Furthermore, misuse of tax collected, incompetent tax personnel and poor proper accounting record- all these increase noncompliance attitudes and facilitate low tax return to the government. Despite the potentials of taxation as a dynamic tool for sustainable national development, Nigeria tax system has been unable to achieve its objectives due to the following challenges, among others: lack of robust framework for the taxation of informal sector and high network individuals, thus limiting the revenue base and creating inequity; fragmented database of taxpayers and weak structure for exchange of information by and with tax authorities, resulting in revenue leakage; inordinate drive by all tiers of government to grow internally generated revenue which has led to the arbitrary exercise of regulatory powers for revenue purpose; lack of clarity on taxation powers of each level of government and encroachment on the powers of one level of government by another; insufficient information available to taxpayers on tax compliance requirements thus creating uncertainty and non-compliance; poor accountability for tax revenue; insufficient capacity which has led to the delegation of powers of revenue officials to third parties, thereby creating complications in the tax system; use of aggressive and unorthodox methods for tax collection; failure by tax authorities to honour refund obligations to taxpayers; the non-regular review of tax legislation, which has led to obsolete laws, that do not reflect current economic realities; and lack of strict adherence to tax policy direction and procedural guidelines for the operation of the various tax authorities

Prospects of Constant changes in Tax collection and Remittance Method

Constant changes in tax collection can bring about regulars tax policies, laws and administration reforms and shall promote the attainment of the following (Ministry of Finance, 2017; 2019): (a) the ability of all taxable persons to declare their income honestly to appropriate and lawful agencies and pay their tax promptly; (b) residence rights of Nigerians, free mobility of people, goods and services throughout the federation; (c) promoting fiscal responsibility and accountability that reflects the principle of fiscal federalism; (d) ensuring that the rights of all taxable persons are recognized and protected; (e) eradicating corrupt practices and abuse of authority in the tax system; (f) ensuring that the resources of the nation promote national prosperity and self-reliant economy; (g) securing maximum welfare, justice and equity; (h) ensuring that the resources of the nation are harnessed and distributed to serve the common good; (i) promoting and protecting Nigeria’s national interest; (j) promoting African integration, international co-operation and eliminating discrimination; and k) respecting international law and treaty obligations.

Zakariyau and Muzainah (2015) stated that “taxes collection is the most useful ingredient source of income to the modern economies and different government across the countries. Effective and efficient utilization of the collected revenue from taxes will allowed the government to provide adequate infrastructure that may boost and improved the life quality of its citizen. Therefore, beyond any reasonable doubt with proceed from taxes, a nation or society will gain prosperity and their standard of living would be upgraded. A prominent economist of 17century Adam Smith (1776) posits the followings as prospect of good tax collection: Tax administration and collection need to be efficient and supported to safeguard required tax collection via creating awareness and enlightenment campaign on the important of paying tax, training and re-training of tax personnel and computerization of tax process. Forceful actions particularly are to be deployed to table the leak of revenue especially on minor goods or services and as well as unpacked items”

Theoretical Framework

Social contract theory is a political theory. This theory can be tracked back to the Greek critic social contract scholar of the seventeenth and eighteenth hundreds of years and are connected with so many names as (Thomas Hobbes, 1851. John Locke, 1960. Jean-Jacques Rousseau, 1762). It is a theory that stresses an understanding between the ruled and their rules, characterizing the right and obligations of everyone accordingly (Abdullahi, 2012). According to Britannica, (1995:920) new reference book state “that in primitive times as indicated by the theory, individuals were naturally introduced to an anarchic state of nature, which was content or troubled as per the specific version, they then by practicing common reason framed society (Government) by means a contract between themselves”. Summarily, the social contract theory is stating that the citizens will be ready to surrender their entitlement to the government just when government guarantees them of satisfactory protection and procurement of social amenities. This is relevant to taxation in which the citizens are eager to pay their taxes just when the government guarantees them of sufficient procurement of social amenities. For example, provision of power/electricity, good roads/streets networking, schools, job opportunities, hospitals/medical facilities, security and so forth (Ganyam, Ivungu & Anongo, 2019). As a rule, the taxpayers are frustrated when government neglect to give these civilities regardless of tremendous tax loads that they bear. Therefore, social contact theory help the profit standards of taxation which expresses that each taxpayer ought to hold up under tax burden in connection to the benefit which he or she get from open administrations or public services.

Conclusion

The thrust of this paper is on constant changes in tax collection and remittance method with focus on challenges and prospects. Changes are inevitable. Following review of related extant studies, it was observed that constant changes in tax collections and remittance methods could be faced with myriad of problems like incompetent tax administrators and agencies in terms of use of information and communication technologies, software application, inadequate tax personnel thereby giving rooms for slow in assessment, registration, loss of revenues as result of low level of compliance. Similarly, constant changes in tax collection and tax remittance methods are necessary for effective and efficient tax mobilisation and administration of revenues generation for government expenditures on infrastructures and security. It gives room to various tax reforms and regular policies initiations capable of ensuring proper tax administration and surmounting antics of fraudulent practices like tax avoidance and evasion. Social contract theory has proved that constant changes in tax collection and remittance method assist in enhancement of revenue generation for expenditure by the government for the benefits of citizens. Thus, prospects of constant changes in tax collection and tax remittance methods is more than its challenges, indicating that they are critical in enhancing tax compliance and government revenues for expenditures.

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AUDITOR ATTRIBUTES AND FINANCIAL REPORTING QUALITY OF LISTED OIL AND GAS FIRMS IN NIGERIA

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Abstract

The research paper is to examine the opposing argument between Nigeria Regulatory Body and Shareholders group over audit committee attributes and financial reporting quality thus this research is using purposive sampling of 8 out of 10 Oil & Gas firm listed on Nigeria Stock Exchange for the period 2011–2020 with 80 firm-year observations. The Panel Corrected Standard Error (PCSE) was used to test the model studied. However, the audit committee attributes was proxied by account financial expert (ACAFE), gender diversity (ACFM), meeting frequency (ACMET), independence (ACID) and size (ACSIZE)- independence variable and financial report quality proxied by accrual quality. The PCSE results admitted that AC meeting is negatively statistically significant at 5%, while AC independence is statistically significant at 5% similarly and AC size is statistically significant at 10%. Show that meetings frequency, independence and size influences FRQ of listed oil and gas firms in Nigeria. This implies that, a decrease in the number of times the AC members meet will result in an increase in the FRQ likewise an increase in AC independence and AC size will result in an increase in the FRQ of listed oil and gas firms in Nigeria. This study provides insightful evidence to Nigeria

policy makers that active accounting certification professional in audit committee attributes on FRQ is crucial, rather than shareholders group view in Nigeria environment.

Keywords: Audit committee, Accrual quality, NCCG, Financial reporting quality, Oil & Gas firms

INTRODUCTION

Corporate governance plays a critical role in ensuring the financial reporting quality (FRQ) process. To be precise, the financial report's quality is critical in presenting financial information about a company to shareholders and investors. As a result, they require accurate, timely, and relevant information to ensure effective markets (Mardessi 2021). Even when rigorous financial reporting standards serve as a guide for financial accounting activities, it is often impossible to avoid CEOs engaging in opportunistic behaviour to profit themselves (Almahrog and Lasyoud 2021). FRQ is the quality of accruals determined by economic fundamentals, as opposed to discretionary accruals determined by managerial judgments. Accrual quality is comprised of data that investors price based on the earnings that inform investors about the quality of earnings via the mapping of accruals to cash flows, with a better mapping indicating a greater level of earnings quality (Shin and Jeon 2021). Market manipulation is facilitated by the absence of this information. This means that FRQ should be free of bias and material inaccuracy, as well as being truthful. Nonetheless, the information must accurately reflect company activities, while also prudently representing estimates and uncertainties with appropriate disclosures (Gholami, Mansouri and Yazdifar 2021).

Despite NCCG 2018, the attributes of an audit committee's effectiveness are determined by the structure, composition, operation, and independence of the majority of outsider directors. These factors influence their performance in monitoring top management's opportunistic and constraining EM behaviour, but accounting financial/industrial skills/intelligence are critical for audit committee members to ensure FRQ (Appah and Tebepah 2020, Ghaleb, Al-Duais and Hashed 2021). Independent audit committees have the strongest and most important impact on the ability to avoid insider self-dealing and to increase investment efficiency (Ngo and Le 2021). AC governance is associated with improvements in audit inputs and financial reporting quality, as well as the ability to detect misstatements or deter potential management manipulation through improved financial report detection (Hansen, Lisic, Seidel, and Wilkin 2021), with the better composition of AC better the FRQ. (Alzeban in 2019, Soliman in 2020, and Ragab in 2021); Combining negative and significant AC attributes with discretionary accruals is likely to reduce financial reporting lead time, reducing the likelihood of asset misappropriation, in the opinion of users for it contributes to the financial statement's quality (Aifuwa, Musa and Gold 2020, Alawaqleh and Almasria 2021, and Abubakar, Usman, Anuforo and Alhaji 2021). Similarly, accounting financial experience among AC has a significant favourable effect on accruals quality and enhances analyst forecasting properties, resulting in increased trading volume and decreased liquidity risk. This improves the information environment for businesses in ways that go beyond the effects on financial reporting quality (Abernathy, Herrmann, Kang and Krishnan 2013 Appah and Tebepah 2020, Alsaadi, Tijjani and Falgi 2021). This study may help to support the Nigerian regulatory position in opposition to shareholder groups by demonstrating that accounting certification members' AC qualities will improve FRQ in Nigeria and that regulatory authorities are better educated about the composition of AC features that affect FRQ that is effective and efficient. Thus, this study seeks to address this critical gap by examining the effect of audit committee attributes (account financial expert, gender diversity, meeting frequency, independence, and size) on the FRQ proxy by accrual quality of Oil & Gas firms listed on the Nigerian Stock Exchange (NSE) from an agency theory and resource dependence perspective. Thus, as there is no study after the NCCG 2018 enactment in Nigeria; to the best of our knowledge in Oil & Gas firms. The study's significance is that while many researchers have investigated AC qualities, few have

specifically included accounting financial experts or accounting certification in accounting knowledge, except for a handful outside Nigeria. It is not simply expert in the broad sense, but as defined in the Sarbanes–Oxley Act (2002), Dhaliwal, Naiker, and Navissi (2010), Nelson, and Devi (2013). The outcome will be critical for Nigeria's regulatory body and shareholder group, as it is a threat that causes conflict.

This section provided context for the study phenomena. The remainder of the study is divided into sections that include a literature review and theoretical framework, the study's methodology, the data analysis results and discussion, and lastly, the conclusion and suggestions.

LITERATURE REVIEW

This study uses agency theory to show connections among AC and FRQ of oil gas listed Firms in Nigeria. As propounded by Berle and Means (1932) and advance by Jensen and Meckling (1976), conceptualised agency- principal problem. It dimensions of protecting the owner and stakeholders through the efficacy of the committee in monitoring management for the FRQ of the business. Sheikh, Abdullah, and Shan (2019), it is an arrangement in which the principal appoints an agent to undertake activities on his or her behalf as directed. Bosse and Phillips (2016) claim that agency relationships result in information asymmetry; because the agent (manager) has greater access to information than the principal (shareholder) that establishing an AC may help improve FRQ by minimising information asymmetry. According to Jensen and Meckling (1976), agency costs are the result of the separation of ownership and control; agents will not always act in the best interests of shareholders. Author (2016) posits that to reduce agency costs, the owner will pay for monitoring, officers (Audit committee), to prevent the agent from delighting himself and so diminishing the firm's value. This is by hiring board members who set-up subcommittees such as the AC with different attributes such as accounting, financial, diversity, independence and the appropriate numbers which will reduce associate agent problem and works in synergy to improve accrual quality and monitoring fitness to enhance returns and FRQ by constrain opportunist agent.

Pfeffer and Salancik (1978) established the resource reliance theory, which is based on the board resource role of businesses. They believe that companies' operations will be linked and that resources will be used to bolster the company's operational functions to ensure access to resources and information. According to Hillman and Dalziel (2003), the ideal board of directors should include a diverse group of persons with external assistance in the form of business experts, professionals, and members of communities that affect access to vital resources for the organisation, particularly, when the operational environment undergoes significant change (Nicholson & Kiel, 2007; Hillman & Dalziel, 2003). Businesses with a more diverse board of directors' benefit from and maintain critical resources such as human capital, social capital, and legal knowledge (Peasnell, Pope, & Young, 2005). The director attracts valuable resources from outside sources to acquire a competitive and comparative advantage. possibilities associated which representing the firm in the community. So, resource dependence views AC as possessing a variety of abilities to ensure FRQ and thus restrain opportunist managers who may add incremental value to AC effectiveness (Dhaliwal, et al, 2010, Goh 2009, Cohen, et al., 2013, Nelson and Devi 2013 and Shepardson 2018).

Audit Committee Accounting Financial Expertise and Financial Reporting quality

Expertise in accounting and auditing profession or certification is a must for AC to be a member. NCCG (2018), one member with accounting, auditing qualifications must be a member of AC as the primary need also in-line with agency theory. They are capable of analysing and interpreting financial and accounts, as well as doing a variety of other tasks associated with the accounting and finance in the industry. The knowledge of the AC aids them in making the correct judgments and decisions,

resulting in a high-quality transparent, and efficient report. AC accounting professionals have a significant influence on accrual quality, according to Dhaliwal, Naiker, and Navissi (2010). There is a negative correlation between EM and the presence of audit committee directors with professional auditing experience, as documented by Abernathy, Herrmann, Kang, and Krishnan (2013), as well as a positive correlation between AC expertise and the audit report lag of listed companies in Nigeria, as documented by Appah and Tebepah (2020). Firms' FRQ is greatly boosted by AC financial skills, according to Gerayli, Pitenoei, and Abdollahi (2021). Hypothesis H₀₁. There are no substantial effects on FRQ of listed Nigerian oil and gas companies, according to the study's hypothesis.

Audit Committee Female Member and Financial Reporting Quality

AC's diversity fosters new ideas and raises the standard of its management decisions. There is a wide range of this diversity that may be found, including, but not limited to, differences in gender, age, religion, ethnicity, and a variety of other characteristics. By FRQ, gender diversity is finding ways to make use of the different strengths and abilities bring to the workplace. Female directors tend to put more effort into their work since they hold their positions in high esteem. The number of females in the AC affects financial reporting quality, particularly in complicated managerial jobs that need appropriate information management and processing, planning, and decision making over lengthy periods. Results from Mardessi and Fourati (2020), female in AC's ability to reduce the risk of genuine EM is highly effective. Female financial experts on ACs have a more significant impact on FRQ, according to Din, Cheng, Ahmad, Fayyaz, Adedigba, Zhao, and Nazneen (2020). In Komal, Usman, Ezeani, Shahzad and Sun (2021), researchers identified a negative correlation between the age variety of AC financial specialists and EM. Results demonstrate that the presence of female directors is favourably related to higher FRQ, whereas Yang (2020) shows that there is a strong positive association. Hypothesis H₀₂. AC diversity does not have a substantial impact on the FRQ of listed oil and gas companies in Nigeria, according to this study.

Audit Committee Meeting and Financial Reporting Quality

When the AC meets regularly, they have more time to monitor concerns such as the accounting reporting process, conflicts of interest, and managerial oversight in line with the interests of shareholders. The committee must meet frequently throughout the year to review and ensure the quality of financial reporting and its compliance with corporate governance principles and other international accounting and financial standards, as well as assess other related major issues, such as internal control and independence auditors. No specific number of committee meetings is specified at minimum of four times, but this report emphasizes that the time allotted to committee meetings is critical if the committee members are going to perform their tasks and obligations effectively. According to Hasan, Kassim, and Hamid (2020), the AC meeting had a major detrimental impact on FRQ. Meetings of the AC as a proxy for FRQ have a substantial negative correlation with discretionary accruals, according to Soliman and Ragab (2021). Alawaqleh and Almasria (2021), on the other hand, indicate that AC meetings have a favorable and significant impact on corporate performance. While Akinleye and Aduwo (2019) found a favorable association between the frequency of AC meetings and the timeliness of financial reporting. Based on the above, the researcher's hypothesis H₀₃. The FRQ of Nigeria's publicly traded oil and gas companies is unaffected by the AC meeting.

Audit Committee Independence and Financial Reporting Quality

Independent non-executive directors (AC) are supposed to make up the majority of an AC's board. Accomplishing this goal is a requirement of the Nigeria Code of Corporate Governance 2018 for publicly traded companies. In Nigeria, there appears to be a link between AC independence and FRQ, according to previous research. It is possible to reduce managerial dishonesty, increase the company's

value, and improve financial reporting integrity by including non-executive members of the AC. AC independence has a beneficial impact on sustainability disclosure, according to the study by Adegboye, Ojeka, Alabi, Alo, and Aina (2019). While Dakhllalh, Rashid, Abdullah, and Shehab (2020) found that AC independence has a positive and significant relationship with firm FRQ, Gerayli, Pitenoei and Abdollahi (2017) found that AC independence had no significant effect on corporate financial reporting quality (FRQ) in the UAE. Due to the above, the research suggests Hypothesis H₀₄. The FRQ of Nigeria's publicly traded oil and gas companies is unaffected by AC independence.

Audit Committee Size and Financial Reporting Quality

Audit committee members' capacity to identify and handle issues with financial reporting improves as the committee grows in size, according to resource dependence theories. This in turn has a beneficial impact on the committee's financial performance. If, as the report asserts, larger committees are more effective at policing and safeguarding the financial and accounting procedures of their companies than smaller ones, the FRQ will benefit from the increased openness they provide to shareholders and creditors. As a result, multiple prior research has found a link between FRQ and the size of the audit committee. In Miko (2020) and Hamdan (2020), the influence of audit committee size on earnings quality was shown to be closely related to the size of the AC, with the warning of AC size. Audit committee size is positively related to the firm's size, according to Drogalas, Nerantzidis, Samaras, and Pazarskis (2020). It was acknowledged that there was a considerable negative association between discretionary accruals and AC size by Abubakar, Usman, Anuforo, and Alhaji (2021), and their results confirmed this. H₀₅. The study's hypothesis based on the above information. Oil and gas companies' FRQ in Nigeria is unaffected by the AC's size.

METHODOLOGY

The study used a correlational research approach and secondary data analysis for its findings. Designing and analysing historical data from the yearly report and account is critical to concluding AC attributes and FRQ. Data collection is the focus of the correlation study design, which examines the relationship between AC attributes and FRQ. The primary source of data for this study was the audited annual reports and accounts of Nigerian Stock Exchange (NSE) listed oil and gas companies from 2011 to 2020. All ten listed oil and gas companies on the Nigerian Stock Exchange as of December 31, 2020, are included in the study's population. Eight Nigerian oil and gas companies were included in the purposive sample, but two were omitted because of insufficient data, result to 80 data set. Multiple regression, correlation, and descriptive statistics were all employed in the data analysis.

Variable Measurement and Model Specification

Based on a modified Jones model by Dechow et al. (1995) and Kothari, Leone, and Wasley (2005), the dependent variable is FRQ assessed by discretionary accrual using the modified Jones model (ROA). Regression analysis was conducted in two steps, first extracting residuals using a modified Jones model, and then using the study's model for regression.

The AC qualities of independence were proxied by accounting financial expert, Female member, meetings, independence, and size. Table 3.1 shows each variable's definition, as well as the table itself.

Table 3.1
Variable Measurement

S/N	Variable	Acronym	Measurement	Source
<i>Dependent</i>				

1	Financial Reporting Quality	FRQ	Discretionary Accruals	Modified Jones Model
Independent				
2	Audit committee Accounting Financial expertise	ACAFE	1 if at least one certificated accountant or auditor otherwise 0	Ngo and Le (2021) Lee & Park (2018)
3	Audit Committee Female member	ACFM	The proportion of females in AC to the total number of AC	Dobija, Hryckiewicz, Zaman and Puławska (2021) Raimo, Vitolla, Marrone and Rubino (2020)
4	Audit Committee Meetings	ACMET	No. of times audit committee meet in a period.	Ngo and Le (2021) Sheikh et al (2019)
5	Audit Committee Independent	ACID	The proportion of non-executive directors in the audit committee.	Ofoeda, Commey, Osabutey and Afoley (2020), Gurusamy (2017)
6	Audit Committee Size	ACSIZ	Number of members of the audit committee.	Ngo and Le (2021) Raimo, Vitolla, Marrone and Rubino (2020)
Control				
7	Firm size	FSIZ	Natural logarithm of total asset	Ngo and Le (2021) Oyelade (2019)
8	Firm age	FAG	Calculated as the number of years of incorporation	Raimo, Vitolla, Marrone and Rubino (2020) Ofoeda, Commey, Osabutey and Afoley (2020)

Using quantitative research method, based on table database, with the help of Stata 15 software, our research conducted build regression model with one dependent variable (FRQ proxy by Accrual quality) and five independent variables (Accounting financial expert-ACAFE, Female member-ACFM, Audit Committee Meetings - ACMET Audit Committee Independence-ACIND, Audit Committee Size-ACSIZ,) and two control variables (Firm Size-FSIZ, Firm age-FAG). The model looks like this:

$$DAC_{it} = B_0 + B_1ACAFE_{it} + B_2ACFM_{it} + B_3ACMET_{it} + B_4ACID_{it} + B_5ACSIZ_{it} + B_6FSIZ_{it} + B_7FAG_{it} + \varepsilon_{it}$$

Where: $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$, are coefficients ε is error

RESULTS AND DISCUSSION

This section discusses the results of the data collection and analysis. The discussion covered descriptive statistics, correlation matrix, multicollinearity test and summary of regression.

Descriptive Statistics**Table 1****Descriptive Statistics of Listed Oil and Gas Firms in Nigeria**

Variable	N	Mean	Std.Dev.	Minimum	Maximum
FRQ	80	0.1521	0.2389	0.0034	1.9649
ACAFE	80	0.8625	0.3465	0	1
ACFM	80	13.388	11.355	0	33.333
ACMET	80	4.2625	1.0402	2	10
ACID	80	38.580	14.376	16.67	71.429
ACSIZ	80	5.8875	0.9139	4	8
FSIZ	80	7.8701	0.4567	6.967	9.0315
FIAG	80	29.7	11.126	7	49

Source: Extracted from STATA 13 output file, 2021.

Descriptive statistics for the variables utilised in the investigation are shown in Table 1. The dependent variable (FRQ by accrual quality) and the independent variable (AC characteristics) are the listed Nigerian oil and gas companies' FRQ and AC attributes, respectively. Abs Discretionary accrual is a common metric for FRQ. The lowest and highest values were 0.0034 and 1.9649, respectively, with a mean of 0.1521, a standard deviation of 0.2389, and a standard deviation. This suggests that listed oil and gas companies in Nigeria have, on average, engaged in earnings management that has the potential to alter the integrity of financial statements.

Similarly, the mean values for AC accounting financial expertise and ACFM were both 0.8625. ACFE and ACFM have a minimum and maximum value of 0, 0 and 1, 33.33. In addition, the mean values for AC meetings and AC size were 4.2625 and 5.8875, respectively. Nigerian listed oil and gas companies on average had at least five committee members and convened at least four times a year, according to this data Since the year the NSE was established, the majority of listed companies had assets of at least 7.87billion and had been in business for at least 30 years.

Correlation Matrix

The correlation matrix shows the degree and direction of association between independent and dependent variables of the study.

Table 2**Correlation Matrix**

Variable	FRQ	ACAFE	ACFM	ACMET	ACID	ACSIZ	FSIZ	FIAG
FRQ	1.000							
ACAFE	-0.0163	1.000						
	0.8859							
ACFM	-0.1548	0.0716	1.000					
	0.1704	0.5277						
ACMET	-0.1596	0.1365	-0.0848	1.000				

	0.1573	0.2273	0.4545					
ACID	0.1288	-0.0106	-0.0870	0.1893	1.000			
	0.2550	0.9254	0.4430	0.0927				
ACSIZ	0.0445	-0.1694	-0.1292	0.4176*	0.0758	1.000		
	0.6951	0.1331	0.2533	0.0001	0.5041			
FSIZ	-0.2048	-0.0361	0.2311*	0.5385	0.2559*	0.4487*	1.000	
	0.0684	0.7504	0.0392	0.0000	0.0219	0.0000		
FIAG	-0.1443	-0.0929	-0.1286	0.0627	0.3240*	0.2730*	0.1592	1.000
	0.2015	0.4124	0.2555	0.5808	0.0034	0.0143	0.1584	

Source: Extracted from STATA 13 output file, 2021.

***Coefficient significant at 5%**

As shown in Table 2, the degree and direction of relationship between the study's independent and dependent variables may be seen in the correlation matrix. There is a negative correlation between the FRQ of Nigeria's publicly traded oil and gas companies and factors such as the presence of female AC members, AC meetings, and other business characteristics, such as size and age. FRQ was shown to be positively associated with AC independence and AC size. But only AC independence, AC female member, and business size had a somewhat modest correlation with FRQ. FRQ of listed oil and gas companies in Nigeria was shown to have a poor correlation with another independent variable.

Summary of Regression Results (PCSE)

Table 3

Summary of Regression Results (PCSE) of listed oil and gas firms in Nigeria

FRQ	Coeff.	Std.Err.	Z	Z-Values	VIF	Tolerance
C	0.8497	0.4496	1.89	0.059		
ACAFE	0.0241	0.0643	0.37	0.708	1.10	0.907709
ACFM	-0.0020	0.0014	-1.46	0.145	1.24	0.806285
ACMET	-0.0467	0.0204	-2.30	0.022	1.69	0.592700
ACID	0.0047	0.0021	2.25	0.024	1.22	0.813195
ACSIZ	0.0723	0.0374	1.93	0.053	1.55	0.643093
FSIZ	-0.1176	0.0652	-1.80	0.071	1.93	0.518712
FIAG	-0.0058	0.0029	-2.04	0.041	1.23	0.813195
Mean VIF					1.42	
R-sq	0.1813					
Wald	12.72					
chi2(7)						
Prob>chi2	0.0792					
Hausman	24.44			0.0010		

Source: Extracted from STATA 13 output file, 2021.

The summary of the regression findings is shown in the previous table (Table 3). The describes the link between the study's independent and dependent variables. Overall, R-squared score of 0.1813 indicates the model's ability to predict future outcomes (18.13 per cent). This suggests that the FRQ variance in Nigerian listed oil and gas enterprises is 18% explained by the skill of the AC in accounting and finance, the gender of the AC member, the independence of the AC meeting, the size of the AC, and the age of the firm. Thus, the error term was added to the model to account for misspecification in the model, which accounts for the remaining 82 per cent. The p-value of 0.0792 explains the model's overall statistical significance (significant at 10 per cent). Given that the fixed effect model (FEM)

failed to fit, the Panel Corrected Standard Error estimator (PCSE), according to Beck and Katz (1995), was investigated as an alternative. PCSE is robust against possible heteroskedasticity, autocorrelation, or cross-sectional correlation for better inference from linear models, according to the Hausman specification test.

Audit Committee Accounting Financial Expertise and Financial Reporting Quality

A coefficient of 0.0241 and a p-value of 0.708 indicate that AC accounting financial competence is not statistically significant at any level. As a result, the FRQ quality of listed oil and gas companies in Nigeria is not influenced by AC accounting financial knowledge. This suggests that the study's null hypothesis is correct. There is a possibility that this is due to a lack of knowledge in auditing. The findings of (Alzeban, 2015) and (Shepardson, 2018) are consistent with this one, but (Alzeban, 2015) and (Shepardson, 2018) disagree (Dhaliwal et al., 2010).

Audit Committee Diversity and Financial Reporting Quality

A p-value of 0.145 indicates that the AC female member's negative coefficient is not statistically significant at any level. As a result, the FRQ of Nigeria's publicly traded oil and gas companies is unaffected by AC females. In other words, the study's null hypothesis, according to which women have no substantial impact on the FRQ of listed Nigerian oil and gas enterprises, may be correct. Additionally, this might be due to a lack of transparency in Nigeria's oil and gas industry's selection process for members of the Advisory Committee (AC). Saidu & Aifuwa (2020) and Ullah and Naveed (2021) found similar results, but Dobija, Hryckiewicz, Zaman, and Puławska (2021) found the opposite (Nekhili, Bennouri and Nagat 2021).

Audit Committee Meeting and Financial Reporting Quality

When the p-value for the AC meeting is 5 per cent, the coefficient value is -0.0467, making it statistically significant. Nigerian oil and gas companies' financial results are influenced by the AC meeting. This suggests that a decrease in the frequency of AC meetings will lead to an increase in the FRQ of Nigeria's publicly traded oil and gas corporations. Because of this, we reject the null hypothesis that the AC meeting does not have any substantial impact on the FRQ of publicly traded oil and gas companies. As a result, the FRQ of listed Nigerian oil and gas companies is influenced by the AC meeting. Although (Baxter & Cotter 2009) and (Oudat, Ali and Qeshta 2021) agree with this conclusion, (Ragab and Soliman 2021) disagrees (Soliman & Ragab, 2014)

Audit Committee Independence and Financial Reporting Quality

As a result, the AC independence test indicated that the coefficient value was positive (0.0047) and the p-value was statistically significant at 5 per cent (0.0024). As a result, AC independence has a beneficial impact on the FRQ of listed Nigerian oil and gas companies. As a result, the FRQ of Nigeria's publicly traded oil and gas companies is expected to rise in response to greater AC independence. Since AC independence has no substantial impact on the FRQ of listed oil and gas companies, this null hypothesis cannot be adopted. Meaning that AC independence has an impact on the FRQ of Nigerian listed oil and gas companies. In agreement with Anasweh (2021), Mohammadi, Saeidi, and Naghshbandi (2020), their findings contradict those of Al-Rassas (2015) and Suárez et al.

Audit Committee Size and Financial Reporting Quality

It was found that at 10% significance, AC size had a positive coefficient value of 0.0723 and a p-value of 0.0503. Nigerian oil and gas companies' FRQ is affected by the size of their ACs. As a result, the FRQ of Nigeria's publicly traded oil and gas companies is expected to rise in tandem with the size of the AC. It is thus not acceptable to accept as a null hypothesis that the size of an AC does not affect the FRQ of publicly traded oil and gas companies. The FRQ of listed oil and gas companies in Nigeria is influenced by the size of the AC. Anasweh 2021 and the outcomes of this study (Mohammadi, Saeidi and Naghshbandi 2020) However, this contradicts the assertion of (Hasan et al., 2020).

Generally speaking, the study included control factors such as business size and age to address the issue of model miss-specification that may develop as a result of the omission of some essential audit committee characteristic variables. When it comes to multicollinearity, the VIF and tolerance values are by what is considered acceptable. This is because the study's independent variables have no multicollinearity. After all, the VIF and tolerance values are both less than or equal to one.

CONCLUSION AND RECOMMENDATIONS

There was a recent disagreement between shareholders and the Nigeria FRCN/SEC regarding the inclusion of accounting certification in AC is uncalled for, regulatory bodies are better informed on AC configuration of a company than shareholders. This research shows that the NSE-listed oil and gas company's FRQ is linked to its AC attributes. Audit committee attributes on FRQ such as diversity, meetings, independence and size are specifically examined in the study. Data on audited annual reports of listed oil and gas companies in the NSE was collected and analysed using the Panel Corrected Standard Error model.

While AC independence is statistically significant at 5 per cent, the meeting is adversely statistically significant at 5 per cent, according to regression results. Similarly, the AC size is statistically significant at 10%. As a result, the FRQ of Nigeria's publicly traded oil and gas companies is influenced by AC meetings, AC independence, and AC size. This means that fewer meetings of the AC will lead to a rise in the FRQ of Nigeria's publicly traded oil and gas companies. Thus, growth in AC independence and AC size means that the FRQ of listed oil and gas companies in Nigeria will improve as a result. AC is warned against going beyond a certain point, diminishing marginal returns appear.

AC accounting financial expert not significant and female members with a negative coefficient are also not statistically significant; this means they do not affect the FRQ of Nigerian listed oil and gas companies. These are some of the reasons why a public quoted company's AC must have professional accountant or holder of accounting certification from an accounting body which was the position of Nigeria regulatory body. Also, it can't be argued that the presence of female executives in Nigeria does not have an impact on the company's accounting or financial performance looking at Nigeria female trend within and outside the country.

As a result, the researchers recommended that regulators and policymakers should allow AC must have professional accountant or holder of accounting certification from an accounting body to enhance FRQ in Nigeria not just expert but as specified in NCCG (2018). Shareholders should select their AC members based on regulatory requirements and ensure that the composition of the AC is not skewed in favour of management and with visible independence is of paramount importance. The argument between shareholders and the FRCN/SEC is not necessary, but mutual understanding is required because regulatory bodies have a greater grasp of companies than shareholders. Similar to France or other countries, AC should have a good ratio of female participants for impact, because it has been scientifically shown to be a firm value-add resource's

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APPLICATION OF INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) IN MANAGEMENT AND FINANCE: THE GOMBE STATE EXPERIENCE

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Abstract

In today's world, information and communication technology (ICT) is playing a very important role in every field of life. Many activities in daily life can be performed very easily and quickly. A lot of time is saved and overall cost is reduced to solve a particular problem. The impact of ICT is more visible in the areas of financial management and e-governance, it has created a room for improvement in efficient and effective management of financial transactions in comparison to the traditional manual system. This study therefore seeks to examine the application of information and communication technology (ICT) in management and finance, drawing evidence from Gombe State in Nigeria. Findings from the study reveal that, the Gombe State Government has taken a giant stride towards the application of ICT in e-governance and Financial Management by the adoption of full implementation of the Treasury Single Account (TSA). The study therefore recommends that the application of ICT in financial management must remain an essential part of accounting both in the public and private settings, in order to cater to the current needs of immediate business analysis and performance measures.

Keywords: ICT, Management, Finance, TSA

INTRODUCTION

Today, information and communication technology (ICT) is playing a very important role in every field of life. Many activities in daily life can be performed very easily and quickly. A lot of time is saved and overall cost is reduced to solve a particular problem. The impact of ICT is more visible in the areas of financial management and e-governance, it has created a room for improvement in efficient and effective management of financial transactions in comparison to the traditional manual system.

ICT is applied in the areas of business intelligence, labor market research, policy development and workforce solutions. ICT provide a competitive edge to industries in the global market to practice its services to rejuvenate the innovative trends (Kirmani, Wani, & Saif, 2015). In Nigeria the application of ICT in e-governance has gain grounds more especially with the transformation of the Federal Ministry of Information and Communication to Federal Ministry of Communication and Digital economy and the eventual launching of the National Digital Economy Policy and Strategy (NDEPS, 2019). Furthermore, the application of ICT in financial and human resources management has saved Gombe State Government over 50.6 Millions of Naira hitherto being paid to ghost workers, after the state had adopted the Integrated Payroll Payment Gateway and Human Resource Information Management System (Punch, 2021).

According to Ashrafi and Murtaza, (2008) ICT encompasses a wide range of computerized technologies that enhances communication and the electronic capturing, processing, and transmission of information. These technologies include products & service such as desktop computers, laptops, hand-held devices, wired or wireless connectivity, business productivity software, data storage & security, network security, other related protocols, etc.

The recent launch of 5G technology in Nigeria, which is significantly faster than earlier digital technologies will provides near real-time communication. This can play a key role in boosting efforts towards enhancing multiple facets communication of enterprises to collectively interact with geographically dispersed workstations to carry out business activities more efficiently (Kirmani, Wani, & Saif, 2015). This technology which is a major ICT infrastructure will narrow the barrier of time, distance and space in carrying out financial transactions by integrating the capability of high speed devices with high speed communication links carrying multimedia information. ICT is concern with the collection, storage, manipulation and transfer of information using electronic means. Communication technology can be seen as the physical gadgets and software that link various hardware components and transfer data from one physical location to another. The utilization of ICT to improve the performance of organization of all types around the world drastically cut cost and improves efficiency (Spanos & Prastacos, 2002). ICT is now considered as life wire for all organizations ranging from small to big, public to private, micro to macro scale industries, education to finance etc. ICT has capability of enhancing, coordinating and controlling the operations of many organizations especially financial management transactions (Binuyo & Aregbesola, 2014).

The Gombe State Government has taken a giant stride towards the application of ICT in e-governance and Financial Management by the adoption of full implementation of the Treasury Single Account (TSA). The exercise has no doubt recorded tremendous successes where a total of 2,292 accounts linked to the state government were captured by the NIBSS and additional 265 hidden accounts were discovered and the sum of N1.48 billion was discovered from 860 accounts that were hitherto dormant or undisclosed while 586 dormant accounts were closed after generating their annual account statements for proper reconciliation and documentation. This was made possible by the resilience of the Governor of the State, Alhaji Muhammadu Inuwa Yahaya in adopting ICT to control of financial resources (Sahel Online News, 12th Nov. 2020). It is against this background that this paper intends to examine the application of ICT in management and finance with emphasis on Office of the Accountant General, Gombe State. The paper also explored the potentials, benefits and impact of ICT in financial management.

Application of ICT in management of finance is to provide some ICT relevance in management of finance to improve the efficiency of decision-makers and to facilitate the financial management information accurate and error-free. The ICT based financial management intends to provide information and insight to management and shareholders, who are in the position to decide the budgets, investments and long term planning with the help of financial management. Application of ICT in

financial management depends on individual organizations' vision and appropriate system or technology acquired. If the need for strong and structured technology is not installed, an organization can waste its capital investment on technology. As such, application of ICT in financial management would result in benefits to the organization depending on the technology applied. The objectives of research are as follows:

- i) To contrast and scrutinize the traditional Financial Management approach and Financial Management IT.
- ii) To examine and review the potentials of application of IT in Financial Management
- iii) To assess the benefits of adoption of ICT in Financial Management to the organizations.
- iv) To review the impact of application of ICT in Financial Management.

LITERATURE REVIEW

The extant literature on application of ICT in Management and Finance context shows several performance factors such as strategy, owner commitment, and external technology expertise.

Alshubiri, *et. al.* (2019) examined the impact of information and communication technology (ICT) on the financial development index of six Gulf Cooperation Council (GCC) countries from the period 2000 to 2016. The results are reported in terms of two main ICT variables: fixed broadband and Internet users as a proxy of ICT and domestic credit to private sector as a percentage of gross domestic product (GDP) and broad money supply/GDP as two proxies of the financial development index. This methodology used fixed effects (FEs) estimations, and the results show that an increase in fixed broadband has a statistically significant and positive effect on both proxies of financial development. In terms of domestic credit as a percentage of the GDP proxy, the positive effects of ICT (broadband) are greater than the one from Internet users. A 1% increase in fixed broadband leads to approximately 2% increase in financial development, but the Internet user variable resulted in about a 0.09% increase. The other money supply proxy increased by 0.40% when ICT increased by 1%. Additionally, money supply increased by 0.11% when the Internet user ratio increased by 1%. To control for the endogeneity problem, the study used a generalized method of moments estimator, and the results confirm the previous results of the FE. Moreover, the negative impact of economic growth and natural resources was found to be valid and significant, while urbanization and trade openness were found to significantly and positively affect both financial development proxies. The main conclusion of the study is that GCC countries should take action in building an effective joint information system to help construct efficient economic sectors.

Jiang, X.Z. (2020) analyzed the application of Information Technology in the Financial Management of Enterprises. The researcher posits that, with the development of social networking and modernization, information technology (IT) plays a vital role with a significant influence on the mode and efficiency of all walks of life. In general, the financial management of enterprises has transformed from the traditional to computerized management mode, along with the significant improvement in and the efficiency of financial departments in enterprises. The study analyzed the influence of IT on enterprise financial management. The relevant strategies and methods are set out to facilitate the growth of financial departments in enterprises.

Kirmani, Wani and Saif, (2015) carried out a theoretical review of the impact of ICT on Effective Financial Management. The researchers held that, Information technology had carved across all the aspects of modern day activities ranging from small to medium and medium to large applications and operations. The trends of human centric systems which are more common and popular at times are

now slowly and gradually diminishing from our public and private corporate establishments. The new most versatile, popular, advent, efficient technique wherein the basic approach is computer centric modus operandi have overridden almost all the modern day industrial practices from very basic step of requirement elicitation to final product outcome. Information and Communication technology is this computer centric system. ICT has increased efficiency, reliability, effectiveness, performance and other characteristics of modern day commercial operations. ICT has increased and renovated financial structure both in quality and quantity. ICT has sophisticated the way transactions are catered in any financial system with optimal levels of performance and efficiency. Now it is the time to think beyond the curtains and ensure proper implantation and maintenance of information and communication technology. Agwu, Atuma, Aigbiremolen, Iyoha (2017) investigated the role of ICTs in the strategic and operational management of financial institutions using a qualitative research method involving the interview of top managements and operational staffs of four selected banks in the United Kingdom and Nigeria. Findings revealed that ICTs have indeed contributed a lot in improving the functioning of all departments of the selected banks such as marketing, operations, HR, finance, call centers, customer services, etc. The benefits gained by the various banks after the implementation of ICTs include better online and offline support for their customers, ROI justification, profitable sales volume, reduction of queues in the banking halls, and very interactive websites. There are however, many departments and other functional areas where ICTs have not been fully utilized. Moreover, many financial institutions have not fully adopted and applied ICT to all functional areas. The study recommends that these can be resolved through proper training, i.e. the provision of ICT related training to employees with respect to the strategic and operational management of the banks as well as exploration of the importance of the recruitment of external consultants who are specialized in their respective fields to render solid supports.

Based on data and information collected, a research framework was developed as shown in Figure 1.

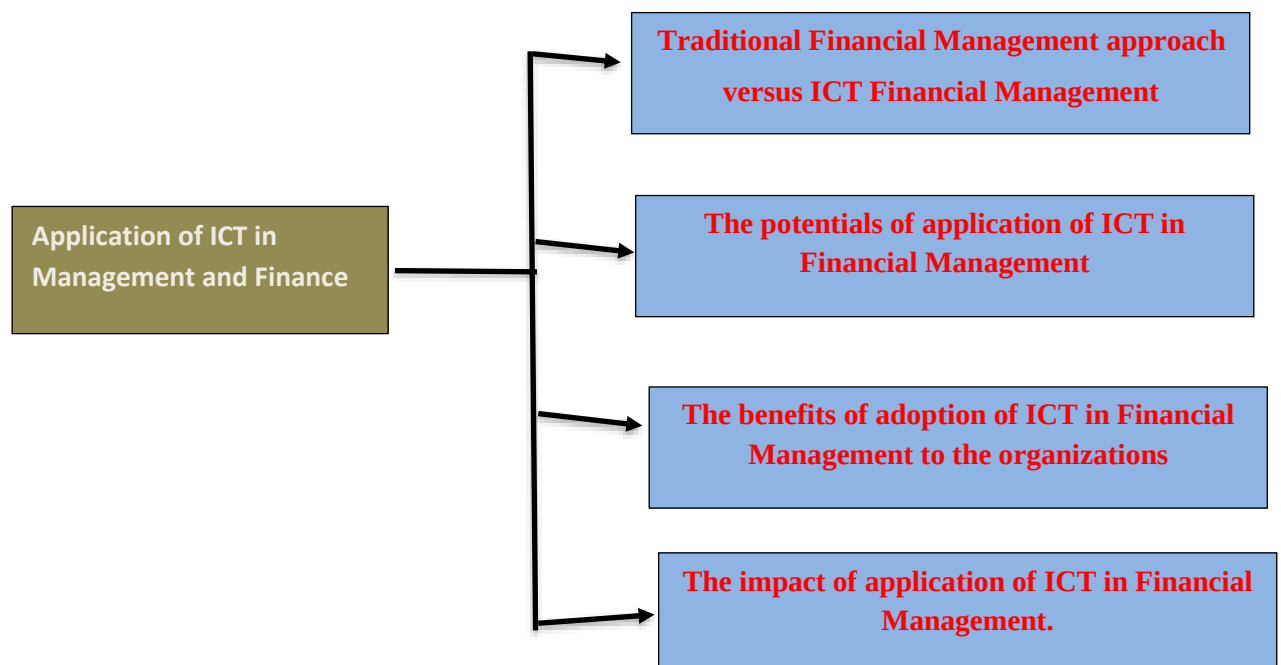


Figure 1: Research Framework adapted from Moorthy, et, al. (2012).

METHODOLOGY

This study was undertaken using qualitative approach, where information was obtained from internet and search engines such as Google, Yahoo, Hotmail and Catcha. The study used articles from reputable academic and professional Journals like International Journal of Information Science and System, Electronic Journal Information System and Evaluation and International Journal of Academic Research in Business and Social Sciences among others.

RESULTS AND DISCUSSION

Financial management plays a major role in planning and decision-making functions in the management process. In order to discuss about traditional financial management, let us look at traditional accounting, which concentrated on meeting legal and tax requirements. Traditional financial management focused on manual collection of information or data of the industry or the competitor for the use of developing and monitoring the business strategies. Financial management has usually been overlooked by many organizations due to its complexity to compile information for the internal users. In the beginning, traditional.

Traditional Financial Management approach versus ICT Financial Management

The traditional role of Financial Manager was mainly to involve in budgeting and reporting for the organization. It was the Finance department's responsibility to present the budgeting and investment planning to the decision makers. The Financial Manager should possess skills such as analytical skills to understand bookkeeping meticulously, statistical skills and report writing and presentation skills. The role of finance department and Financial Manager were limited and only focusing on organization's account functions. Application of ICT in financial management has changed the perspective of traditional Financial Management. Infact, ICT has been introduced in every aspect of industries from education to e-commerce. The introduction of ICT in management and finance has made Financial Management to be more prominent to organization's internal users and decision-makers. New technologies nowadays support Financial Management together with financial accounting. It is prerequisite for accounting systems to have complete financial management module incorporated, which include budgeting system, investment-planning system, standard costing system and stock control system packaged in one.

This scenario can best be described in the current effort taken by the current Acting Accountant general of Gombe State Alhaji Aminu Yuguda in ensuring a real time accounting information system where all government financial statements and reports are recorded and made available through a platform that enhances efficient and effective financial management and monitoring of government funds.

The potentials of application of ICT in Financial Management

Application of ICT in financial management has created excellent potential to the accounting system and now it is not possible or practical to perform accounting either financial or managerial without the help of ICT. The organizations have acknowledged the potential of ICT in financial management and ready to explore the potentials to benefit the organizations (Moorthy, Voon, Samsuri, & Gopalan, 2012). What is ICT potential? Well, it is actually identifying the forceful reasons for adapting ICT in financial management. ICT made the future of any organization to compete in the global economy and ICT provides the competitive advantage to reach customers anywhere in the globe. Every organization is either computerized fully or extensively. Financial management also had to bow to the augment of technology and it is wise applying ICT in financial management. The technologies such as data mining and data warehousing becomes very valuable and drives application of IT in financial management.

Automation is a potential ICT technology, which can be used in financial management to automate the data retrieval, recommending decisions and preparing reports or presentation papers. The infrastructure

of ICT is widely available today and it is in open system mode. Small companies have the ability to compete with large organizations with the accessibility of internet and e-business. The ICT infrastructure has its foundation and most companies can enjoy it with minimal cost. With the ICT infrastructure well placed, organizations can make available the financial management information to the internal and external parties via internet. Shareholders and investors are insisted to view the information of the organization's accounting results before deciding further investment. Financial management also has resorted to ICT infrastructure to gather information from various applications and database to manipulate the data and to produce reports for decision-making. Multi-national companies have optioned to ICT to retrieve data from department and regional offices located worldwide.

Benefits of adoption of ICT in Financial Management to the organizations

The application of ICT in financial management brings benefits to the organization. There is evidence that technology adapted in financial management is able to revoke the traditional financial management limitations. ICT and financial management has merged as a system to provide essential information to organization's growth and smart investment. The data and information provided by the financial management system is accurate and valid. The system is able to gather data and information from various resources or departments using data mining technology. The data mining technology uses single database repository that stores various information needed by the accounting system. As such, the budget or cost information provided to the management for decision making is deemed as accurate and real time. During traditional accounting, the response for financial management information may take weeks but with application of ICT, the information is ready immediately.

The technology is capable of processing large number of data and also to performs multi-tasking to achieve the desired result. Current technologies also allow users to choose the design of the reports wanted with a few mouse clicks. Financial management systems are also capable of producing 3D charts for presentations. Most of the systems are user-friendly and easy to use. The financial management system is able to provide various solutions for decision makers. ICT can be designed to give recommendations and remedies to the management. The financial management system is capable of calculating the payback period, ROI or breakeven point within split of seconds and advises the management on the decision to be taken. The technology is very much useful to management when they are planning or forecasting a long-term investment. The system is able to provide historical data and the market trends to the management to assist to make the correct and wise decisions.

Impact of application of ICT in Financial Management

Application of ICT in financial management has major impact on the organization's profits. It is wrong to conclude that implementation of new technology in financial management will improve company's profits. Implementation of new technologies may reduce company's income, as the implementation is costly depending on the technology adopted. There is a risk to the companies that if inappropriate technology is chosen, then the company is forced to incur unnecessary costs which lead to waste of resources. However, if the management and the accountants study the feasibility and the functionality of the systems before the implementation of ICT in financial management, then the above risk can be avoided. The skill and knowledge of accountants should be repositioned to support the application of ICT in financial management. The companies have to send their staff to ICT related training to acquire and update their ICT skills to use the system efficiently. The users of the system must be trained well in order to take advantage of the technology within the system. Selecting user friendly system is

essential, as it require less IT skilled personnel to handle the system. Most of the systems available now are user-friendly and easy to use. Technology is changing fast and it is very difficult to keep track with the technology changes. The company's challenge is to adopt a technology that can be used for a long period which may not be achievable now. The new technology today will be obsolete within couple of months and will be replaced by more sophisticated technology. So the company has to select the technology that is upgradeable to meet the future technology requirement.

CONCLUSION AND RECOMMENDATION

It is acceptable to companies and public organizations that application of ICT in management is inevitable and many companies already looking towards implementation of ICT based financial management. Considering the paper-less environment, companies are tempted to exploit technology to reduce costs and overhead. However, the selection of appropriate system and technology is essential and vital, so that waste of money and resource do not arise. By adopting correct system and technology in financial management, the companies and the accountants are able to produce accurate reports to make decisions and investments. The application of ICT in financial management is becoming essential part of accounting to cater to the current needs of immediate business analysis and performance measures. It is undeniable that there are much potential for ICT to be incorporated in financial management. The current world is living on technology and no doubt, financial management needs technology to improve and enhance its functionality. The managers are depending on ICT to deliver the requirement that traditional management failed to provide. Technology is vast changing and keeping track with the changes is a challenge to the company. The cost of implementation of the system is always a question because it is a non-profit supportive investment. The benefits can't be seen in cash terms. However, the management can choose the system and technology according to their budget. Overall, applying technology in financial management is in optimistic direction by the management in which they can benefit in terms of advantages provided by the technology. The close involvement by the management, accountant and users in implementing technology in the company in financial management is much needed. At the end, it is to benefit everybody from shareholders, management and workers.

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EARNINGS MANAGEMENT-TAX SHELTER NEXUS IN NIGERIA: AN APPLICATION OF SMALL POSITIVE NET INCOME

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Abstract

Tax sheltering, tax avoidance and tax planning employed interchangeably are major tax income saving strategies available to managers of corporate organizations. The study attempts to provide information to investors and regulatory authorities in Nigeria about earnings management and its attendant consequences on tax sheltering activities. In this study, debt tax is employed as proxy for firms' tax shelters activities while small positive net profit is employed as proxy for earnings management. A sample of 75 non-financial companies listed on the Nigerian Exchange Group (NGX) for period between 2010 and 2019 was employed in this study. Preliminary analyses: descriptive statistics was conducted while Least Square Dummy Variable (LSDV) regression analysis technique is employed to test the possible effect of earnings management on tax shelter. The result obtained from the regression analysis show that managers employ small positive net profit earnings management technique to shield taxes. The implication can be viewed from the lenses of behavioural finance which suggest that stock market response is quick and positive on tax shelters because investors focus on profitability without detail screening of cash flows. Hence, tax avoider firms are likely to have lower future profit and lower future stock returns than other benchmark firms. Succinctly, we urge investors and government tax authorities to set up policies and regulations capable of checkmating tax evading managers as firm managers may go beyond statutory shelter requirements to manage earnings for private gains.

Keywords: Tax Shelters, Debt Tax Shield, Earnings Management, Small Positive Net Profit, Least Square Dummy Variable Regression

INTRODUCTION

Corporate scandals exhibited in cases like those of WorldCom, Enron, Qwest, and Tyco, etc., have brought about more scrutiny of accounting information presented to investors, shareholders, and stakeholders. However, one field of accounting that has attracted special focus has been the accounting for taxes due to worries concerning the absence of transparency and perceived violations in tax

considerations (Gupta *et al.*, 2016). As reported by Herz (2007) (a senior member of Financial Accounting Standards Board, FASB) variation in accounting practices and opacity in revealing possible tax liabilities presents opportunities to manage earnings (Gupta *et al.*, 2016). Several related studies conducted worldwide suggest that managers have strong motives to engage in tax and earnings management to include; satisfying government and stock exchange regulations, (Healy & Wahlen, 1999; Fields *et al.*, 2001), amplifying stockholders' wealth (Blouin, 2014; Graham *et al.*, 2014), decreasing political cost and tax scrutiny's risk (Watts & Zimmerman, 1986; Fields *et al.*, 2001), and meeting tax-based contract motivations (Phillip, 2003).

Previous accounting studies such as those of Widiatmoko and Mayangsari (2016) and Sundvik (2017) Dhaliwal *et al.*, 2004); Frank & Rego (2006); Gupta *et al.*, (2016) provide empirical evidence which reveals that corporate managers utilize accounting accrual for income taxes and include the reserve for income taxes to manipulate earnings with the goal of meeting the expectations of stakeholders. Despite such evidence, there has been very few studies that tend to seek the relationship between tax shelter and earnings management behavior of listed firms in Nigeria. Undoubtedly, a lot of fiscal policies restructuring has been done in Nigeria. Policies such as National tax policy, Voluntary Assets and Income Declaration Scheme (VAIDS), transfer pricing guidelines for multinational enterprises and tax administrations which mandate all organizations to include transfer pricing declaration and disclosure form during tax return process are, but a few policy actions undertaken so far by tax authorities in Nigeria (Nolands taxflash 2017). Particularly, the Federal Inland Revenue Services (FIRS) have deepened their focus on improving tax compliance and expanding the tax base rather than introducing new taxes or increasing the rate of existing taxes (Price Waterhouse Copper (PWC) Nigeria tax alert September 2015). In the corporate world, one key strategy employed by the FIRS in broadening government tax revenue base is the strategy of evaluating tax aggressiveness practices against earnings (Osegbue *et al.*, 2018). This strategy tends towards examining managers deployment of tax policy loopholes in minimizing their tax liabilities.

According to Osegbue *et.al* (2018) valuation of firms' earnings through tax sheltering has become a pivotal strategy employed by tax authorities to improve tax revenue for the state. On the part of the taxpayers (listed firms) this new process will generate new reactions from business managers, stock market analysts and business owners, which inspire this study focused on finding out if tax sheltering is a motive for earnings management. In the opinion of Bauer, Kourouxous & Krenn, (2018) corporate managers are faced with inconsistencies in government tax policies hence the practice of tax sheltering is unavoidable. Similarly, Junaidu and Hauwa (2018) document that increases in corporate tax rate without commensurate tax incentives and benefits to the firm may lead managers to looking into the option of tax sheltering. Further, the need to examine different techniques of earnings management employed by managers suggested by Key and Kim (2020) as against accrual-based earnings management which have proliferated earnings management literature conducted in Nigeria study (Ofurum *et al.*, 2021; Osegbue *et al.*, 2018; Emudainohwo 2021; Yeye & Egbunike 2021), is also a motive for this study. Therefore, in this study attention is focused on a special variant of earnings management referred to as small positive net income (SPNI) which insinuate that managers prefer to report small positive net income rather than negative net income. A positive coefficient of SPNI suggests that firms manage earnings toward small positive amounts more frequently.

LITERATURE REVIEW

Tax Sheltering

There is no single definition for tax shelter. Oxford Advance Learners dictionary defines a tax shelter as "a strategy, or tax code provision that reduces tax liability." Taxpayers are generally free to structure

their transactions in ways that reduce their tax liability. Consequently, the term “tax shelter” has been applied both to legitimate attempts to reduce one’s tax burden and to abusive tax planning techniques that manipulate tax provisions. For this study, tax sheltering is referred to as an abusive tax planning techniques that manipulate tax provisions which is in line with the definition of Salihu *et al.*, (2013).

Debt Tax Shield

Debt tax shield which is employed in this study as a proxy for tax sheltering is defined as the practice where the capital structure of a company reflects more debt than equity. In other words, the financing pattern is tilted largely towards the direction of debt than equity. The pattern of corporate financing has some effect on what the company declares as profit that is then taxable. In several countries including Australia, New Zealand and Nigeria, corporate tax policy is such that allows for interest payable or paid deductions before profit is then computed. This implies that companies with high debt levels, will pay more interest and this further reduces available profit to be taxed. However, with the advent of thin capitalization rule which helps to implement debt-to-equity ratio, an upper limit to internal debt that can be tax deductible for a given level of equity is imposed (Graham, 2000; Farrar & Mawani, 2008; Egger *et al.*, 2014). According to the International Monetary Fund (IMF, 2014) thin capitalization rules often operate by limiting, for the purposes of calculating taxable profit, the amount of debt that can give rise to deductible interest expenses.

Since tax regulation typically allows interest expenses to be tax-deductible, the income of the company that is subject to taxation can be lowered. Consequently, by employing this strategy the company's tax burden will also be reduced. In the opinion of Gbonjubola (2015) the use of higher levels of debt when compared to equity influences taxation such that enterprises with high debt funding would enjoy tax reliefs on interest charges unlike dividend. This is so as interest is exempt from tax and charged until the borrowing company's profit is calculated. This makes debt funding more appealing to big corporations with the goal of transferring income for tax avoidance purposes. Prominent among the benefits of using debt financing are the tax savings that are generated due to the interest deductibility (Frank & Goyal, 2008)

Earnings Management

The concept of earnings management stems from the trade-off between relevance and reliability in financial reporting. Highly relevant financial reports solely include realized cash flows, whereas highly reliable reports are concerned with the current value of expected future cash flows. Since accounting rules and legislation demand a portion of both relevance and reliability, financial reporting therefore is associated with certain elements of discretion. This is where earnings management plays in. Over the decades’ accounting literature has seen many definitions of the term “earnings management”. However, derived from the opportunistic use of the discretion in financial reporting, early literature defined the notion of earnings management as “a purposeful intervention in the external financial reporting process, with the intent of obtaining some private gain” (Schipper, 1989). Here, earnings management is viewed through an opportunistic lens. In the views of Healy and Wahlen (1999) the concept of earnings management is discussed as a firm’s alteration in its financial reports or reported economic performance with the goal of either misleading stakeholders or influencing the outcomes of contracts that are based on accounting numbers. In both concepts provided above, earnings management is restricted to the management of accounting accruals. This study adopts the definition of Walker (2013) who perceives earnings management as: “The use of managerial discretion over (within GAAP) accounting choices, earnings reporting choices, and real economic decisions to influence how underlying economic events are reflected in one or more measures of earnings”. The study aligns with this definition since it is all encompassing such that it involves accrual-based earnings management or accounting choices, as well as real earnings management or economic choices. In other

words, this definition allows for the management of both components of earnings, namely accruals as well as cash flows.

Earnings Management-Tax Shelter Nexus

As firm are viewed as a nexus of contracts (Sundvik, 2017), earnings management is generated from conflicts of contracts between a firm and its stakeholders. Corporate tax payment, which is the contract between firms and government, is not consistent with the contract between firms and their shareholders. Shareholders expect to see high profits as the outcomes of firm performance, but at the same time, shareholders must sacrifice a large portion of their profits to pay taxes. On the other hand, tax liability constrains the firm's profits, eventually reducing earnings per share - a key indicator of business corporations. Thus, managers may employ earnings management to minimize corporate tax obligation and/or to increase corporate net income. On the flip side, corporate income tax expense is closely related to free cash flow of a firm in the way that the amount paid out as corporate income tax in the current period is cash outflow, reducing the net operating cash flow, and as a result decreasing free cash flow. Conversely, the limited firm's free cash flow also restrains the firm's capability to pay corporate income tax in current period hence the need for prudent management of corporate tax liability becomes pertinent. Therefore, tax saving (sheltering) basically could be an incentive for managers to manage earnings because tax calculation is based on accounting numbers (Monem, 2003; Caballe & Dumitrescu 2016). In this regard, Lenter *et al.*, (2003), Mgammal and Ku Ismail, (2015) note that tax sheltering might encourage firms to resist aggressive tax lessening activities (aggressive tax planning) and could put pressure on policymakers to improve the tax system, thus contribute to enhanced performance of the capital markets.

Empirical Literature

Almashaqbeh *et al.*, (2018) analyses the relevance of tax consideration to earnings management (EM) by proposing a framework that integrates tax planning and tax disclosure aspects, in real earnings management (REM) model. Tax planning plays a core part in EM, whereby both tax planning and EM attempt to minimize the tax expenses. The quality of tax disclosure mitigates the agency problem, thus reducing EM. The authors noted that companies with high tax burden tend to manage earnings which aligns sternly with the political cost theory. Therefore, the study findings suggest a positive relationship between tax planning and REM. However, the study documents that increasing the transparency in tax disclosure would likely mitigate the problem of information asymmetry, and in line with the Agency Theory, there is an inverse relationship between earnings management and tax disclosure.

Poli (2013b) explore earnings management practices of small-sized Italian companies. The study was carried out by adopting the earnings distribution approach whose findings show that the sampled companies are likely to manage their earnings to achieve two earnings level targets. The authors noted that on the one hand, managers do manage their earnings to report slightly positive earnings noting that firms with negative earnings manage them upward to be above the zero threshold while firms with positive earnings manage them downward to bring them close to zero. On the other hand, earnings are managed to minimize earnings changes. Overall, the implication of the findings suggests that earnings of small-sized Italian companies are of poor quality. Hence, earnings management practices in countries which are characterized by a code law system and having a close alignment with accounting and tax systems should be re-examined.

Matonti *et al.*, (2021) expand the earnings management (EM) literature for Italian unlisted firms by investigating the drivers of both accrual-based earnings management (AEM) and real activity-based (REM) earnings management. The authors analyze unlisted firms as they represent 99.9% of Italian

firms, consistent with most European countries. They estimate models using factors drawn from the literature which potentially influences both AEM and REM, along with some robustness tests. For AEM, ownership concentration is a positive driver, consistent with the entrenchment hypothesis, and firm leverage is a positive driver, suggesting the use of debt covenant violation avoidance strategies. Quality auditor engagement tends to constrain AEM, while size has a negative impact. However, tax drives AEM and profitability has a positive impact.

Marques *et al.*, (2011) assess the extent to which “special payment on account” (SPA) tax policy measure encouraged private Portuguese companies to manipulate earnings. Findings show that earnings manipulation appears to have been motivated by desire to minimize SPA. Firms whose estimate of SPA liability fell within the range of minimum and maximum limits of the SPA had higher levels of discretionary accruals than firms whose estimate was (equal to or) above the ceiling imposed by the legislation. Firms with higher rates of income tax were found to reduce earnings to near zero. Firms with higher average income tax rates were more likely to manipulate their earnings than other firms.

Coppens and Peek (2005) addresses the questions of whether private firms in eight European countries engage in earnings management, and if so, whether tax incentives affect such practices. The empirical evidence suggests that in absence of capital market pressures, firms still have incentives to manage earnings, discovering that private firms avoid reporting small losses. Further outcomes suggest that private firms in countries where tax regulations strongly influence financial accounting prefer small profits to large profits and smooth earnings changes to a larger extent than public firms in the same countries. The outcomes were attributed to tax management.

Geraldina and Jasmine (2019) examine the effect of earnings management on the participation of company owners in tax amnesty program in Indonesia. This study uses a matching sample approach that consist of publicly listed companies that participated in tax amnesty program and companies that did not participate in tax amnesty program during 1st July-30th September 2016. The final sample consist of 339 firm year observations. Information about the owner of the company that participated the tax amnesty program was obtained from the mass media. The results show that accrual earnings management has a positive effect on the possibility of the owner of the company to participate in the tax amnesty program. This study suggests the users of financial reports to pay attention on the level of aggressiveness of companies’ earnings management whom the owners participate in tax amnesty program.

Sánchez-Ballesta and Yague, (2020) examines earnings management and tax aggressiveness in SMEs. First, the authors find a discontinuity around zero in the distribution of earnings but not in the distribution of earnings change, and provide evidence that SMEs engage in accrual and real earnings management to beat zero earnings, to achieve a stable net income over the years, and when in situations of financial constraints. They also find an overall negative association between income-increasing earnings management and non-conforming tax avoidance. In addition, they show that SMEs are less tax aggressive in those settings where they have previously found that they engage in upward earnings management (i.e., small profits, smoothed net income, financial constraints). This suggests that under financial reporting incentives to report higher earnings, upward earnings management clearly prevail over tax aggressiveness. On the contrary, in settings without the pressure to report higher earnings, their findings suggest that SMEs may simultaneously engage in conforming and non-conforming tax avoidance to reduce taxes paid.

Osegbue *et al.*, (2018) examines how tax sheltering and its interactions with cash effective tax rate, long-term effective tax rate, tax savings, book tax gap, temporary difference of tax shelter and permanent difference of tax shelter impacted on modified Jones earnings model (earnings quality

management) for the period between 2009 and 2016. The sample of the study is 116 companies listed on the Nigerian stock exchange covering all sectors excluding financial services. Panel generalized method of moments regression employed in the study shows that tax sheltering had a significant and positive effect on earnings management.

Karjalainen (2015) investigates whether corporate or owners' tax minimization affected earnings management. The regression analysis result indicate that owners' personal tax minimization dominates over corporate tax minimization which produces an effect on earnings management. Specifically, managers of private firms did not manage earnings downwards in the year prior to the corporate tax rate decrease, but they opportunistically managed earnings upwards to receive tax benefits from a favorable dividend taxation system.

METHODOLOGY

In this study, ex-post facto research design is employed. The population of the study consists of all listed non-finance firms with representation from the following sectors: Agriculture, consumer goods, industrial goods, oil and gas, healthcare, services, natural resources, technology, and conglomerate. As of December 2019, there were 108 non-finance firms listed on the floor of the Nigerian Exchange Group (NGX). The sampling technique employed is purposive since firms were included in the sample on certain selection criteria. These criteria are that; the firms must have been listed on the Nigerian Stock Exchange market during the period 2010-2019; a period where the most recent tax reforms commenced. All sampled firms' annual financial reports are readily accessible. Firms listed after year 2010 were excluded from the sample as they were considered "young firms" relative to firms listed at least in year 2010. Thus, only non-finance firms with all relevant data amounting to 75 non-finance firms selected from the aforementioned sector were available for data analyses. The study employs Panel Least Square Dummy Variable regression technique following the studies of Sánchez-Ballesta and Yague, (2020) to express the econometric equation as:

Model Specification

$$DTAX_{it} = \beta_0 + \beta_1 SPFT_{it} + \beta_2 ROCE_{it} + \mu_{it}$$

Where:

DTAX	=	Debt Tax (Measure of Tax Shield)
SPFT	=	Small Positive Net Profit (Measure of Earnings management)
ROCE	=	Return on Capital Employed
β_0	=	Constant
β_1 - β_2	=	Slope Coefficient
μ	=	Stochastic disturbance
i	=	i th firm
t	=	time period

Operationalization of Variables

VARIABLE NAME	ACRONYM	MEASUREMENT	SOURCE
DEBT TAX SHIELD	DTAX	finance cost divided by total asset	Barth, Konchitchki, & landsman (2013)
SMALL POSITIVE NET PROFIT	SPFT	SPFT is an indicator variable which equals to one if firms have annual net incomes scaled by total assets between 0 and 0.01 in any year	Leuz et al., 2002; Tang et al., 2008

RETURN CAPITAL EMPLOYED	ON	ROCE	Profit after tax divided Total equity and Total liabilities
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Authors' Compilation 2021

RESULTS AND DISCUSSION

In examining the effect of earnings management on tax sheltering, we first carry out descriptive statistics. The descriptive statistics gives the insight into the nature of the sample non-finance firms in this study shown below as:

Table 4.1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
dtax	748	3.337759	4.448797	0	48.3931
smlprofit	750	.2466667	.4313587	0	1
roce	739	2.558609	17.1825	-179.9173	187.1324

Authors' Computation 2021

From table 4.1, it is observed that on average, the value of debt tax shield is 3.34 with a standard deviation of 4.45. On average, the table shows that about 25% of the firms in the sample tend to engage in earnings management. For the control variable, the table shows that on average, profitability (return on capital employed) is 2.56 with standard deviation of 17.18.

Table 4.2 Correlation Analysis

	dtax	smlprofit	roce
dtax	1.0000		
smlprofit	0.2767*	1.0000	
roce	-0.3579*	-0.7349*	1.0000

Authors' Computation (2021)

Table 4.2 provides the result obtained from the spearman rank correlation analyses. The result suggests that the correlation between tax shield (dtax) and earnings management (smlprofit) is 0.2767 or simply about 28%. This indicate that there exists a relatively weak association between tax shelter using debt tax proxy and earnings management using small positive net income proxy during the period under

review. There is however a negative correlation between *dtax* and *roce* by 35% and between *smlprofit* and *roce* by 73%. Further this result implies the absence of multicollinearity in the specified model since the rho coefficient (0.2767) is way less than 80% after which the consequence of multicollinearity begins to surface.

Regression Analysis

Table 4.3 Panel Least Square Dummy Variable Regression

Variables	Small Positive Net Income	Return on Capital Employed
Models		
Debt Tax Shield		
Coefficient	0.855	-0.074
t_Statistics	(2.08)	(-7.78)
Probability_t	{0.038} **	{0.000} *
No. of Obs.	739	
Prob. F	0.0000	
statistics	0.4738	
R ²	1.44	
VIF	0.000	
Hettest.		

Source: Authors' Computation 2021

Table 4.3 show the results obtained from least square dummy variable regression analyses employed to examine the effect of earnings management on tax sheltering. First, like in most other related studies, the researcher employs Breusch-Pagan Geoffrey test to diagnose the presence or absence of heteroscedasticity in the earnings management model as recommended by Gujarati (2004). The result obtained from the diagnostic reveals a probability value of (P-value: 0.0000) which indicate that the assumption of homoscedasticity has been violated considering the very low P-values which is statistically significant at 1% level. Particularly, a careful examination of the results provided by the effects models show that both models of interest suggest appropriateness as it relates to the dependent variable of debt tax for the period under investigation. However, the p-value of the Hausman Specification Test (0.0219) implies acceptance of the fixed effect model which tend to be more appealing statistically when compared to the random effect model. Therefore, to control for heterogeneity observed in the time period, Least Square Dummy Variable (LSDV) regression analysis technique is employed. From the LSDV regression model, the outcome reveals an R² value of 0.4738 which indicates that about 47% of the variation in the dependent variable is being explained by the independent and control variables in the model. The model goodness of fit as captured by the Fisher statistics (7.84) with the corresponding probability value 0.0000 which shows a 1% statistically significant level indicates that the entire model is fit and can be employed for discussion and policy recommendation.

Further investigation suggests that the effect of earnings management on tax sheltering is positive and statistically significant at 5%. Specifically, the results imply that the practice of tax sheltering among firms in the sample is dependent on the level of small positive net earnings management which suggest that firms tend to reduce tax burdens by overstating debt. Marques *et al.*, (2011) argue that engagement in earnings management initiatives for tax purposes depends on the relationship between financial and tax rules which is consistent with the Nigerian case since corporate income tax is based strictly on 30% of corporate net income stated in the traditional annual reports of listed corporate firms. This finding is consistent with those of Osegbue *et al.*, (2018); Marques *et al.*, (2011); Coppens and Peek (2005); Poli, (2013a), who document empirical evidence that firms often select accounting policies that

decrease reported earnings to minimize their tax payments. This is not the case in countries like Finland (Burgstahler *et al.*, 2006) where financial information is used mainly for contractual incentives and less for tax purposes (countries where financial and tax accounting are either not aligned, or the relationship is weak. Also, our finding is at variance with those of Karjalainen (2015) who reported no evidence of earnings management for tax purposes among Finnish listed firms.

CONCLUSION AND RECOMMENDATION

The study concludes that the level of tax sheltering of listed corporate firms is dependent on the level of small positive earnings management. Specifically, the result aligns with the behavioural finance view which document that the response of stock market is quick and positive to tax shelters because investors focus on profitability without detail screening of cash flows. Therefore, tax avoider firms are likely to have lower future profit and future stock returns than other firms. From the foregoing, the study recommends that investors and regulatory authorities should set up policies and regulations that will checkmate tax avoiding managers since firm managers may go beyond statutory shelter requirements to manage earnings for private gains. We also recommend that policy makers and regulators need to provide policies that will give a clear picture of earnings disclosures and possibly provide accounting systems that will diffuse accounting information away from tax liabilities as this will guide against negative motives of tax management. Understanding the procedures which firms employ to manage their earnings may help in the prevention of such practices in future and facilitate the strengthening of domestic accounting standards that will also detect the use of frequent small positive income earnings management practices in the guise of tax shelter.

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**FINANCIAL CONTROL AND PUBLIC SECTOR FINANCIAL MANAGEMENT:
EVIDENCE FROM SELECTED EDUCATIONAL INSTITUTIONS IN NIGERIA**

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Abstract

Financial control is one of the performance control tool that is used by management in their various organizations, whether public or private, in order to measure performance and ensure integrity. This study seeks to examine the effect of financial control on public sector financial management, using selected educational institutions in Nigeria as the case study. The study employs the ex-post facto research design, with specific focus on the longitudinal Panel Series design. Findings of the study reveals that when taken individually and collectively, actual capital budget (ACB), actual recurrent budget (ARB) and revenue generated (RG), taken as the measure of financial control, has a positive and significant effect on average budgeted expenses, taken as a measure of public sector financial management. The study therefore concludes that financial control is a significantly and relevant predictor of public sector financial management in tertiary educational institutions in Nigeria, particularly with reference to polytechnic institutions in Nigeria. That is to say there are empirical evidences to suggest that the attributes exhibited by financial control within the public sector domain of tertiary education, which naturally should promote transparency in budgetary frameworks of tertiary educational institutions in Nigeria, is gradually having the desired effect. As such, the empirical evidences suggests that the policy framework encapsulated in the financial control instruments of the regulatory institutions that have oversight over polytechnic management in Nigeria, is capable of exerting the needed level of influence that is required to improve the public sector financial management of tertiary institutions in Nigeria. The study recommends that the financial control instruments in Nigeria, particularly as it relates to capital budgeting, recurrent budgeting and revenue generated, must be put together by only those who have the right skills and competencies to package such a document that has great multiplier effect on the overall public educational service sector in Nigeria. This will go a long way to reduce the inefficiencies associated with public financial management in Nigeria.

Keywords: Financial Control, Public Sector, Financial Management, Educational Institutions

INTRODUCTION

In the modern management, financial control is very important. If the financial control is effective, the organization and by extension, the republic will grow and effective in future. Financial control is one of the performance control tool that are used by managers in their various firms and equally public to measure performance, integrity and so on. Today many Public organizations provide services to the public. Government serves the public. In the heart of good governance, transparent governance is accountability. That is the idea that the governed retain the real opportunity to know what the government do and call them to order when they derail. A country's journey towards good governance and resource management, in reality is measured by how much the management of the public policy is open to the scrutiny. The culture of accountability and its institutions are strong protection against conflicts and instability.

A major policy challenge confronting both developed and developing economies is the process of determining how to raise, allocate and spend public resources and the ways the resources are utilized goes a long way in determining how public policy objectives are achieved. In addressing these challenges of the country, the budget is often designed focusing on the preferred sectors of the economy. This is while in formulating the budget, government makes a number of choices regarding its financing and how available resources are allocated to existing or new programmes and institutions. Adrian, (2001) posit that with the budget, a clear statement of intent can be provided, often more accurate than the policies or plans on which they are based so as to attain the overall development of the country. As enunciated by Premchand (2000), a new dimension in public budgeting have been planning for economic development through economic growth, employment and more favourable income redistribution, and thus provide an operational framework for the attainment of macroeconomic as well as microeconomic goals of the country. This approach was adopted because it was observed that that planning models adopted in the 19070s did not generate the expected benefits due to its rigidity and inability to generate resources, thus contributing to a highly fragile state of public finances. In the face of poor capital budget implementation in Nigeria over the years, how has capital budget contributed to the attainment of the goals of the transformation agenda? ODI, (2004) express that financial control in the public sector financial management is basic how efficient and effective financial budget is sourced and applied in a manner in which goals and objectives would be achieved in Nigeria, available evidence reveals that annual budgets over the years have not contributed significantly to the growth process of the economy due to weak implementation of capital budget. Obadan and Oke, (2013) posit that this view was made more evident by Ogujiuba and Ehigiamusoe (2014) when they assert that only 51% of the total budgeted funds for capital expenditures in the 2012 Federal government budget were utilized. Of all the factors contributing to the increasing gap between budgeted and actual performance is the seeming obsession with projection in crude oil revenue. As enunciated by Kwanashie (2013), the 2013 budget is one of the series geared towards achieving the targets of the country's goal of becoming one of the 20 leading economies in the world by 2020. Towards achieving this dream, the government has introduced variety of programmes, and the main vehicle for achieving the targets of the transformation agenda is the various annual budgets embedded within a medium term expenditure framework. Although since the mid-1980s, government have introduced economic reforms to make the economy market based and make the contribute more to accumulation of capital, government still plays a major role in enhancing the pace of capital accumulation in the economy. This can also be done by maximizing the use of anti-corruption tools to curb abuse of budget implementation and execution and due to these measures, government constituted anti-craft agencies to tackle the menace.

In 2003, the then-government established Economic and Financial Crimes Commission (EFCC) prior to the promulgation in 2002 by an act of the National Assembly. The EFCC acts as law enforcement Agency to investigate financial crimes such as advance fraud fee (419) and money laundering. The EFCC investigates people in all sectors who appear to be living above their means and is empowered to investigate and prosecute money laundering and other financial crimes. The EFCC was later amended in 2004 to sanitize the Nigerian Economic environment by enforcing all economic and financial crime laws. In June 2009, the Senate Committee on Drugs, Narcotics and anti-corruption moved to amend the act by setting up the Independence Corrupt Practices Commission (ICPC). Both the EFCC and ICPC were to act independent of the Executives Daniel (2002). Corruption and looting of public treasury is a major problem in the public sector accounting. According to Ene (2001), Report from office of statistics Lagos show that organizations in Nigeria's accounting records are balanced in arrears and financial records are hardly balanced daily, weekly, quarterly, yearly and yearly basis as appropriate. This was evidenced by Chief Olusegun Obasanjo during his first maiden address to the nation immediately he was sworn-in as the President of the federal republic of Nigeria on the 29th day of May 1999. He stressed that accountability, probity and transparency has suffered a lot set-back especially in the civil service. He therefore concluded by saying "when we consider how the public accounting and auditing can grow and develop, we are concerned not only with helping the public accountant or the auditor fill their position, but also with helping the whole economy and the organizational structure grow and develop".

This study is interested in analyzing situation surrounding financial control in management of public sector finances. In public sector finance, begins with budget preparation, presentation, approval, releases and implementation. Rathirane (2014), exclaim that generally, Public organizations face financial difficulties to manage daily operations due to lack of financial control tools which lead to lower organizational performance. It is said that the public organizations do not take care of its financial control and performance. Ene (2001) narrate that there are lots of collaborations in the utilization of public funds to the extent that funds allocated through the budget are not properly utilized, given room for corruption. The annual budget for the public income and expenditure are not only at times but regularly late. Whatever is the position with timelessness of delivery, these budget are never reviewed in time and deviations are not investigated to ensure prompt curative action which will re-direct and re-orientate plans towards budgeted levels in Public sector financial management. This systems form a number of factors like lack of political will, inadequate infrastructures (staff training, ICT tools provision and deployment, library facilities etc) necessary for economic up buildings. Maimako (2005) posit that one of the shortcomings here is the quota system in the federal service. The quota system has introduced mediocre and unethical practices in the financial control system in public sector in Nigeria. Agha (2017) cited in Gofwan (2020) emphasizes that government authorizes exhibit unhealthy exercises in a bid to fill in vacant positions in the federal civil services, most of the unqualified personnel (mainly from certain ethnic group of the country) are employed to the detriment of the job, hence giving loopholes for embezzlement and financial misappropriation. Merits were thrown to the winds. In fact, meritocracy has given way to mediocrity.

LITERATURE REVIEW

Financial control

The two most important legal documents that predate independence and which are still used today are the Finance (Control and Management) Act No. 33, 1958 and the Audit Act No. 38, 1956 Anyafo, (2002). Other legal documents that influence financial practice include the Constitution of the Federal Republic of Nigeria; the Appropriation Acts; Financial Regulations and Finance and Treasury Circulars Daniel (2002). Although these financial laws were meant for the central

government, they were reproduced by the four regional governments. With States creation in 1967 the governors of the States were empowered to replicate the regional laws in their States with modifications where necessary.

The Constitution of the Federal Republic of Nigeria, (1999) is the main legal document regulates the financial administration of government funds. The supremacy of the Constitution on financial matters has been pointed by Oshisami (1992) when he states that this is the primary and supreme legal instrument which sets the general framework for the total financial management as well as accounting and financial reporting in government. He further reports that the decision to include financial matters in the Nigerian Constitution was first taken at the Constitutional Conference held in May and June 1957. That conference decided that certain basic financial principles be included in the Constitution rather than left to the discretion of the Parliament. As a result, the principle of the operation of the Consolidated Revenue Fund, the authorisation of expenditure (legislative approval); the treatment of the public debt and the audit of the accounts of the federation were included by the Constitutional Amendment Order 1957. These same principles have been included in all subsequent Constitutions with slight changes. The 1999 Constitution confers powers and control over public funds by the provisions of sections 80(1)(2)(3) and (4); 81(1)(2); 82; 83(1)(2) and 84 which apply to the Federal Government.

Public Sector Financial Management

This is said to be the role of the government in the economy. It is the branch of economics that assesses the government revenue and government expenditure of the public authorities and the adjustment of one or the other to achieve desirable effects and avoid undesirable ones. Financial management made reference to set of administrative function in an organization which are related with arrangement of cash and credit so that organization may have the means to carry out its objective as satisfactorily as possible. This demand certain Accountability is best explained through the theory of Agency. Adesola (2001), posit a person who holds or manages a given amount of resources for the benefit of another person is an agent. As an agent, he must operate base mandate given to him. Managers of business enterprises are agents to the business owners as well as those who will benefit from the activities of the business, including the society at large. Amos (2012) sees Public Sector finance as a field of economics concerned with paying for collective or governmental activities, and with the administration and design of those activities. The field is often divided into questions of what the government or collective organizations should do or are doing, and questions of how to pay for those activities. Management in business and human activity, in simple terms means the act of getting people together to accomplish desired goals. Management comprises planning, organizing, resourcing, leading or directing, and controlling an organization (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources, and natural resources.

Budgeted Expenditure

Jibo (2000) posit that Budgeting in Nigeria is a Constitutional requirement as it is in most countries. In the case of Nigeria, the 1999 Constitution by the provision of sections 81(1) and 121(1) authorizes the President and the Governors to prepare and lay before Parliament at any time in each financial year estimates of the revenues and expenditures of the government for the next following financial year. Budgeting in the public sector has not lost any steam from practitioners and researchers because, according to Premchand (1990).

Capital Expenditure

This is payment for acquisition of fixed capital assets, stock, land or intangible assets. A good example would be building of schools, hospitals or roads. However, it is important to note that much donor-funded “capital” expenditure, though referring to projects, includes spending on non capital payments. More so, Relevance Capital Budgeting to Public Sector in an Organization is the process of analyzing potential investment for the firm in the case of government business enterprises or private firms. Capital budgeting decisions are probably the most important ones financial managers must make. Capital budgeting decisions usually involves substantial expenditures on new assets. Federal budget took its bearing from the nation’s medium and long-term goals which has been embedded in the various planning documents and reform programmes. Since the articulation of the programmes, each budget was expected to make real the various goals, and assist achieve the targets set in the documents. The essence of focusing on capital budget is that it goes a long in accentuating economic performance.

This has resulted in further budget deficit where budget is implemented by borrowing both internally and externally. In spite of the rising debts, the overall budget size continues to increase. While the trend in developed economies has been to constrain public spending and focus on policies that would revive private sector to aid productive activities, Nigeria continues an expansionary fiscal posture even while claiming consolidation. Aggregate expenditure for 2013 is N4, 987 trillion as against the N4, 649 trillion budgeted for 2012. This represents about 5% increase in the overall budget estimates. Of this amount, approved capital expenditure was N1, 621 billion representing about 31.3% while recurrent expenditure was N2.386 trillion, representing 68.7%. The trend in capital expenditure and non-debt recurrent expenditure in Nigeria from 2010 to 2015 is depicted in Table 1. Table 1 has revealed that there was a great divergence between capital expenditure and recurrent expenditure. This divergence can be further visualized in Figure 1. Figure 1 shows the share of recurrent and capital expenditures from 2010 to 2015, with recurrent expenditure having larger portion.

Recurrent Overhead Expenditure

This Recurrent expenditure refers to all payments other than for capital assets, including on goods and services, (wages and salaries, employer contributions), interest payments, subsidies and transfers.

Generated Revenue

Public revenue could be defined as the funds generated by the government to finance its activities. In other words, revenue is the total fund generated by government (Federal, state, local government, other organizational bodies to meet their expenditure for a fiscal year. This refers also to the grand total of money of income received from the source of which expenses are incurred. Revenue could be internal or external revenue. Generation This is the process of sourcing revenue for the local government in carryout their aim and objectives.

Empirical Review

Mary (2014) conducted a study on the Effects of Financial Accountability on The Efficiency of Non-governmental organisations In Governance Sector in Nairobi County. This study sought to bridge this gap by investigating the effect of financial accountability on the efficiency of non-governmental organizations in Nairobi County. The research adopted a descriptive design. The population consisted of all NGOs registered with NGO Coordination Board in governance sector that were located in Nairobi County from which a random sample of 72 NGOs in governance sector. Data was obtained from primary data using structured questionnaire using the Likert measurement scale. Data collected was sorted, classified, coded and analyzed using Data Envelopment Analysis (DEA) to measure the efficiency of NGOs and analyzed using SPSS version 21. Likert scale was highly used to measure the

variables. The study found that financial accountability has positive and significant effect on efficiency of nongovernmental organizations in governance sector in Nairobi County. Additionally, the study found that individually and combined, financial accountability, staff experience and organization of NGOs have positive effect on NGO efficiency. NGOs with flat hierarchy were found to have better flow of information which promotes financial accountability and consequently efficiency of the NGOs. The study also found that NGOs using high percentage of their income from donor sources are less efficient than those using income from other sources. The study recommends formulation of policies by the relevant regulatory bodies to ensure that the NGOs enhance accountability for improved efficiency.

Rathirane (2011) Conducted a study on Financial Control and its' impact on Organizational performance - An empirical study of J/Municipal Council. In the modern management, financial control is very important. If the financial control is effective, the organization will grow effective in future. Financial control is one of the performance control tool that are used by managers. The purpose of this study is to analyze how the financial control of the Jaffna municipal Council affects its organizational performance. For this purpose, two hypotheses were tested. One is "Effective budgetary control has positive impact on its organizational performance" and other is "Effective financial control leads to better organizational performance". To test this hypothesis, the data were obtained through primary data such as interview, interrogation and discussions with financial officers and from annual reports and statements as secondary data. Financial information is analyzed by using various analysis methods. Ratio analysis, percentage analysis and gap analysis are used to measure effectiveness of financial control. Organizational performance is measured by budgetary control with the significance of variance. In this research, when the budgetary control is ineffective the organizational performance based on budgetary control is worst. And the effective financial control leads to better organizational performance. Finally, this research has proved that there is positive relationship between financial control and organizational performance and there is positive control and relationship between budgetary control and organizational performance. In conclusion, the study recommended the public organization should take attention in the financial control to manage the activities effectively.

Anichebe (2012) made a study on Enhancing Financial Accountability and Transparency In Nigerian Public Sector. A questionnaire, interviews and research methodology was adopted for this research. Each question was examined as a whole to obtain opinions and perspectives of the respondents from each individual organization. Chi-square was used to test the five hypothesis propounded. The findings from the survey are: (1) Public Financial Managers do not enhance the implementation of financial accountability and transparency. (2) Financial accountability and transparency is not yet improved in the Nigerian public sector. (3) Public financial managers do not adhere to the rules for the accountability and transparency. Finally the research concluded with the following major recommendations: The Nigerian value system must be changed so as to stamp out dishonesty and the use of double standard in handling government matters and that Regular workshop, seminars and trainings should be organized for public accounting officers who rose through the ranks.

Maimako (2005) conducted a research on The Role of Financial Control Institutions in Promoting Financial Accountability in the Public Sector: A Study of Plateau State under Democratic Regimes. Primary data was obtained through the administration of questionnaires, interviews and actual observation. This was supplemented with secondary data. The technique of simple random sampling was used in the questionnaire administration. The population of the study was 386 out of which a sample of 160 was studied. The chi-square (χ^2) test statistics was used to test the four hypotheses. The findings of this research indicate that the reliance of Auditor- General on the financial statements prepared by the Executive arm of government does not significantly influence his performance; the quality of legislative financial oversight has a significant effect on the State Auditor-General and

qualification of State Treasury staff is independent of the number of financial records kept by them. The research shows that budgetary non-compliance is quite common. Infringements on financial rules and regulations are also common. The Public Accounts Committee of the State Legislature never met to consider the report of the Auditor-General between 1999 and 2003. The implications of these findings are that the legislature is unable to discharge its Constitutional responsibility using the public budget; the weakness of the legislature adversely affects the Auditor-General and poor financial record keeping is not solely attributed to the qualification of those who maintain them. The study recommends a balanced redistribution of financial powers among the Executive, the Legislature and the Auditor-General to promote the discharge of financial accountability in Plateau State.

Agha (2017) cited in the work of Gofwan (2020). He examined financial management reforms in Nigeria public sector. A survey research design was adopted in the study and a sample of ninety (90) respondents which consist of 40 staff from federal Ministries, Departments and Agencies (MDAs), 30 from Edo state MDAs and 20 from local government MDAs. The study employed ordinary least square (OLS), using SPSS in analysing the bio-data and Eview8 in analysing the research questions as the statistical tool. The study found that Treasury Single Account (TSA) had a negative relationship with Corruption but positive level of significance. The study recommends that the government of the day is advised to implement TSA to its fullest maximum to make best use of its potential of reducing corruption.

Iheduru (2014) in their study on Impact of Government financial management integrations, it examined the use of ICT Tools including electronic accounting system as a tool for checkmating financial management in the Nigeria public sector. The study used both primary and secondary sources for its data collection. It uses OLS for the analysis. The secondary data was used to create a theoretical background for the study while the primary data on the other hand were sourced via a well-structured questionnaire (survey research tool) administered on fourteen (14) selected government-owned ministries (eight federally owned and six state ministries). Participants in the survey consist of five senior staff randomly selected from each of the fourteen ministries, bringing the total sampled respondents to seventy (70). The study reveals that the installation of a well-designed GIFMIS in the structure of the nation's public sector operation will amount to a veritable tool in checkmating corruption in the system and thus serves as a catalyst in engendering economic development in the country. It recommends enhanced contend application of government integrated financial management information system GIFMIS to regulate and manage overhead expenditure of government accounting system.

Richardson K. Edeme and Nelson C. Nkalu (2017) had an empirical study: Budgeting for development: Lessons from 2013 capital budget implementation in Nigeria. Adopting the descriptive approach, Doughty model of analysis, this study examined the performance of 2013 capital budget in Nigeria in line with attainment of the transformation agenda in the country. The findings suggest that the level of capital budget implementation is insufficient to foster the desired development. This poor performance is attributable to inadequacy in the budget implementation plans, non-release or late release of budgeted funds and lack of budget performance monitoring. The study recommends a paradigm shift in budgeting by developing a realistic and credible budget guided by relevant fiscal rules in tandem with the needs and financial capability of the country in order to take care of uncertainties in revenue. This entails creating a realistic projection of reliable income, a healthy mix of diverse revenue streams and consistency with the nation's goals. In this regard, both the executive and the legislature should collaborate in making sure that funds are released on time, and the financing of the budget could be through long-term commercial bonds, export credit finance, private equity, infrastructure bonds and foreign aids.

Edogbanya, Adejoh and Ja'afaru (2013) Research on Revenue Generation: It's Impact on Government Developmental Effort (A Study of Selected Local Council in Kogi East Senatorial District) Local government is faced with varieties of difficulties to source adequate revenue from federal government, state government and internally generated revenue; such problems are cogwheel to the smooth running of local government administration. Thus, the objective of the research was to analyze the extent to which revenue generation had affected the development of the selected local Governments. The researcher used both primary and secondary methods of data collection to generate the needed data. The data obtained through secondary data were analyzed using simple least square regression method (spss version17). The following were some of the findings which included the following; there is a significant relationship between revenue generated and developmental effort of government, poor development of the areas, lack of basic social amenities to the rural people and lack of revenue to maintain the existing infrastructures. The researcher therefore recommended that the local government should provide basic amenities of high quality. By doing so, the people's interest would be geared towards giving their maximum support to the local government which would lead to the development of the rural area?

Anwar, M. (2007) opined that (GIFMIS) on the performance of financial management of commercial state corporations in Kenya, find out that the last decade has seen a revolutionary shift towards Integrated Public Financial Management due to the dynamic nature of local and global macroeconomic forces. A descriptive survey was used. The target population of the study was fifty-three (53) state corporations in Kenya. The study found out that state corporations have adopted various GIFMIS practices to enhance their financial performance. The ordinary least square regression analysis conducted revealed that the respective GIFMIS practices adopted by commercial state corporations have had a significant impact on their financial performance as indicated by the high Coefficient of Multiple Determination of (R^2 Square) 0.843 and P-Value of 0.001. This implies that, 84.3% of the financial performance of commercial state corporations can be attributed to the Integrated Financial Management practices they have adopted. The study recommends that; owing to the fact that 31.6% commercial state corporations are yet to adopt IFMIS, the National government through line ministries should put an effort to bring the remnant state corporations to the fold given the fact that public expenditure through state corporations accounts for over 45% of the GDP of the country.

Gofwan (2020) made a research on Impact of Information Communication Technology Tools (ICTT) On the Public Financial Management in Selected Educational Institutions In Nigeria. The study gave impetus to the establishment of Treasury Single Account (TSA), Government integrated financial management information system (GIFMIS), and Integrated Personnel Payroll Information System (IPPIS). The research adopts a Secondary data approach using Ordinary Least Square (OLS) regression model and E-view version 10 statistical package to run the time series (2011-2019) analysis. The findings revealed that given the adoption of Information Communication Technology Tools (ICTT), there has been a substantial reduction in financial leakages, ghost workers, budget misappropriation, with the attendant improvement in transparency and accountability in the management of government funds. The study therefore concludes that solutions should be provided on skill transfer problem, poor supporting infrastructure, technological barriers for inter MDAs transfer, resistance from stakeholders and lack of will for accelerated implementation. This will equally accelerate and unbiased implementation that will enable smooth transfer of the IPPIS technology knowledge and skills from consultants to government personnel for effective management, future integration and synchronizing of IPPIS with other identity management system are keys to harnessing the benefits of the information communication technology tools. The researcher recommends full adoption of the ICT tools that is, TSA, IPPIS and GIFMIS at all levels of government to form part of

financial management reforms practices to increase transparency, accountability and thoughtful use of government financial resources for maximum performance.

Theoretical Review

Institutional Theory

Meyer, John W. propound ‘Institutionalized organizations in 1977’, the theory indicates that, in order to survive, organisations must conform to the rules and belief systems prevailing in the environment (DiMaggio & Powell, 1983; Scott 1995) supported institutional isomorphism, both structural and procedural, will earn the organisation legitimacy and made emphasis on rules of guidance are established and enforced for smooth conduct of hierarchical duties of an organization in respect of deeper and more responsive, transparent and resilient aspects of social structure. Efiangbe (2017) considers the processes by which structures, including schemes; rules, norms, and cultures, become established as authoritative guidelines for social and organizational behaviour. Recent developments in Nigeria’s public sector financial management framework are the new normal rules, norms that need to be adhered to.

Resource Curse Theory

The theory propound by Joseph Addison and Richard Steele in England, lasting from 1711 to 1712. Beginning on 1 March 1711. The resource curse, also known as the paradox of plenty, refers to the paradox that countries with an abundance of natural resources (such as fossil fuels and certain minerals), tend to have less economic growth, less democracy, and worse development outcomes than countries with fewer natural resources.. Most experts believe the resource curse is not universal or inevitable, but affects certain types of countries or regions under certain conditions. Anthony (2016) and Ross (2015) made the idea that resources might be more of an economic curse than a blessing began to emerge in debates in the 1950s and 1960s about the economic problems of low and middle-income countries. The clamour for public sector financial management reforms are encouraged by the argument presented under the “resource curse theory”. Studies and life experiences had shown that resource producing countries like Nigeria are faced with challenges of resource and revenue management of which the populace are daily struggling and clamouring for government to do more. People realized that the effectiveness and efficiency of government financial control is not felt on the life of people and their economy.

Public Expenditure Management Theory

Erik Lindahl a Swedish Economist “Propounded this theory in 1919”. According to his theory, determination of public expenditure and taxation will happen on the basis of public preferences which they will reveal themselves. The tax that they will pay will be revealed by them according to their capacities and budget planning and execution. Walle (2007) Development Budget and planning, which is now practiced in one form or another in more than a hundred countries, has been viewed primarily as a feature of the developing countries. Planning in a general sense is, of course, common to all governments, although the specific emphasis and the techniques of planning depend on the prevalent political philosophy. In developing countries, planning is primarily concerned with the delineation of the role of the government sector in national economic development. It stresses the need to understand the rules of the game that govern the budget formulation and execution and the way institutions influence choices and achievement of government objectives Schick (1998).

Agency Theory

The broad agency theory perspective led reformers to emphasize the totality of the relationship between principals and agents and, therefore, to move beyond the previous attempts at reform that had focused on particular management improvements. Instead, the translation of these concepts into practical policy design emerged in a set of principle that were applied in a reasonable, uniform way across the government (Boston and Pallot, 1997). A government's public management reform strategy is clearly broad and diverse. It does not draw upon any single theory of how to improve organizational performance in the public sector (other than the meta -theory that central government can improve services by issuing management prescriptions to local agencies). Walsh, (1995) argues that the public (as principals), on whose behalf politicians and bureaucrats (as agents) are supposed to govern, is unable to hold the latter accountable because of insufficient information (information asymmetry), the incompleteness of the contracts of employment, and the problems of monitoring behaviour (Walsh, 1995; Lane, 1995). The public sector under performs because state officials pursue their own narrow self-interests rather than the public interest. It is difficult to extract accountability and good performance from public servants (agents) because of the monopoly characteristics of public services, imperfect information about the services, and about the abilities and interests of public employees, and the huge transaction costs that would be involved in efforts to write and monitor complete contracts. One solution to the problem of the public sector is to expose the public services to greater competition. The result of the above drivers for change is that the role and institutional character of the state have been under increasing pressure to be more market-oriented and management.

Modern Monetary Theory

This theory `deals with how sovereign government should act, operate, especially in terms of the management of finance and the impact of her action on the economy. Udo and Esara (2016) are of the view that the government should aggregate all government revenue into one single account. This theory advocates for the concurrent existence of the Treasury Single Account (TSA) and the Central Bank of Nigeria such that the Central Bank of Nigeria, being the apex bank is allowed to be in charges and in control of the single treasury account (TSA).

METHODOLOGY

This study employs the ex-post facto research design, with specific focus on the longitudinal Panel Series design which is a quasi-experimental study examining how an independent variable, present prior to the study in the participants affects a dependent variable. The ex-post facto research design was employed because this study relies mainly on already established secondary data of the educational institutions, which are extracted from annual financial statements of the respective institutions. Also, this method entails the use of quantitative, statistical or regression techniques in evaluating the research issues and problems. In addition the choice of this research design is informed by the effectiveness of the method in investigating the relationships among theoretically related variables, thus, the design is consistent with the main objective of this research. The population of the study covers twenty (20) Federal polytechnics in Nigeria as at 31st of December, 2019. A nine years period ranging from 2011 to 2019 is selected in order to bring a clearer picture of the problem in a determinable period of time. Similarly, the sample size of six (6) polytechnics was selected out of the total population of as at 2019, using the purposeful sampling technique as the basis for selection. The sample obtained was predicated on the fact that the sampled institutions enjoyed some relative stability in their academic calendar over the study period and to avoid data attrition problem. Also the sampled institutions were selected as a result of the fact that their data were the only ones complete (among the population) and readily available within the study period, in addition to the fact that they did not in any way have unfavourable issues with the key regulatory authorities

The study employs the secondary sources and method of data collection to achieve its objectives. The secondary qualitative data are derived from the financial statements of the institutions collected from the while other quantitative data were be sourced from relevant institutional publications. The study incorporates secondary sources of data to enhance a balance between the research observation and available literature on the matter under consideration and this is always believed to promote objectivity. The plan, structure and strategy of investigation are conceived so as to obtain answers to research problems. It ensures that the required data are collected and they are accurate. The data are time series and cross sectional in nature, extracted from the financial statements of the institutions under review for 9 years from the period of 2011 to 2019.

The inferential analyses in this study involves the application of the appropriate statistical technique of Panel Regression Analysis; this is due to the nature of the data. In line with the research paradigm underpinning this study and in consistent with the objectives of this study, Panel regression, Pooled Effect Model (PEM), Fixed Effect Model (FEM) and Random Effect Model (REM) or Error Component Model (ECM) regression technique of data analysis is employed as the inferential statistics analysis. Usually, the challenge facing researchers is in the determination of which model is to employ among the alternatives of PEM, FEM or REM? The answer to this question hinges around the assumption that is made about the likely correlation between the individual, or cross-section specific, error component ε_i and the X regressors. If it is assumed that ε_i and the X 's are *uncorrelated*, REM may be appropriate, whereas if ε_i and the X 's are *correlated*, FEM may be appropriate. The choice of regression as the tool of analysis in this study is informed by the fact that, the technique is effective in estimating the effect of one variable on another. Thus, the technique is consistent with the correlation and ex-post facto research design employed in the study and to subsequently clarify the study objective.

Model Specification

The broad objective of this research is to estimate the impact of financial control (actual capital budget, actual recurrent budget and revenue generated) on public sector financial management (average budgeted expenses) in selected educational institutions in Nigeria Based on data set of the study, the general form of the model as encapsulated above shows that this study estimates the following relationship;

$$ABE_{it} = f(X) \dots \dots \dots (3.1)$$

Where:

ABE_{it} = Represents average budgeted expenses as the dependent variable.

X = Represents battery of Independent variables as encapsulated by financial control. This is further measured by actual capital budget, actual recurrent budget and revenue generated.

Thus, incorporating the dependent and independent variables into equation 3.1, and specifying the model in the form in which it can be estimated, the model of the study is therefore specified in the following functional form:

$$ABE_{it} = \beta_0 + \beta_1 \sum FC_{it} + \epsilon_{it} \dots \dots \dots (3.2)$$

Where:

ABE_{it} = Average budgeted expenses

FC_{it} = Financial control

β_0 = Institution-specific intercept representing unobserved individual characteristics.

β_1 = coefficient of FC_{it}

ϵ = stochastic error term

However, the dependent variable; average budgeted expenses and the independent variable financial control cannot be directly observed. Hence, proxy variables will be employed. Following Bala, Amran and Shaari (2018), Abdullah and Ismail (2016), Al-Rassas and Kamardin (2015), the study employs Kothari, Leone and Wasley (2005) to function as a method for identifying financial control and average budgeted expenses. The error terms from the model represent the absolute variables. Consequently, incorporating the variables of the study into equation 3.2 and additionally specifying the model in the form in which it can be estimated precisely in line with the three research hypothesis stated in chapter one, the model of the study is clearly specified as follows:

Model of the Study: Based on Hypothesis one, two and three, the explicit form of the model in equation (3.2) is expressed as:

$$ABE_{it} = \beta_0 + \beta_1 ACB_{it} + \beta_2 ARB_{it} + \beta_3 RG_{it} + \epsilon_{it} \dots\dots\dots(3.3)$$

Where:

ABE_{it} = Average budgeted expenses

β_0 = Institution-specific intercept representing unobserved individual characteristics.

β_1 = coefficient of ACB_{it}

β_2 = coefficient of ARB_{it}

β_3 = coefficient of RG_{it}

ACB_{it} = Actual capital budget

ARB_{it} = Actual recurrent budget

RG_{it} = Revenue generated

ϵ = stochastic error term

The *a priori* expectation: $\beta_0, \dots, \beta_1 > 0$ while $\beta_2 < 0$. This implies all the explanatory variables are positively related to the dependent variable except the ones that have negative relationship.

RESULT AND DISCUSSION

In order to have glimpse of the data used in the study, a first pass at the data in form of Pre-estimation result focussing exclusively on the descriptive statistics as well as the correlation matrix was carried out, as further explained and articulated below. Similarly, the Panel Data Properties of the Variables encompassing the fixed effect likelihood ratio and the hausman test as well as the breusch-pagan langranger multiplier test were also closely examined. Consequently, the post-estimation results, in form of robustness analysis encompassing the heteroskedasticity, normality and serial correlation results were also put forward.

Descriptive Statistics

Descriptive statistics gives a presentation of the mean, maximum and minimum values of variables applied together with their standard deviations obtainable. The table below shows the descriptive statistics for the variables applied in the study. An analysis of all variables was obtained using the E-view 10 software for the period under review.

Table 1: Descriptive Statistics Result

	ABE	ACB	ARB	RG
Mean	3.859444	1.614444	6.104444	5.127407
Median	3.352500	1.215000	5.320000	4.340000
Maximum	10.55500	4.880000	16.23000	14.33000
Minimum	1.315000	0.040000	2.010000	0.130000
Std. Dev.	2.144146	1.339205	3.079693	3.319688
Skewness	1.232382	0.896971	1.279128	0.611938
Kurtosis	4.062593	2.672514	4.580578	2.894189
Jarque-Bera	16.20938	7.482318	20.34653	3.395402
Probability	0.000302	0.023727	0.000038	0.183104
Sum	208.4100	87.18000	329.6400	276.8800
Sum Sq. Dev.	243.6602	95.05393	502.6789	584.0772
Observations	54	54	54	54

Source: E-View 10 Output (2021)

Table 4.1 presents the descriptive statistics of the impact of financial control on public sector financial management in selected educational institutions in Nigeria, during the period of 2011 to 2019. The table shows that Average Budgeted Expenses (ABE) as a measure of Public Sector Financial Management has a mean of 3.859444 with a standard deviation of 2.144146 and the minimum and maximum values of 1.315000 and 10.55500 respectively. Although the range between the minimum and maximum is wide, it implies a stable performance as the standard deviation indicated that there is no wide dispersion of the data from the mean value. For the other measure of Financial Control, Annual Capital Budget (ACB) from the table shows a mean of value of 1.215000 with standard deviation of 1.339205 and the minimum and maximum values of 0.040000 and 4.880000 respectively. This implies that of financial control in terms of annual capital budget witnessed minimal fluctuations during the study period, as the standard deviation is not so large compared to the mean, together with the minimal range between the minimum and maximum values. Similarly, the table shows that the annual recurrent budget (ARB) during the period has an average value of 6.104444 with standard deviation of 3.079693 and the minimum and maximum values of 2.010000 and 16.23000 respectively. This implies a tremendous increase in the annual recurrent budget during the study period. Also the mean values for Revenue Generated (RG) is 5.127407 and the standard deviation also indicates the value to be 3.319688. The minimum and maximum values for revenue generated is 0.130000 and 14.33000 respectively.

The standard deviation values shown on table 4.1 indicate the dispersion or spread in the data series. The higher the value of the standard deviation, the wider the deviation of the series from its mean. Similarly, the smaller the value of the standard deviation, the lower the deviation of the series from its mean. The variable with the highest degree of dispersion from the mean is revenue generated, while the variable with the lowest degree of dispersion from the mean is annual capital budget. Skewness which measures the shape of the distribution and equally shows the measure of the symmetry of the data set, indicated that ABE, ACB, ARB and RG are all positively skewed and have values greater than zero which suggests that the distribution tails to the right-hand side of the mean, except for ACB and RG, which though are not negatively skewed, but has values less than one. Hence, the distributions of all the variables (ABE, ACB, ARB and RG) are positively skewed, considering that their values are greater than zero, in addition to the fact that their mean are greater than their median.

Kurtosis value measures the peakness and flatness of the distribution of the series. If Kurtosis value is less than 3, it means the distribution of the variable is normal, but when it is more than 3, the distribution of the variable is said to be abnormal. Variables with value of kurtosis less than three are called platykurtic (fat or short-tailed) and only ACB and RG with a kurtosis value of 2.672514 and 2.894189 respectively, qualified for this during the study period. On the other hand, variables whose kurtosis values are greater than three are called leptokurtic (slim or long tailed) and the variables; ABE and ARB qualified for this during the study period. The Jarque-Bera statistic is for testing normality of a variable. If the variable is normally distributed, the histogram will be bell-shaped and as such the Jarque-Bera test of normality is an asymptotic, or large-sample test. Jarque-Bera also measures the difference between the skewness and kurtosis of each of the variables. ARB has the highest Jarque-Bera value of 20.34653, while RG has the lowest Jarque-Bera value of 3.395402. The Jarque-Bera for ABE and ACB are 16.20938 and 7.482318 respectively. With respect to the descriptive statistics, which is based on the raw data and at 5% level of significance, three variables of the study (ABE, ACB and ARB) showed that individually, their P-values are less than 5%, therefore, the null hypotheses is hereby rejected and it can be concluded that the three variables are statistically significant. However, RG as an additional variable of the study, showed that individually, the P-value of RG is greater than 5% at 0.183104, therefore, the null hypotheses is hereby accepted and it can be concluded that the variable is statistically insignificant.

Table 2: Correlation Matrix Result

	ABE	ACB	ARB	RG
ABE	1.00000 -----			
ACB	0.931446 0.000000	1.00000 -----		
ARB	0.987402 0.000000	0.862135 0.000000	1.00000 -----	
RG	0.897529 0.000000	0.861581 0.000000	0.875098 0.000000	1.00000 -----

Source: E-View 10 Output (2021)

The Pearson correlation coefficient (r) was employed to establish the measures of associations between the variables. Table 4.2 above shows the Pearson correlation coefficient (r) and the respective probabilities of the relationship between public sector financial management variable (ABE) and financial control variables (ACB, ARB and RG). The results show that the coefficient of the correlation between ABE and ACB stood at 0.931446 which is positively correlated. This implies that an increase in ABE would lead to a substantial increase in ACB to the tune of 93%. This is supported by its p-value which is 0.0000 stating that the correlation is significant at 5%. The coefficient of the correlation between ABE and ARB stood at 0.987402, which is equally positive. This implies that an increase in ABE would lead to a substantial increase in ARB to the tune of 98%. Furthermore, the coefficient of the correlation between ABE and RG stands at 0.897529, which is also positive and this implies that an increase in ABE would lead to a significant increase in RG.

Table 3: Fixed Effect Likelihood Ratio Table

Redundant Fixed Effects Tests

Equation: Untitled

Test period fixed effects

Effects Test	Statistic	d.f.	Prob.
Period F	0.879454	(9,297)	0.5439
Period Chi-square	8.153373	9	0.0188

Source: E-View 10 Output (2021)

The Result of fixed effect likelihood ratio test shows that chi-square statistics value is 8.153373 while the probability values of is 0.0188. This implies that there is enough evidence to reject the null hypothesis which states that pooled effect is most appropriate for the Panel Regression analysis. It thus stands that error component model (pooled effect) estimator is not appropriate because the pooled effects are probably correlated with one or more regressors. Thus, the most consistent and efficient estimation for the study, given the options of a pooled effect analysis and a fixed effect analysis, is the fixed effect model of regression analysis. Consequently, the result suggests that the fixed effect regression model is most appropriate for the sampled data (given the two options as encapsulated above), because the likelihood ratio test statistics as represented by corresponding probability value is greater than 5%. It is most logical therefore to proceed to another test which is the hausman test, which will show the appropriateness of otherwise of using the fixed effect model or the random effect model.

Table 4: Hausman Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	457.478003	3	0.0630

Source: E-View 10 Output (2021)

The Result of Hausman test shows that chi-square statistics value is 457.478003, while the probability values of is 0.0630. This implies that there is enough evidence to accept the null hypothesis which states that random effect is most appropriate for the Panel Regression analysis. It thus stands that error component model (random effect) estimator is most appropriate because the random effects are well correlated with the regressors. Thus, the most consistent and efficient estimation for the study is the Random effect cross-sectional model. Consequently, the result suggests that the random effect regression model is most appropriate for the sampled data because the Hausman test statistics as represented by corresponding probability value is greater than 5%.

Table 4.5 Robustness Test (Heteroskedasticity Test)

Panel Cross-section Heteroskedasticity Test

Null hypothesis: Residuals are homoskedastic

Equation: UNTITLED

Specification: ABE ACB ARB RG

	Value	Df	Probability
Likelihood ratio	37.52617	6	0.0521

LR test summary:

	Value	Df
Restricted LogL	1705.214	51
Unrestricted LogL	1723.977	51

Source: E-View 10 Output (2021)

Table 4.5 shows the results of the panel cross-section Heteroskedasticity regression test. The decision rule for the panel cross-section Heteroskedasticity test is stated thus:

***Decision Rule: At 5% level of Significance**

H₀: No conditional Heteroskedasticity (Residuals are homoskedastic)

H₁: There is conditional Heteroskedasticity

The null hypothesis of the test states that there is no Heteroskedasticity, while the alternate hypothesis states that there is Heteroskedasticity. The null hypothesis is to be accepted if the P value is greater than 5% level of significance. From the result in table 4.6 above with a ratio value of 37.52617 and a corresponding probability value of 0.0521 which is greater than 5%, the study therefore accepts the null hypothesis and reject the alternative hypothesis that there is no Heteroskedasticity problem. Consequently, based on the robustness probability 0.0521 the null hypothesis is accepted, thus there is no conditional heteroskedasticity, indicating that residuals are homoskedastic and as such the samples give a true reflection of the population.

Test of Research Hypothesis

In panel regression analysis, the ultimate goal is estimation of the relationship between dependent and independent variables. This goal can be achieved through the estimation of the coefficients of each independent variable in the model. The sign of coefficients of independent variables indicate their relationship with dependent variable, while the magnitude of the coefficients implies the responses of dependent variables to independent variables.

Decision Rule: The decision rule for accepting or rejecting the null hypothesis for any of these tests will be based on the Probability Value (PV) and the Probability (F-statistic). If the PV is less than 5% or 0.05 (that is, if $PV < 0.05$), it implies that the regressor in question is statistically significant at 5% level; and if the PV is more than 5% or 0.05 (that is, if $PV > 0.05$), it is categorized as not significant at that level. This implies that the level of significance for the study is at 5% (for the two-tailed test). Thus, the decision rule for accepting or rejecting the null hypothesis is based on both the Probability Value (PV) and the Probability (F-statistic). The result of the estimated regression model is presented below.

Table 4.6: Hypothesis One/Two/Three (Random Effect)

Dependent Variable: ABE

Method: Panel EGLS (Cross-section random effects)

Date: 06/09/21 Time: 18:27

Sample: 2011 2019

Periods included: 9

Cross-sections included: 6

Total panel (balanced) observations: 54

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.03E-15	6.42E-15	-0.471844	0.6391
ACB	0.500000	2.99E-15	1.67E+14	0.0000
ARB	0.500000	1.49E-15	3.35E+14	0.0000
RG	0.000000	1.03E-15	0.000000	1.0000

Effects Specification

	S.D.	Rho	
Cross-section random	1.01E-14	0.5681	
Idiosyncratic random	8.76E-15	0.4319	
Weighted Statistics			
R-squared	1.000000	Mean dependent var	1.077232
Adjusted R-squared	1.000000	S.D. dependent var	1.391038
S.E. of regression	7.66E-16	Sum squared resid	2.93E-29
F-statistic	5.83E+31	Durbin-Watson stat	0.859209
Prob(F-statistic)	0.000000		
Unweighted Statistics			
R-squared	1.000000	Mean dependent var	3.859444
Sum squared resid	1.02E-28	Durbin-Watson stat	0.246908

Source: E-View 10 Output (2021)

From table 4.6 above, the coefficient of multiple determinations (R^2) is 1.0000. This indicates that about 1.000000% of the total variations in average budgeted expenses is explained by the variations in the independent variables (ACB, ARB and RG), while the remaining 0.0000% of the variation in the model is captured by the error term. This indicates that the line of best fit is highly fitted. The standard error test is applied in order to measure the size of the error and determine the degree of confidence in the validity of the estimates. Usually if the standard error is smaller than half the numerical value of the parameter estimate, it can be concluded that the estimate is statistically significant. Having carried out a standard error test on the parameters estimated and as also indicated by their respective probability values, the parameter estimate for RG is not statistically significant, given that the individual probability is 1.0000 which is greater than 5%, while that of ACB and ARB are statistically significant, given that the individual probabilities are 0.0000 and 0.0000 respectively, which is less than 5%. Similarly, when taken collectively the value of F-statistic is 5.830000 and the value of the probability of F-statistic is 0.000000. This result implies that the overall regression is though positive and statistically significant at 5%.

The coefficient of Annual capital budget (ACB) is 0.500000, while that of Annual recurrent budget (ARB) is 0.500000, while that of Revenue generated (RG) is 0.000000. This shows that both ACB and ARB as independent variables are positively related to ABE, while RG even though positive is both neutral and insignificantly related to ABE, such that a unit increase in ACB will increase ABE and ARB by 50% approximately, while a unit increase in RG will not lead to any increase in ABE. This result is consistent with 'a priori' expectation which hypothesizes that increase in ACB and ARB will lead to a significant increase in ABE and the empirical evidence suggests that the relationship between ACB, ARB and ABE is statistically significant. Consequently, when taken collectively and based on the probability (F-Statistics) value of 0.000000 the null hypothesis is hereby rejected.

Discussion of Findings

This study succinctly examined the impact of financial control on public sector financial management in selected educational institutions in Nigeria using panel series data and regression analysis approach. The financial control proxied by actual capital budget (ACB), actual recurrent budget (ARB) and revenue generated (RG), for six (6) accredited federal polytechnics in Nigeria for the period of 9 years ranging from 2011 to 2019 were utilized as the independent variables of the study, while the average budgeted expenses (used to proxy Financial control) was the dependent variable of the study. The

effect of the independent variable on each dependent variable was analyzed in terms of strength and significant and the panel regression analysis was used to compare the relationship among the variables.

The result for the panel regression analysis, using the random effect model based on the relevant tests conducted (Hausman and Fixed effect likelihood ratio tests), showed that when taken individually and collectively, actual capital budget (ACB), actual recurrent budget (ARB) and revenue generated (RG), taken as the measure of financial control, has a positive and significant effect on average budgeted expenses, taken as a measure of public sector financial management. This implies that financial control is a significantly and relevant predictor of public sector financial management in tertiary educational institutions in Nigeria, particularly with reference to polytechnic institutions in Nigeria. That is to say there are empirical evidences to suggest that the attributes exhibited by financial control within the public sector domain of tertiary education, which naturally should promote transparency in budgetary frameworks of tertiary educational institutions in Nigeria, is gradually having the desired effect. As such, the empirical evidences suggest that the policy framework encapsulated in the financial control instruments of the regulatory institutions that have oversight over polytechnic management in Nigeria, is capable of exerting the needed level of influence that is required to improve the public sector financial management of tertiary institutions in Nigeria.

This finding is in agreement with the research efforts of Edogbanya Adejoh and Ja'afaru (2013), who undertook a study on impact of revenue Generation on government developmental efforts in Nigeria. Findings from the study reveal that there is a significant relationship between revenue generated and developmental effort of government particularly in areas where poor development, lack of basic social amenities to the rural people and lack of revenue to maintain the existing infrastructures is prevalent. This led the researchers to recommend that governments across board should provide basic amenities of high quality through various revenue generated. The finding of this study is also in consonance to the results of the empirical work of Rathirane (2011), who conducted a study on the impact of financial control on organizational performance and concluded that there is positive and significant relationship between financial and budgetary control and organizational performance. Financial control was analyzed using various analysis methods such as ratio analysis, percentage analysis and gap analysis were used to measure the effectiveness of financial control. Organizational performance was measured using budgetary control with the significance of variance. The study posited that when the budgetary control is ineffective, the organizational performance based on budgetary control shows an abysmal result, while the effectiveness of financial control leads to better organizational performance. The study is also in agreement with the works of Mary (2014) who conducted a study on the effects of Financial Accountability on the efficiency of governance sectors. The study concluded that financial accountability has positive and significant effect on the governance sector in any economy.

However, the result of the empirical analysis is in contrast to the findings of Maimako (2005), who conducted a research on the role of financial control institutions in promoting financial accountability in the public sector in Nigeria. The research shows that budgetary non-compliance is quite a common phenomenon and as such there is no significant impact of financial control on public sector financial management. This was mainly attributed to infringements on financial rules and regulations and so the study recommends a balanced redistribution of financial powers among the executive, legislature and the auditor-general to promote the discharge of financial accountability. The finding of this study is also in disagreement with the findings of Anichebe (2012), who undertook a study on financial accountability and transparency in the Nigerian public sector. Findings from the study reveal an insignificant relationship between financial control and public sector financial management. This was also attributed to the fact that public financial managers do not enhance the implementation of financial accountability and transparency, financial accountability and transparency is not yet improved in the Nigerian public sector; and public financial managers do not adhere to the rules for the accountability

and transparency. This led the researcher to recommend that the Nigerian value system must be changed so as to stamp out dishonesty and the use of double standard in handling government matters and that regular workshop, seminars and trainings should be organized for public accounting officers for better efficiencies. Consequently, this study is also in contrast to the empirical efforts of Richardson and Nelson (2017), who studied budgeting for development: lessons from the Nigerian capital budget implementation. Their findings reveal that the level of capital budget implementation is insufficient to foster the desired development in Nigeria and the poor performance is attributable to inadequacy in the budget implementation plans, non-release or late release of budgeted funds and lack of budget performance monitoring. The researchers recommend a paradigm shift in budgeting by developing a realistic and credible budget guided by relevant fiscal rules in tandem with the needs and financial capability of the country in order to take care of uncertainties in revenue.

CONCLUSION AND RECOMMENDATIONS

In the accounting and financial literatures, several studies have investigated the link between financial control and public sector financial management. This research contributes to the strands of literature by investigating the impact of financial control on public sector financial management in tertiary educational institutions in Nigeria, with specific focus on polytechnic education. A positive and statistically significant relationship exists between financial control and public sector financial management in Nigeria and this result support the findings of Edogbanya Adejoh and Ja'afaru (2013), Rathirane (2011), as well as Mary (2014), who found similar results. The policy implication of the finding from the analysis in this study is that financial controls is contributing immensely and has the great potential to continue to spur Nigeria's tertiary educational institutions, particularly the polytechnics to increased and more efficient public sector financial management, as well as provide a spring board that can enable the public educational sector at large, to emerge as a quality-oriented sector in terms of its financial management, with its attendant positive multiplier effects on the overall economy. This revelation is instructive, given the magnitude of activities within the public educational service sector of the Nigerian economy. The conclusion of the study therefore is that financial control has a significantly positive impact on public sector financial management and does substantially reduce the inefficiencies associated with the budgetary frameworks of polytechnics particularly, in Nigeria. This conclusion is substantive where financial control is proxied by actual capital budget, actual recurrent budget and revenue generated. The result and the findings of the study present implication for regulators such as the National Board for Technical Education (NBTE), The Federal Ministry of Education, the Ministry of Finance, financial regulating council and also professional bodies like ICAN and ANAN, just to mention a few.

Since every sector of the economy, including the tertiary institutions in Nigeria and particularly the polytechnics, are highly dependent on the expertise of government as encapsulated by the various financial control measures, such as budgetary regulations and instruments, coupled with the fact that value for money is a necessity for every public sector institutions, agencies and departments (based on subsisting regulatory requirements), the continued insistence on full compliance to every form of best practices in the public institutions, as well as the tertiary service sector as a whole, is of great and immerse benefit to managers of the public institutions, the educational sector, the economy at large and to the citizenry of the country. Anything to the contrary may suggest presence of 'Dutch Disease' in the country. This means that, in spite of the right regulatory framework for all sectors of the economy, failure to achieve effective public sector financial management and efficient budgetary control, can compromise the performance of the public tertiary educational institutions, as well as lead the Nigerian educational sector to the path of slow and inefficient growth. Based on the findings of the study and its implication on the overall activities of the public tertiary educational institutions in Nigeria, the following recommendations are made:

- i. The financial control instruments in Nigeria, particularly as it relates to capital budgeting, recurrent budgeting and revenue generated, must be put together by only those who have the right skills and competencies to package such a document that has great multiplier effect on the overall public educational service sector in Nigeria. This will go a long way to reduce the inefficiencies associated with public financial management in Nigeria.
- ii. Managers of public tertiary institutions finances, particularly those to be saddled with such responsibilities in the polytechnics should be selected and judged on the basis of effectiveness, efficiency and output and not just on the experience garnered. This is because the functions of effective management of capital and recurrent components of public budgets and public financial management systems as a whole, requires the requisite skills and competences of the individuals and that must not be compromised.
- iii. Regulatory bodies such as the National Board for Technical Education (NBTE), the Federal Ministry of Finance, Federal Ministry of Education, should further strengthen its policy on budgetary control and implementation, in other to guarantee that budgets are packaged and implemented by tertiary institutions (particularly polytechnics in Nigeria), only in the way and manner that is deliberately intended by the government, as well as to guarantee the growth and development of the public institutions.
- iv. Public educational institutions in Nigeria should endeavour to lay premium and specific emphasis on more efficiency and effectiveness in their local institutions, by ensuring that only the services of qualified accountants and personnel are engaged in the implementation of financial controls and budgetary activities in the respective institutions. This is to further guarantee the needed level of effectiveness, efficiency, functionality and productivity in the public sector financial management.

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CORPORATE AUDIT ATTRIBUTES AND AUDIT REPORT LAG OF LISTED FINANCIAL FIRMS IN NIGERIA

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Abstract

This study examines corporate audit attributes and audit report lag of listed financial firms in Nigeria. The study uses panel data obtained from the Nigerian Stock Exchange fact books and the audited financial statements of thirty (30) listed financial firms over a period of ten years (2011-2020). The study adopts ex-post facto research design using cross sectional data to examine the effects of independent variables (audit fee, audit firm type, audit firm tenure and audit committee expertise) on the dependent variable (audit report lag). The data was analyzed using EViews 9. The study reveals that the audit fee has negative effect on audit report lag listed financial firms in Nigeria. Also, the study reveals that audit firm type has negative and significant effect on the audit report lag of financial firms in Nigeria. The study further reveals that audit firm tenure has positive and significant effect on the audit report lag of listed financial firms in Nigeria during the period of the study. Similarly, the study concludes that audit committee expertise has negative and significant effect on the audit report lag of financial firms in Nigeria during the period. Based on the conclusion, the study recommends that management of listed financial firms should consider the regulation guiding financial report to ensure reliable, timely and quality financial report. This will increase the overall credibility of the financial reports as well.

Keywords: Audit Report Lag, Audit Firm Type, Audit Firm Tenure, Audit Committee Expertise

INTRODUCTION

Auditors have recently been under pressure to guarantee that their reports provide investors with comfort that their monies are being used wisely and correctly accounted for. In Nigeria, every incorporated company is required to employ an external auditor, who is responsible for providing an impartial opinion on the financial statements, including whether they present a truthful and fair picture. Subsection (1) of Section 404 of the Companies and Allied Matters Act (CAMA, 2020) states that a company's auditors must make a report to its members on the accounts examined by them, as well as on every balance sheet (statement of financial position), profit and loss account (statement of financial performance), and all group financial statements, copies of which are available. In addition to the report made under subsection (1), the auditor's report must include the topics set out in the Fifth Schedule, and the auditor must make a report to an audit committee constituted by the public company in the event of a public business. (3) The audit committee referred to in subsection (2) shall be composed of five members, three of whom are executive directors and two of whom are non-executive directors. Members of the audit committee are not paid and are elected yearly. (4) The audit committee shall review the auditors' report and, if appropriate, make recommendations to the annual general meeting. (5) All members of the audit committee must be financially knowledgeable, with at least one member belonging to a professional accounting organisation in Nigeria constituted by a National Assembly Act. (6) Any member may nominate another member of the company to the audit committee by submitting a written nomination to the company's secretary at least 21 days before to the annual general meeting, and any nomination received after the deadline is void. In carrying out his duties, the auditor should use the same level of caution and thoroughness that is required in every other circumstance.

The amount of time between a company's financial year-end and the date of the auditor's report is commonly referred to as the audit report lag, and as a result, it is referred to as the number of days between a company's financial year-end and the report date (Ashton, Willingham & Elliot, 1987).

Audit report latency has been viewed and managed from a variety of perspectives; while some prefer to concentrate on audit time lag, others have employed management lag and overall lag. In this study, audit report lag is defined as the number of days between the end of the fiscal year and the signing and presentation of the audited financial statements to the shareholders at the annual general meeting. Financial reporting is the process of management generating and publishing audited financial reports to account for their stewardship. One of the most important qualitative characteristics of any high-quality accounting information is the timeliness of the published audited yearly reports and accounts. Auditor reports must be written and made available to the public in a timely manner for them to be useful. Financial reports that are timely and credible are important to users of financial data and other stakeholders in a company (Leventis, Weetman&Constantinos, 2005). A company's managers are stewards tasked with preparing financial statements and accountable to its shareholders. Before final disclosure, a professional audit firm must certify the financial information to increase the credibility of financial reporting. The audit report lag is the delay between the end of the accounting year, the creation of financial statements, and the release of the audit report (Carslaw& Kaplan, 1991).

Investors, regulators, managers, creditors, and other users of financial data all value an audit report. Furthermore, the accounting profession considers financial report timeliness to be critical for investors, regulators, and professional organizations (Soltani, 2002). The timeliness of financial reports, according to the International Accounting Standard Board [IASB], (2008), refers to the posting of financial statements when they are due. The requirement for reliable and accurate financial information In Nigeria, there has been a rise in reporting. Companies must present local and international investors with timely financial information. Financial information sources in developing countries are less reliable than in developed countries (Dibia& Onwuchekwa, 2013). Furthermore, regulatory agencies in developing countries have a harder time monitoring and enforcing legal responsibilities (Dibia& Onwuchekwa, 2013). As a result, in order to comply with regulatory requirements, companies must publish their financial reports on a timely manner. As a result, investors and stakeholders will be able to make more informed investment decisions. According to Oladipupo and Izedonmi (2009), a setback in business financial reporting is unavoidable, and the delay is caused in part by management as well as the auditors. In the financial reporting process of a corporation, the board or management has a lot of leeway. No external auditor will start auditing unless the management provides a draft copy of the annual report and accounts. In a similar vein, management has a responsibility to play in enabling the start and development of the audit process. The audit report will be made available to management at the conclusion of the audit work so that they can take responsibility and organize an Annual General Meeting (AGM) at which the audited annual report and accounts can be presented to the shareholders. Management has a lot of leeway when it comes to things like filing copies of audited yearly financial reports with regulatory agencies including the Securities and Exchange Commission (SEC), the Corporate Affairs Commission (CAC), the National Insurance Commission (NAICOM), and the Nigeria Stock Exchange (NSE).

According to SEC (2019) regulations, the reports to be filed under schedule II (Penalties/fines) of current rule 51 (1) (b) & (c) of the existing rule 51 (1) (b) & (c) of the existing rule 51 (1) (b) & (c) of the existing rule 51 (1) (b) & (c). Annual accounts certified by an auditor and prepared on a calendar or fiscal year basis must be filed not later than six (6) or three (3) months after the end of the accounting year, according to the revision in (b). (c) A market operator shall be sanctioned and referred for further enforcement action if he or she fails to file quarterly returns twice in a year and nine (9) or six (6) months after the annual account becomes due. If an operator was not active during a reporting period, he or she must file a nil return accompanied by an affidavit. Schedule II (Penalties/Fines) has been amended to include a penalty of N2,000.00 per day for late filing of

quarterly/yearly returns for the period of default. The non-filing of quarterly/yearly returns attracts a fine of N5, 000.00 per day for the period of default.

Quoted companies must submit their annual audited accounts to the Nigeria Stock Exchange (NSE) no later than 90 calendar days after the relevant year end and publish them in at least two national daily newspapers no later than 21 calendar days before the date of the annual general meeting, according to the NSE's listing rules. They are also required under Section 5(5) of the SEC's (2019) corporate governance regulation, which specifies that public companies must post their financial statements on their website with the web address provided in newspaper publications. An electronic copy of the publication must be filed with the Exchange the same day it is published. The bulk of publicly traded organizations, including all banks, large manufacturers, insurers, oil and gas companies, breweries, and the cement industry, utilize the Gregorian calendar year. According to prior surveys, many businesses fail to submit their annual reports on time (Modugu, Eragbe&Ikhatua, 2012). As a result, the current study in Nigeria on the timeliness of Audit Report Lag (ARL) is on schedule. As a result, this study will look at the impact of corporate audit qualities on the Audit Report Lag of listed financial institutions in Nigeria. Stakeholders in the financial industry have expressed concern that most financial institutions do not hold their annual general meetings on a regular basis due to the delay in the presentation of the Auditor's report. This has led to a loss of faith in the companies' performance, with several dropping their stock prices on the Nigerian Stock Exchange. Investors have lost faith since a delay in the audit report could indicate bad performance. What could be causing the audit reports to be late at the end of the year, people wonder? The timely release of audited financial statements is important because it has two qualitative effects financial accounting information qualities, relevance, and reliability (Financial Accounting Standards Board) (FASB, 2008). Modern society is very reactive to information, and this has enhanced as a result of technological improvements that have allowed platforms to be created to make financial information more accessible to stakeholders (Sultana, Singh & Mitchell, 2015). Online trading platforms, for example, have lowered capital flow obstacles and boosted market integration, but they have also contributed to increased market volatility (Sultan, 2015). As a result, the need for audit findings to be released on time is becoming increasingly important.

A number of researchers believe that longer audit report lags are bad news for stakeholders because they increase the likelihood of fraudulent behavior (Rezaei & Shahroodi, 2015), while others believe that a longer audit report lag can be good news for users of financial information like investors when fraud detection effectiveness is high (Yim, 2010). As a result of the conflicting findings, auditors and management of publicly traded financial firms are under pressure to produce audit reports as soon as possible. Prior research has shown that corporate audit attributes are linked to audit report latency (Henderson & Kaplan, 2000). Several studies on audit report lag in Nigeria have been undertaken, including Iyoha, (2012), Modugu, Eragbhe, and Ikhatua, (2012); Oladipupo, (2011); and Fagbemi and Uadiale, (2011), but they focused on industries other than financial firms. These disparities could be explained by changes in the authors' techniques, the locations or settings in which the research were done, the type of data and sources in different jurisdictions, and the policy direction, among other things. This study adds to the body of knowledge by giving empirical evidence on the impact of corporate factors on the audit report lag of Nigerian listed financial institutions.

LITERATURE REVIEW

Conceptual Framework

Audit Report Lag

The number of days between the end of the reporting year and the date of the Annual General Meeting, which is closer to the period when the financial statements are released to the public, is referred to as the audit report lag. It refers to the time it takes for corporations to make their audited financial statements available to shareholders. The number of days between the end of the fiscal year and the date of the audit report is known as the audit report lag (Alan, David, & Jason, 2014). The audit report lag (ARL) is the number of days that pass between the conclusion of a company's fiscal year and the signing of the auditor's report. The term "report lag" refers to a delay in completing audit work. The impact of the report on the financial user's loss is delayed.

The longer the lag, the longer it takes to publish the financial report. It means that users will have to wait longer to use it as a decision-making tool (Handoko, Swat, Lindawati, & Saputra, 2020). According to the Securities and Exchange Commission (2019) regulations, the reports to be filed in schedule II (Penalties/fines) of existing rule 51 (1) (b) & (c) of the existing rule 51 (1) (b) & (c) of the existing rule 51 (1) (b) & (c) of the existing rule 51 (1) (b) & (c). Annual accounts certified by an auditor and produced on a calendar or fiscal year basis must be filed not later than three (3) or six (6) months after the end of the accounting year, according to the revision in (b). (c) A market operator who fails to file quarterly returns twice in a year and nine (9) or six (6) months after the annual report is due. If an operator was not active during a reporting period, he or she must file a nil return accompanied by an affidavit. Schedule II (Penalties/Fines) has been amended to include a penalty of N2,000.00 per day for late filing of quarterly/yearly returns for the period of default. Non-filing of quarterly/yearly returns results in a punishment of N5,000.00 per day for the period in which the return is not filed. Quoted companies must submit their annual audited accounts to the Nigeria Stock Exchange (NSE) no later than 90 calendar days after the relevant year end and publish them in at least two national daily newspapers no later than 21 calendar days before the date of the annual general meeting, according to the NSE's listing rules. They are also required under Section 5(5) of the SEC's (2019) corporate governance regulation, which specifies that public companies must post their financial statements on their website with the web address provided in newspaper publications. On the same day as the publication, an electronic copy of the publication must be lodged with the Exchange.

Audit Fees

The amount of money charged by an auditor to a customer for auditing their financial accounts is known as the audit fee. It is calculated using scale rates published by the ICAN, ANAN, or any other recognized accounting body, and is based on the effective time spent and expertise skilled engaged on the audit task. It refers to payments given to the auditor in connection with the auditing role. The audit charge should, in general, cover audit costs while also providing an acceptable profit. Section 408 subsection (1) of the Companies and Allied Matters Act (2020) specifies that the pay of a company's auditors is governed by the Companies and Allied Matters Act (2020). (a) may be fixed by the directors in the event of an auditor selected by the directors; or (b) shall be fixed by the company in general meeting or in such a manner as the company in general meeting may designate, subject to paragraph (a). For the purposes of subsection (1), "remuneration" includes payments paid by the firm for the auditors' expenses, according to subsection (2). Audit fees are the fees paid to financial auditors for the certification of financial statements, according to International Standards on Auditing (ISA) No.15 (2011). It is the amount of fees charged by an auditor for doing an audit on a company's accounts. An audit fee is a payment received from a client upon completion of an audit. Audit fees were defined as the amount charged by the auditor for the audit assignment of a client in a research by Hoitash, Hoitash, and Bedard (2005). The audit fee is defined in this study as the expense incurred by a corporation in paying a public accounting firm to audit the company's financial statements.

Audit Firm Type

Large accounting firms such as Klynveld Peat Marwick Goerdeler (KPMG), Ernst & Young (EY), Akintola Williams, and Deloitte and Price Waterhouse Coopers are known as audit Big4 firms (PWC). According to previous research, Big4 firms have a shorter audit report lag than non-Big4 organizations (Ahmed, 2003). Furthermore, compared to non-Big4 organizations, Big4 businesses accomplish audit tasks more efficiently and effectively (Soltani, 2002).

Audit Firm Tenure

In this study, audit firm tenure refers to the length of the auditor-client relationship. The duration of an audit could be short, medium, or long. The duration of a short-term audit is usually one to three years. The duration of a medium-term audit is four to five years, whereas the duration of a long-term audit is six years or more. The views of various scholars on whether the duration of an audit company affects audit quality has been one of the most contentious problems surrounding auditing rules. Longer auditor tenure, according to some, impairs independence and objectivity, while longer tenure, according to others, increases auditor knowledge and competence. In the context of this study, audit firm tenure refers to the amount of years an audit firm has spent serving the needs of a certain customer. It could also relate to the time it takes an audit firm to meet the needs of a particular customer.

The length of the auditor-client connection is defined as tenure in this study. Too long of a relationship between the auditor and his client may pose a threat to independence because personal ties and familiarity may develop between the parties, resulting in less vigilance on the part of the auditor and even an accommodating attitude on the part of the latter towards the company's top executives. Aside from the challenge to independence, the audit engagement may become regular over time, in which case the auditor will spend less time detecting internal control flaws and risk sources (Okolie, 2014).

Audit Committee Financial Expertise

Financial expertise in the audit committee can be defined as a person with extensive knowledge of accounting and finance. He or she must have the attributes listed below. (i) has a basic understanding of accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves; (iii) experience in preparing, auditing, and analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience acting as a financial statement auditor. (iv) an understanding of internal controls and procedures for financial reporting; and (v) an understanding of audit committee functions (Lawrence, 2013).

Audit committee financial knowledge, according to Kalbers and Fogary (1993), increases the audit committee's influence and, as a result, delivers quality financial reporting. The importance of maintaining an independent connection between the audit committee and the auditors in order to improve the credibility of financial reporting quality for the benefit of key stakeholders is very expedient. In their managerial obligations, firms rely on the auditors' information and transparency, as well as the work of the audit committee (Cohen et al., 2004). All members of the audit committee must be financially literate, and at least one member must be a member of a professional accounting

organisation in Nigeria constituted by an Act of the National Assembly, according to Section 404 subsection (5) of the Companies and Allied Matters Act, (2020).

Leverage

Leverage, often known as the Equity or Debt Ratio, is a metric that measures a company's overall debt load and compares it to its assets or equity. It refers to the debt components of a company's capital structure. The capital structure of a company is made up of a mix of debt and equity that is used to fund its operations (Ebaid, 2009). It is utilized as a control variable, and it is calculated by dividing each firm's total debt by its total equity. Because other factors not represented in the independent variables may have an impact on audit quality, leverage was incorporated.

Firm size

The size of a company is one of the most important factors of its characteristics, which may be seen in a variety of ways, including turnover and profitability, asset structure, and the number of employees. The entire value of each firm's assets is utilized as the control variable, which is quantified by firm size. The log of the assets will be utilized to lower the values because the total assets values were too large for the regression analysis. This control variable was added because it was thought that other factors not reflected in the independent variables could affect audit quality.

Empirical Review

Audit Fees and Audit Report Lag

Patrick and Peace (2020) looked into audit fees and the time it takes for an audit report to be completed. The goal of the study was to see if audit costs are a factor in how long it takes to prepare an audit report (Audit Report Lag). The survey included thirteen manufacturing enterprises in the industrial sector. The data was analyzed using descriptive statistics, the Hausman test, and panel regression. Audit fees had a negative but small effect on audit report lag, according to the findings.

Ezat (2015) investigated the effect of audit-related factors on the audit report lag of Egyptian listed non-financial enterprises. In Audit Report Lag, variables such as audit firm industry specialization, audit tenure, audit fees, and joint audit were employed. The number of days between the date of the financial statements and the date of the signed auditor's report was used to calculate the dependent variable (audit report lag). The study used a sample of 171 companies with 513 firm-year data across a three-year period from 2011 to 2013. According to the study's findings, it takes an average of 77 days from the end of the financial year to the signing of the audit report for the studied organizations. Furthermore, the study discovered that company size, leverage, and qualified auditor report have a positive link with audit report lag using Ordinary Least Square (OLS) regression analysis of data. Further findings demonstrate that audit fees, joint audits, and audit firm sector specialism are all linked to non-financial enterprises' audit report latency in Egypt. Only non-financial companies listed in Egypt are included in the analysis. As a result, more research is needed in this field to study the impact of such factors on ARL among financial firms around the world.

The drivers of audit delay in Nigerian corporations were investigated by Modugu, Eragbhe, and Ikhatua (2012). Audit Report Lag variables such company size, profitability, debt ratio, audit fees, audit firm size, and industry type were used in the research. During the study period of 2009 to 2011, a sample of 20 listed businesses was employed. The study discovered that multinationality links of companies, company size, and audit fees paid to auditors are the key predictors of audit delay in Nigeria using Ordinary Least Square regression analysis. The total demographic from which the sample of twenty quoted businesses was drawn was not disclosed in the study.

Audit Firm Type and Audit Report Lag

Akingunola, Soyemi, and Okunuga (2018) looked at the impact of customer characteristics on the audit report lag of Nigerian publicly traded firms. The sample size of twenty-seven (27) publicly traded financial firms was determined by a screening method. The data came from the audited financial records of the companies that were sampled. The data was analyzed using OLS Regression. The study discovered that the size of the organization and its age had a substantial impact on the audit report latency. The survey did not reveal the full population, only a selection of twenty-seven (27) publicly traded financial firms. During the period 2005-2012, Ibadin and Afensimi (2015) looked into the factors that affected Audit Report Lag in Nigeria. A cross-sectional research design is used in this study. Using a simple random sampling technique, the researchers sampled 37 companies listed on the Nigerian Stock Exchange during an eight-year period. The study relied on secondary data, which came from audited yearly financial statements of organizations that were sampled. Panel regression techniques were used to analyze the data, and it was discovered that audit firm type (big 4 vs. non-big 4) has a substantial impact on audit delay. The absence of additional publicly traded corporations is a flaw in this analysis. As a result, this study's findings were solely applicable to the Nigerian companies that were sampled.

Ilaboya and Iyafekhe (2014) explored corporate governance and audit report lag in Nigeria in their study. Between 2007 and 2011, a time series and cross-sectional survey research design was used. The study's population consists of 120 manufacturing sectors that are listed on the NSE, with a sample size of 40 enterprises. The data was gathered from the sampled companies' audited annual reports. The study found a significant effect of business type on audit report latency of listed manufacturing firms in Nigeria using OLS regression analysis. The research is limited to Nigerian manufacturing companies. As a result, it is critical to perform this research using Nigerian financial firms. In Jordan, Alkhatib and Marji (2012) investigated the factors that influence the timeliness of audit reports. During the year 2010, a total of 137 companies listed on the Jordanian Stock Exchange were utilized as a sample. The audit firm type was found to have a negative relationship with audit timeliness in the study. The study's findings are only applicable to Jordanian businesses and cannot be applied to businesses outside of Jordan.

Audit Firm Tenure and Audit Report Lag

During the period 2012 to 2016, Wiyantoro and Usman (2018) evaluated the impact of audit tenure, audit quality, and Non-Audit Service on audit report lag. The study employed auditor industry specialisation (AIS) to moderate the relationship between audit tenure and audit report lag, as well as investigate how AIS influences audit report lag in Indonesian banking. The results of the multiple linear regression analysis show that audit tenure has a negative significant effect on audit report latency. Because the study only looked at Indonesian banks and overlooked other industries, its generalizability may be harmed. In Iran, Gholamreza, Tahere, and Saba (2017) looked at auditor tenure, industry expertise, and audit report lag. The study's population comprises of 141 companies that operated in 25 industries between 2010 and 2014. The results of multivariate linear regression analysis demonstrate that the association between auditor tenure and audit report latency is insignificant. The research is limited to Iranian industry and cannot be applied to financial institutions in Nigeria.

Between 2009 and 2013, Abdelrahman and Basheer (2016) looked into the relationship between audit report lag, audit tenure, and auditor industry specialty in Jordan. A total of 691 companies were chosen for the study. Data was gathered from audited financial reports of enterprises in the sample. The study found that audit tenure had no significant relationship with ARL using multiple regression analysis. The study solely looks at companies that are listed on the Amman Stock Exchange. As a result, it's

critical to do study in this sector to encompass companies outside of Jordan. Mai and Trung (2011) looked into auditor tenure, specialization, and audit report lag in the United States. Between 2008 and 2010, a sample of 7,291 businesses was taken. The study discovered a link between audit tenure and ARL. They trusted American businesses. As a result, research on this area is required in order to catch enterprises outside of the United States.

Audit Committee Financial Expertise and Audit Report Lag

In a study conducted in Oman from 2013 to 2017, Nahla, Hasnah, and Mazrah (2019) looked at audit committee characteristics and Audit Report Lag. According to the findings, the financial knowledge of the audit committee has no bearing on ARL. According to the study, Oman's internal corporate governance systems are ineffective when compared to those in more developed countries, and authorities in this rising market should enforce and motivate corporate governance norms in substance rather than just following the rules. In Malaysia, Zalailah, Saeed, and Norsiah (2017) investigated audit committee expertise and audit report lag. The study gathered data from the top 100 Malaysian corporations over a seven-year period (2005 to 2011). The study found that financial knowledge on the audit committee has no bearing on audit report delays. Furthermore, study suggests that the lack of independence on Malaysian boards is to blame for these findings. Because the study was limited to Malaysian listed firms, the conclusions of this study cannot be applied to other countries.

Theoretical Framework

Agency Theory

Jensen and Meckling created the agency hypothesis (1976). The agency theory has been used to investigate the idea of corporate governance in the literature (Azman & Kamaluddin, 2012). According to agency theory, corporations use corporate governance measures to reduce conflicts of interest between shareholders and executives (Yunos, Smith, Ismail & Ahmad, 2011; Habbash, 2010). As the principle's agent, the managers make choices on behalf of the principal in order to maximize their own personal interests. As a result, it is stated that corporate executives should prioritize the interests of shareholders over their own personal interests. According to previous studies, corporate governance measures aid in the timely reporting of financial data (Al-Ajimi, 2008; Shukeri & Islam, 2012). According to the principle, the agent may act opportunistically at the expense of the principal. Furthermore, low management interest in operations will have a negative impact on the firm's performance. Effective corporate governance, according to Shukeri and Nelson (2010), improves management control over the organization and lowers potential for corporate mismanagement and audit report lags. As a result, corporate governance is viewed as a means of regulating managerial behavior. According to Jensen and Meckling (1976), agency problems arise from the principal's incapacity to monitor the agent directly. The principal requires the financial report to be validated by a skilled and independent accounting expert in order to reduce agency difficulties. According to previous studies, agency expenses include expenditures associated with monitoring and controlling agent behavior. External audits are thus a technique for restraining opportunistic managerial behavior and ensuring the financial reporting framework's credibility (Shukeri & Nelson, 2010). When agency flaws are widespread, auditors will spend more time conducting the audit and the audit report lag will increase (Leventis, et al., 2005).

METHODOLOGY

Ex-post facto research is used in this study. The research design chosen is appropriate since it aids in a more thorough investigation of the study's main subject. The study's population would include all

of the Nigerian Stock Exchange's fifty-five (55) listed financial firms from 2011 to 2020. Based on the availability of and up-to-date annual financial documents, this study used a simple random sample technique. As a result, thirty (30) publicly traded financial organizations were chosen as the study's sample size. The ten-year term was chosen in order to obtain financial data that is fairly, reasonably, dependable, and current. The study relied on secondary data, which came from the annual reports and audited accounts of a sample of Nigerian financial firms. Secondary data was gathered from the sampled listed financial firms' annual reports and audited accounts. The effect of audit reports lag on selected financial organizations was studied using the ordinary least square (OLS) regression technique. The efficiency of a regression approach in assessing associations among theoretically related variables and estimating the effects of one variable on the other informs the choice of regression technique as a data analysis tool. With the help of E-view 9 software, data was analyzed using regression analysis. To ensure the accuracy of the findings, the researchers used diagnostic tests such as Breusch-Pagan-Godfrey to account for the effects of serial correlation, multicollinearity, and heteroskedasticity. Between fixed effect and random effect models, the Hausman specification test was used to select the most appropriate and suitable model.

Model Specification

$$AUDLAG_{it} = \beta_0 + \beta_1 AUDFEE_{it} + \beta_2 AUDTY_{it} + \beta_3 AUDTEN_{it} + \beta_4 ACEXP + \beta_5 LEV_{it} + \beta_6 FSIZE_{it} + \mu_{it}$$

Where;

AUDLAG = Audit Report Lag of firm i at time t

β_0 = Constant term (intercept);

$\beta_1 - \beta_6$ = Coefficients for the independent variables

AUDFEE = Audit Fee

AUDTY = Audit Firm Type

AUDTEN = Audit Firm Tenure

ACEXP = Audit Committee Financial Expertise

Control Variables

LEV = Leverage

FSIZE = Firm size

μ_{it} = error

Table 1: Variables Description and Measurement

S/N	Symbol	Variables	Type	Measurement
1	AUDLAG	Audit Report Lag	Dependent variable	The number of days between the date on which the Statement of Financial Position is issued and the date on which the auditor's report is issued Nahla, Hasnah, and Mazrah (2019)

2	AUDFEE	Audit Fee	Independent Variable	Natural log of Audit fee paid by the client firm (Patrick and Peace 2020)
3	AUDTY	Audit Firm type	Independent variable	If the audit firm is a BIG4 is equal to 1, otherwise 0. Akingunola, Soyemi and Okunuga (2018)
4	AUDTEN	Audit Firm Tenure	Independent variable	1 if 3 years and above, 0 if less than 3 years. Wiyanoro and Usman (2018)
5	ACEXP	Audit Committee Financial Expertise	Independent variable	Assign one (1) if some of the members have relevant and recent financial experience and assign (0) if otherwise. (Nahla, Hasnah and Mazrah (2019)
6	LEV	Leverage	Control variable	Total debt/Equity. (Rateb, 2017)
7	FSIZE	Firm Size	Control variable	Natural log of total asset of the client firm. (Rateb, 2017)

Source: Researcher, 2022

RESULTS AND DISCUSSION

Descriptive Statistics

The descriptive statistics shows the nature of each of the variable of the study. This includes the minimum, maximum, mean, standard deviation as presented in the table below

Table 2 Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std Dev.
AUDLAG	31.00000	1464.000	160.0367	197.6404
AUDFEE	3.623200	8.728400	6.989699	1.151064
AUDTY	0.000000	1.000000	0.603333	0.490023
AUDTEN	0.000000	1.000000	0.813333	0.390295
ACEXP	0.000000	2.000000	0.853333	0.528602
LEV	0.000500	9.033600	0.704563	1.171564
FSIZE	0.017600	10.01500	7.128964	1.681245

Source: EViews 9 Output 2021

The descriptive statistics are presented in Table 1. The mean value of audit report lag (AUDLAG) is 160.0367, with maximum and minimum values of 1464.000 and 31.00000, respectively. The standard deviation of 197.6404 is quite low, implying that audit report lag is highly clustered around the mean across the sample set. The audit fee (AUDFEE) has a mean value of 6.989699, a standard deviation of 1.151064, and a minimum value of 3.623200 and a maximum value of 8.728400, as shown in table 1. The audit firm type (AUDTY) has a mean value of 0.603333, according to descriptive statistics. The audit firm type has a minimum and maximum value of 0.000000 and 1.000000 respectively. 0.490023 is the standard deviation. The table shows that the audit firm tenure (AUDTEN) has a

minimum and maximum value of 0.000000 and 1.000000, respectively, with a mean of 0.813333 and a standard deviation of 0.390295. The audit committee expertise (ACEXP) has a mean value of 0.853333, a standard deviation of 0.528602, a minimum value of 0.000000, and a maximum value of 8. 1.000000, as shown in table 1. The leverage (LEV) has a mean value of 0.704563, according to the descriptive data. The audit firm type has a minimum and maximum value of 0.000500 and 9.033600, respectively. 1.171564 is the standard deviation. The minimum and greatest values of firm size (FSIZE) are 0.017600 and 10.01500, respectively, according to the table, with a mean of 7.128964 and a standard deviation of 1.681245.

Correlation Matrix

The correlation matrix is used to determine the degree of relationship between the dependent and independent variables of the study. These associations among the variables of the study are presented in Table 2 below.

Table 4 Correlation Matrix

	AUDLAG	AUDFEE	AUDTY	AUDTEN	ACEXP	LEV	FSIZE
AUDLAG	1.000000						
AUDFEE	-0.156711	1.000000					
AUDTY	-0.261662	0.344019	1.000000				
AUDTEN	0.039799	-0.011490	0.135068	1.000000			
ACEXP	-0.310644	0.135435	0.239009	0.060971	1.000000		
LEV	-0.058262	-0.277911	-0.063044	0.170583	0.104424	1.000000	
FSIZE	-0.161744	0.014245	0.004683	0.282035	0.216056	0.241018	1.000000

<
The correlation result indicates that AUDFEE, AUDTY, ACEXP, LEV and FSIZE are negatively correlated to audit report Nigeria during the period of this study. This implies that audit quality (AUDTEN) move in inverse direction, with audit report lag.

Post Residual Diagnostics Test

Variance Inflation Factors

Date: 08/08/21 Time: 14:03

Sample: 1 300

Included observations: 299

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	6594.899	59.00669	NA
AUDFEE	104.9992	47.12899	1.244433
AUDTY	568.0593	3.059765	1.217766
AUDTEN	828.1343	6.021836	1.127836
ACEXP	452.4247	4.075067	1.130798

LEV	96.83545	1.615333	1.185234
FSIZE	47.03333	22.57406	1.189469

Source: EViews 9 Output 2021

The Variance Inflation Factor (VIF) for AUDFEE, AUDTY, AUDTEN, ACEXP, LEV and FSIZE are 1.244, 1.217, 1.127, 1.130, 1.185 and 1.189 respectively. This indicates that, the VIF are less than 10 respectively. Thus, the study concludes that there is no problem of multicollinearity. That multicollinearity exists only when the VIF is greater than 10

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	6.186225	Prob. F(6,292)	0.0000
Obs*R-squared	33.72076	Prob. Chi-Square(6)	0.0000
Scaled explained SS	322.1300	Prob. Chi-Square(6)	0.0000

Source: EViews 9 Output 2021

The result from the table indicates the Heteroskedasticity using Breusch-Pagan-Godfrey test. The value of F-statistic is 6.18 with corresponding probability value of 0.00. The value of observed R-squared is 33.72 with a corresponding probability chi-square value of 0.00. The value of Scaled explained SS is 322.13 with a corresponding probability chi-square value of 0.00 infers that there is no problem of Heteroskedasticity in the residual.

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.538994	6	0.0242

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
AUDFEE	4.980359	-0.172967	13.816007	0.1656
AUDTY	35.750069	13.823132	97.471092	0.0264
AUDTEN	-10.712560	-7.450680	8.790207	0.2712
ACEXP	-10.602130	-20.138341	28.703921	0.0751
LEV	2.197152	1.399474	5.039283	0.7223
FSIZE	-10.685300	-13.911813	96.577058	0.7427

Source: EViews 9 Output 2021

In order to determine the suitable model, between fixed effects model (FE) and the random effects model (RE). Hausman specification test was conducted to decide on the appropriate model. The Hausman Test indicates that fixed effects model is more appropriate to random effect model given the Chi-Square value of 14.538994 and its corresponding probability value of 0.0242 which is less than the critical value of 0.05 significance level.

Table 5 Regression Analysis

Variables	Coefficient	t-Statistic	Probability.
Constant	429.5518	5.289462	0.0000
AUDFEE	-11.67930	-1.139787	0.2553
AUDTY	-82.54809	-3.463460	0.0006
AUDTEN	64.64031	2.246224	0.0254
ACEXP	-84.35663	-3.965939	0.0001
LEV	-9.474794	-0.962837	0.3364
FSIZE	-15.69638	-2.288741	0.0228
R-squared	0.164203		
F-statistic	9.561170		
Prob(F-statistic)			0.000000

Source: Output generated Using EViews 9

Table 3 reveals that audit fee has a negative and significant effect on the audit report lag of listed financial firm in Nigeria, with a coefficient of -11.67930, t-statistics of -1.139787, and probability value of 0.2553, and is greater than 0.05 percent (the level of significant). At the 5% level of significance, the null hypothesis, which states that audit firm type has no significant effect on audit report lag of listed financial firms in Nigeria, is accepted. Table 3 reveals that audit firm type has a negative and significant effect on the audit report lag of listed financial firms in Nigeria, with a coefficient of -82.54809, a t-statistics of -3.463460, and a probability value of 0.0006 and a level of significance of less than 0.05 percent: As a result, at the 5% level of significance, the null hypothesis that audit firm type has no significant effect on audit report lag of listed financial firms in Nigeria is rejected.

From the coefficient of 64.6403174, t-statistics of 2.246224, and probability value of 0.0254, the regression result also demonstrates that audit firm tenure has a positive and negligible effect on audit reports lag of listed financial firms in Nigeria: At the 5% level of significance, the null hypothesis, which states that audit firm tenure has no significant effect on audit report latency of listed financial firms in Nigeria, is rejected. Furthermore, the regression result revealed that audit committee expertise has a negative effect on audit report lag of listed financial firms in Nigeria, with a coefficient of -84.35663 and t-statistics of -3.965939 and a probability value of 0.0001 and a level of significance of less than 0.05 percent: As a result, at the 5% level of significance, the null hypothesis that Audit Committee Financial Expertise has no significant effect on audit report lag of listed financial companies in Nigeria is rejected. The overall fitness of the model is demonstrated by the F-statistic of 9.561170, which is less than the conventional critical p-value of 0.05, and the Probability Prob(F-statistic) of 0.000000. This means that the estimated model is statistically significant at the 5% level, implying that the model's linearized functional specification is suitable. The independent variables (audit fee, audit firm type, audit firm tenure, and audit committee expertise) explain around 16.42 percent of the systematic variation of the dependent variable, according to the R-square, which measures the model's overall explanatory power. While 83.58 percent of the variance in the dependent variable (audit reports lag) is due to systematic variation in the dependent variable (audit reports lag), this variation was not accounted for in the model and was contained by the error term.

CONCLUSIONS AND RECOMMENDATIONS

The characteristics of corporate audits and the audit report lag of listed financial firms in Nigeria were investigated in this study. The research was conducted over a ten-year period, from 2011 to 2020. The hypotheses were tested using ordinary least square (OLS) regression analysis. The audit report

lag is caused by the audit fee, audit firm type, audit firm tenure, and audit committee expertise, according to the study. The study shows, in particular, that the audit has a negative impact on the audit reports lag of listed financial institutions in Nigeria during the study period. The research also found that the audit firm type has a negative and significant impact on the audit report lag of listed financial firms in Nigeria over the study period.

Similarly, the study concludes that audit firm tenure has a favorable and significant impact on the audit report lag of Nigeria's publicly traded financial institutions during the study period. Furthermore, the study suggests that audit committee expertise has a negative and significant impact on the audit report lag of Nigerian listed financial businesses during the study period. The study concluded that an auditor's fee is directly proportionate to the time it takes for an audit report to be completed. As a result, audit companies should guarantee that their employees are fairly compensated, as this is likely to improve the timely delivery of audit reports. Due to the fact that audit firm tenure is directly proportional to audit report lag, auditor-client relationships should not last longer than three (3) years, as the auditor may become familiar with the client and be more likely to act in management's favor, resulting in reduced objectivity and audit report lag.

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EFFECT OF DIVIDEND POLICY ON SHARE PRICE OF LISTED CEMENT COMPANIES IN NIGERIA

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Abstract

This study examines the effect of dividend policy on share price of listed cement companies in Nigeria. This was done by utilizing historical data of four cement companies listed in the Nigerian Stock Exchange. The data used for the study were market price, dividend yield, and retention ratio. The annual reports for the period 2005 to 2015 were utilized as the main source of data collection for the four companies. Regression Analysis method was employed as a technique for analyzing the data collected. The results revealed that both dividend yield and retention ratio have a significantly positive effect on share price. The study recommended that listed cement companies should put in place a good and robust dividend policy as this will enhance their profitability and attract investments to the organizations.

Keywords: Share Price, Dividend Policy, Dividend Yield, Retention Ratio

INTRODUCTION

Despite theoretical and empirical study, dividend policy remains a topic of debate in the financial world. The relationship between dividend policy and stock price risk is one component of dividend policy. Large dividends, according to Allen and Rachim (1996), minimize risk and consequently impact stock price (Gordon (1963)). The decision on dividend policy has a significant impact on investors' perceptions of a company's performance. The goal of a dividend policy is to establish how much of the firm's earnings should be delivered to shareholders as cash dividends and how much should be kept in the company for reinvestment. The choice to pay a dividend is based on whether or not potential investors and shareholders prefer capital gains to dividend income. As a result, corporate organizations, including cement companies, create dividend policies with the primary goal of boosting shareholder wealth, i.e., raising share value. Finance managers, for example, must determine whether to employ a high payout ratio and then borrow funds from the capital market for investment purposes, or to use a low payout ratio and use retained earnings to support the current investment opportunities (Pandey, 2005).

Dividend policy is an important part of corporate finance that has piqued the interest of academics, resulting in several schools of thought regarding the distribution of profits to shareholders as well as the retention of earnings to be reinvested in the organization. The purpose of publicly traded companies is to maximize shareholder value, which is backed up by the fact that investors expect a return on their risk and investment. Management, on the other hand, is tasked with attaining this aim through the most optimal investment strategy, financing, and dividend policy. Because the other two decisions a manager must make rely around dividend policy, it can be seen of as a pivot around which other financial decisions spin. The quantity of retained earnings available influences both the financing and investment decisions, and this is controlled by dividend policy (Adefila, Oladapo & Adeoti, 2004). Dividend policy is thus one of the most significant policies in corporate financing, not only from the perspective of the companies themselves, but also from the perspectives of shareholders, regulatory agencies, and other stakeholders. While various previous empirical studies from established economies have shed light on the relationship between dividend policy and stock price, the same cannot be said for developing nations such as Nigeria, particularly in the cement industry. By studying the relationship between dividend policy and stock prices of listed cement companies in Nigeria, this study aims to fill a gap in the literature. The purpose of this research is to look into the impact of dividend policies on the share prices of Nigerian cement companies that are publicly traded.

LITERATURE REVIEW

Concept of Dividend Policy

For more than half a century, firms' dividend policies have been a popular research topic (Litner, 1959; Gordon, 1959; Modigliani, 1982; etc). Since Miller & Modigliani's pioneering Work in 1961, the value-relevance of dividend policy has been at the forefront of financial research. Dividend policy has long been a source of debate in the financial literature, and despite much research, it remains a controversial topic. Dividend policy has been a contentious issue since John Lintner's study in 1956, followed by Miller & Modigliani's work in 1961. In fact, this has been the case since Miller and Modigliani's (1961) irrelevance proposition, which states that dividend policies are all similar and that in ideal capital markets, no single policy can raise shareholder wealth. According to Pandey (2010), there are four dividend policies in use: residual dividend policy, which specifies dividend payment in the absence of investment opportunities, constant amount per share, constant amount per share plus extra based on earnings, and constant payout ratio.

Share Prices

The price of a single share of a company's sellable stock, derivative, or other financial asset is called a share price. The stock exchange, which is part of the capital market's securities section, provides direct access to a company's share price (Seitz, 1990). The share price is thought to represent a company's future cash flows in a broad sense. Share prices are frequently conceived of and analyzed in terms of cash flows, and they are also considered to be incredibly essential to managers and analysts due to the key information they provide about future possibilities (Ehrhardt, 2013). Stocks, bonds, and options are the most prevalent types of securities. The arrangements that allow suppliers to trade securities are known as securities markets. They also allow transactions to be made quickly and at a fair price (Feldstein & Green, 1983).

Dividend Policy and Share Prices

Stock ownership is a common investing strategy (Gitman, 2006). The new media might be used by all types of investors, whether large institutional or individual, to report on stock price swings. The most essential indicators used by investors to decide whether or not to invest in a particular share are share prices. Their primary goal in investing in the stock market is to maximize expected return while minimizing risk. The payment of dividends is a significant part of the stock return to shareholders. The payment of dividends may serve as a signal to investors that the company is following sound corporate governance procedures. Huka Huka Huka Huka (1998). Good corporate governance standards are beneficial to a firm because they indicate that the company can raise financing from the capital market on favorable conditions. It is able to attract investors and indirectly enhance the company's share price by paying out dividends. This type of corporation could readily raise funding for expansion by issuing new shares, which would enhance profits and share price. There are various hypotheses that have been established in dividend policy and share price of corporate performance studies from a theoretical standpoint. However, in connection to the context of their activity, they are evaluated from many angles. This study is supported by the following theories: agency theory, signaling theory, and dividend relevance theory.

Empirical Literature

There are a plethora of empirical studies dividend policy in Nigeria and the rest of the world. Some have looked into the factors that influence dividend policy, while others have looked into the impact of dividend policy on business performance in various industries. Various studies, on the other hand, have used a variety of proxies to measure dividend policy and business success.

Between 2006 and 2015, Farrukh, Irshad, Khakwani, Ishaque, and Ansari (2017) investigated the impact of dividend policy on shareholder wealth and business performance in Pakistan. Dividend policy, as measured by dividend per share and dividend yield, has a positive substantial impact on shareholders' wealth and firm performance, according to the regression results. From 2011 to 2014, Zayol et al. (2017) investigated the factors that influenced petroleum companies' dividend policies in Nigeria. Correlations and regression analysis were used to analyze secondary data. The study indicated that business size, liquidity, and leverage had little bearing on the dividend policy of Nigerian petroleum companies, but profitability did. Profitability is one of the most important factors of dividend policy for listed petroleum companies in Nigeria, according to the study. Rachid and Wiame (2016) investigated the association between dividend policies and financial performance of a number of Moroccan publicly traded companies. A panel data regression model was used to examine secondary data. The data revealed a significant and favorable link between dividend payment and total assets and business performance. As a result, the study concluded that dividend policy was important.

Between 2005 and 2014, Umar and Saidu (2016) examined the association between dividend policy and financial performance of Nigerian oil and gas businesses. The data was analyzed using Pearson correlation and multiple regressions. The study discovered that dividend payout had a significant positive link with oil and gas company financial success. Furthermore, dividend payout squared has a considerable negative link with a company's financial performance. According to the findings, there is an optimal amount of dividend distribution for oil and gas companies beyond which the relationship tends to be negative. Eniola and Akinselure (2016) looked at the impact of dividend policy and earnings on selected Nigerian traded companies between 2004 and 2013. The 25 companies studied in this research effort were chosen using a stratified selection technique that cut across seven sectors of companies listed on the Nigeria Stock Exchange. Multiple regression was utilized in the study, and the results demonstrated that there is a link between earnings per share and dividend yield. Furthermore, the research revealed that the dividend payment ratio has little bearing on earnings per share. Ehikioya (2015) looked into the effect of dividend policy on the value and performance of companies in developing countries. The sample for this study was collected from 81 Nigerian companies that were listed on the stock exchange between 2001 and 2010. The data was analyzed using a panel regression model. The data demonstrated that dividend payout has a considerable favorable impact on firm performance, as assessed by return on assets and return on equity. The study backs up the theory that dividend policy has a significant impact on corporate performance.

Between 2004 and 2013, Kajola et al. (2015) looked studied the association between dividend pay-out policy and financial performance of 25 non-financial companies listed on the Nigerian Stock Exchange. The ROA and Dividend Pay-out Ratio were calculated using panel data methods using pooled Ordinary Least Squares (OLS). A positive and significant association exists between dividend pay-out policy and firm performance, according to the regression results. From 2009 to 2013, Adelegan et al. (2015) studied the factors that influenced Nigerian enterprises' dividend policies. The research looked at data from 48 manufacturing companies that were publicly traded in Nigeria. Total distributable earnings, according to the pooled regression result, determines dividend distribution of business firms in Nigeria. The findings revealed that manufacturing companies' dividend policies are influenced by their profit after taxes and earnings. The findings also reveal that the ability of manufacturing enterprises to pay dividends is more dependent on profit after taxes. As a result, the study suggests that profit after tax and total distributable profits are important factors in determining corporate dividend payout in Nigeria. Topal (2014) examined the relationship between dividend policy and financial performance of companies listed on the Istanbul Stock Exchange from a foreign perspective. From 2008 to 2011, data from 172 non-financial companies was included in the study. The data was analyzed using multiple regression. The findings of the study revealed that dividend

distributions had an impact on firm performance. Furthermore, there was a statistically significant positive relationship between the dividend per share rate within groups and the market based performance indicator (Tobin's q), whereas the accounting based performance indicators (ROA & ROE) and the dividend per share rate were statistically insignificant. The study concluded that a company's dividend policy has an impact on its performance. The relationship between dividend policy and firm performance of listed manufacturing businesses in Sri Lanka was investigated by Velampy, Nimalthasan, and Kalaiarasi (2014), from 2008 through 2012, a group of publicly traded manufacturing companies. The dividend payout and earnings per share were shown to be insignificant in the regression results. In Sri Lanka, the study found that dividend policy has little impact on firm performance.

In Nigeria, a number of studies have been undertaken. For example, Uwuigbe (2013) evaluated the drivers of dividend policy in the Nigerian stock exchange market from 2006 to 2011. Using the judgmental sample technique, a total of 50 listed companies on the Nigerian stock exchange market were chosen and studied for the study. The results of regression analysis revealed that there is a substantial positive association between financial performance and business size on dividend payment decisions made by listed companies in Nigeria. Shisia, Sang, Sirma, and Maundu (2014) investigated the impact of dividend policy on the financial performance of Nairobi Securities Exchange-listed companies (NSE). Data for the study was gathered from secondary sources. The hypotheses were tested using regression analysis on a sample of 30 NSE-listed businesses. The study revealed that the dividend payout ratio and business performance have a strong but unfavorable association.

Theoretical Discussion

Agency Theory

Jensen and Meckling proposed the agency hypothesis (1976). The thesis is founded on the idea that a company is a collection of individuals with competing interests and self-serving objectives. They define an agency relationship as a contract in which one or more persons known as the principal hire another person known as the agent to do some service on their behalf, entrusting the agent with certain decision-making authority. Management may take activities that are not in the shareholders' best interests. Conflicts like these result in higher agency expenses. Firms will choose to enhance dividends and reduce agency costs by distributing free cashflow in such instances.

Signaling Theory

Modigliani and Miller (1961) proposed the hypothesis, arguing that dividends may have a signaling function. According to proponents of this idea, dividends have a signaling effect, and investors or future investors forecast the company's earnings, which is influenced by the dividend rate. Dividends must be paid to shareholders, and high dividend payments are regarded as an indication of profitability by shareholders. Dividend payments have a signaling impact since they provide the market with information about the company. Investors, shareholders, and potential investors forecast the status of a company in terms of profitability based on dividend announcements, and when dividend payments increase, it is a good indicator for the firm; it enhances its value.

Dividend Relevance Theory

Walter proposed the dividend relevance idea (1963). He claimed that dividend policies virtually always have an impact on a company's worth. In determining the dividend policy that will maximize shareholder wealth, his model emphasizes the relevance of the relationship between the firm's rate of

return and its cost of capital. The following assumptions underpin Walter's model: First, the company funds all of its investments with retained earnings, rather than debt or new equity. Second, the rate of return and cost of capital of the company are both constant. Finally, all profits are either dispersed as dividends or immediately re-invested within the company. Finally, the earnings per share and dividend numbers stay constant. Finally, the company has a long history. This model is seen to be extremely effective for demonstrating the implications of dividend policy on an all-equity corporation under various rate-of-return assumptions. However, the model's simplicity can lead to results that aren't true in general, but are accurate for Walter's model.

METHODOLOGY

The relationship between dividend policy and stock prices of cement businesses listed on the Nigerian Stock Exchange was investigated using a descriptive cross-sectional research approach by analyzing existing data in annual reports of cement companies from 2005 to 2015. As of December 2015, just four (4) cement businesses were listed on the Nigerian Stock Exchange, forming the study's sample. Secondary data was gathered from the Nigerian Stock Exchange as well as the Annual Reports and Accounts of Ashaka Cement Plc, Cement Company of Northern Nigeria Plc, Dangote Cement Plc, and Lafarge Africa Plc, and analyzed using multiple regression analysis with the help of E-view 9) software.

Variable Measurement and Model Specification the share price (SP) of the cement company was used as the dependent variable, while the dividend yield (DY) and retention ratio (RR) were used as the independent variables. Dividend yield is a measure of cash return to shareholders on their investment. It is the ratio of dividend per share to market price per share. It is given as; $DY = \text{Dividend policy share} / \text{Market price per share}$. Retention ratio (RR) on the other hand is the ratio of retained earnings (earnings held back and not paid out as dividend) to total earnings. It is given as $RR = \text{Total Earnings} - \text{Total Dividend} / \text{total Earnings}$.

In line with the above defined variables, the multiple regression models for this study is presented as follows:

Model Specification

$$SP_{it} = \beta_0 + \beta_1 DY_{it} + \beta_2 RR_{it} + \varepsilon_{it}$$

Where,

SP = Market Price per share

DY= Dividend Yield

RR = Retention Ratio

β_0 = constant term

ε = error term

RESULTS AND DISCUSSION

Table 1: Descriptive Statistics

	SP	DY	RR
Mean	1.135682	3.957273	1.130000
Median	1.415000	9.475000	1.415000
Maximum	2.820000	27.04000	2.660000
Minimum	-6.430000	-233.1100	-6.430000
Std. Dev.	1.557955	37.49440	1.550766
Skewness	-2.812389	-5.924677	-2.849284
Kurtosis	13.90810	38.04424	14.09927
Jarque-Bera	276.1456	2508.928	285.3905
Probability	0.000000	0.000000	0.000000
Sum	49.97000	174.1200	49.72000
Sum Sq. Dev.	104.3707	60450.68	103.4096
Observations	44	44	44

Source: E-view 9 Output

The descriptive statistics for the dependent and independent variables are shown in Table 1. For an 11-year span, 44 observations were made, with four (4) listed cement businesses. The SP's minimum value is -6.430, while its greatest value is 2.820. However, the mean value of SP is 1.135, meaning that cement businesses dispersed profit to shareholders at a rate of 113.5 percent on average for the period under consideration, with a standard deviation of roughly 1.557. The value of DY ranges from -223.11 to 27.040. For the time period under consideration, the average dividend yield for cement businesses was 3.957273. However, with a value of 37.49440, it demonstrated a high amount of dispersion. The RR averages 1.1300, meaning that the companies kept 113 percent of their revenue and did not give it to shareholders. -6.430 and 2.660 are the minimum and maximum values, respectively. 1.550 was the standard deviation.

Table 2: Correlation Analysis

	SP	DY	RR
SP	1.000000	0.862891	0.999665
DY	0.862891	1.000000	0.864247
RR	0.999665	0.864247	1.000000

Source: E-view 9 Output

From table 2 the analysis there is statistical significant and positive relationship between SP and DY. This implies that the SP increases in proportion to the increase in DY. Also, the relationship between SP and RR is positive and significant indicating a positive correlation between the two variables.

Table 3: Regression Result

Dependent Variable: SP
Method: Panel Least Squares
Date: 09/15/18 Time: 02:51
Sample: 2005 2015
Periods included: 11
Cross-sections included: 4
Total panel (balanced) observations: 44

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.002619	0.010112	-0.258973	0.7970
DY	-0.000175	0.000333	-0.526149	0.6016
RR	1.007959	0.008048	125.2429	0.0000
R-squared	0.999334	Mean dependent var		1.135682
Adjusted squared	R-0.999302	S.D. dependent var		1.557955
S.E. of regression	0.041171	Akaike criterion	info	-3.476395
Sum squared resid	0.069499	Schwarz criterion		-3.354746
Log likelihood	79.48069	Hannan-Quinn criter.		3.431282
F-statistic	30765.64	Durbin-Watson stat		2.040992
Prob(F-statistic)	0.000000			

The result on Table 3 is the OLS panel regression that addressed the objective of the study. The Adjusted coefficient of determination ($\text{Adj } R^2$) is 0.99. This indicates that the independent variables are capable of explaining about 99% of the reasons for share price in cement companies in Nigeria. The value of the F-statistics (30765.64) with p-value (0.000000) less than 0.05 showed that all the independent variables (dividend yield and Retention Ratio) have significant effect on Share Price. This suggests that all these variables combined can determine share price in cement companies in Nigeria.

Table 4: Post Residual Diagnostics Test

Breusch-Godfrey Serial Correlation LM Test:

	0.06083		
F-statistic	5	Prob. F(2,39)	0.9411
	0.13684		
Obs*R-squared	2	Prob. Chi-Square(2)	0.9339

The result of the test shows an F-statistic value of 0.060 with the corresponding probability value of 0.941 which implies that there is no case of serial correlation in the residual.

Table 5: Multicollinearity

Variance Inflation Factors

Date: 09/18/18 Time: 15:48

Sample: 1 44

Included observations: 44

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000102	2.654381	NA
DY	1.11E-07	3.996402	3.951363
RR	6.48E-05	6.098183	3.951363

The VIF for DY and RR are 3.951 and 3.951 respectively. This indicates that, the VIF are less than 10 respectively. Thus, the study concludes that there is no problem of multicollinearity. That multicollinearity exists only when the VIF is greater than 10

Heteroskedasticity

Heteroskedasticity Test: Breusch-Pagan-Godfrey

	0.50768		
F-statistic	8	Prob. F(2,41)	0.6056
	1.06333		
Obs*R-squared	8	Prob. Chi-Square(2)	0.5876
Scaled explained SS	17.9031 3	Prob. Chi-Square(2)	0.0001

The Breusch-Pagan-Godfrey Test of Heteroskedasticity given the observe R squared of the auxiliary regression and its corresponding P-value of 0.5876 indicate that there is no problem of Heteroskedasticity.

CONCLUSION AND RECOMMENDATIONS

The central objective of this research is to investigate the effect of dividend policy on share price of listed cement companies in Nigeria. Based on the results it was revealed that dividend policy indeed has a significantly positive effect on the share prices of listed cement companies in Nigeria, while retention ratio was found to have a significantly positive effect on share price. As a result, it can be argued that dividend yield is a surefire technique to encourage cement company investment. This is because it was demonstrated in this research that shareholders prefer dividend income above capital gains, as seen by the favorable effect of the retention ratio on share price. Most investors will be concerned if the cement companies in which they invested keep all of their profits after taxes. Based on the data and conclusions, the study recommends that publicly traded cement businesses have a good and robust dividend policy, which will increase their profitability and attract investments.

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EFFECT OF FIRM ATTRIBUTES ON FINANCIAL REPORTING TIMELINESS OF LISTED INFORMATION COMMUNICATION TECHNOLOGY FIRMS IN NIGERIA

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Abstract

This study examined effect of firm attributes on financial reporting timeliness of listed information communication technology in Nigeria. The reason behind this study is from the concern shown by users of financial statements as to the delay in getting financial reports for their decision making. The study used correlational research design. The population of the study was the ten (10) listed information communication technology on the Nigerian Exchange group (NGX) as at 31st December 2020 and seven (7) out of ten (10) companies were taken as the sample size using purposive sampling technique. The study made use of panel data and therefore used ordinary least square regression analysis as the technique for data analysis. Findings from the study revealed that audit fee and audit committee independence has negative effect on financial reporting timeliness of listed information communication technology in Nigeria. Audit firm types have positive effect on financial reporting timeliness of listed information communication technology in Nigeria. The study recommends that management of ICT companies should always ensure that highly qualified personnel are placed at the final accounts section of the company and that compilation of financial reports should be gradual and not only towards the accounting year end to avoid unnecessary delay in publication of financial statements

Keywords: Financial Reporting; Timeliness, Audit Fee, Audit Firm Type, Audit Committee Independence

INTRODUCTION

One of the main goals of corporate reporting is to give information that will aid decision-making for both internal and external users. All financial statement information must be given within a reasonable time frame. This is because the longer it takes a company to produce its annual report and financial statements, the less beneficial they are to investors and financial statement users. However, this information must be made public within a short amount of time after the reporting period ends, or the accounting information will lose its economic significance. According to the International Accounting Standard Board (IASB, 2008), timeliness refers to an entity's ability to provide financial information to decision makers in a timely manner that can influence their decisions. According to Abdullah (2007), the board's qualities are linked to the timeliness of reporting, which is the highest level of internal corporate governance. The number of days it takes between the end of an organization's financial year to the date its financial statements are issued is referred to as financial reporting timeliness.

The issue of timeliness necessitates and requires that the company's management, which prepares the reports, and the auditor, who offers audit and assurance services, must be mindful of timeliness. For example, eliminating audit delays in order to improve and address the timeliness of audit reports is a critical issue in the accounting profession in general, as well as for users of accounting data, regulatory agencies, and professional bodies. According to Iyoha (2012), it takes an average of 119 days for the conglomerate sector to present its financial statement to users after the accounting year ends, 144 days for the food and beverage sector, 137 days for the petroleum sector, 96 days for the agricultural sector, 145 days for the health sector, 82 days for deposit money banks, and 153 days for the insurance sector. According to Abdullah (2007), timely submission of yearly reports is not just a legal necessity, but

also a matter of responsibility. Because annual reports have become the primary source of company information, this is the case. Similarly, financial report timeliness must be complemented by accuracy (Bakare, Taofiq & Jimoh, 2018). Due to the rising exposure of Nigerian commercial organizations to international capital markets, the requirement for high quality and timely financial information has grown even more critical in Nigeria. As a result, businesses must meet the information needs of overseas investors and give them with more timely information in their yearly financial reports. Recognizing the importance of timely financial information disclosure, Nigerian regulatory agencies and laws have established statutory maximum time limits within which publicly traded companies must issue audited financial statements to stakeholders and file such reports with relevant regulatory bodies.

Despite the existence of the various enactments, there have been a number of comments (Okike, 2004) from various entities, including the World Bank, over apparent shortcomings in Nigerian enterprises' financial reporting outcomes. In its 2004 Report on the Observance of Standards and Codes (ROCE), the World Bank highlighted that Nigeria's accounting and auditing standards suffer from "institutional inadequacies in regulation, compliance, and enforcement of standards and codes." And one of the obligations to be enforced and followed with by enterprises in Nigeria is punctuality in financial reporting. If a corporation offers inferior information in order to meet a deadline, it violates corporate governance (Chukwu & Nwabochi, 2019; Akinleye & Aduwo, 2019; Akhor & Oseghale, 2017; Njeru & Maima, 2016; Saleh, Wan & Basariah, 2019; Al-Muzaiqer, Ahmad & Hamid, 2018). Although previous empirical studies on the effect of firm attributes on financial reporting timeliness have been conducted, such as Eslami, Armin, and Jaz (2015); Imen and Anis (2016); Bakare, Taofiq, and Jimoh (2018); Basuony, Mohamed, Hussain, and Marie (2016); Al Daoud, Ismail, and Lode (2017), all suggest that firm attributes have an effect on financial reporting timeliness. The majority of the research were undertaken in industrialized economies, with only a few conducted in emerging economies (Ahnaf, 2018). Despite all of these studies on financial report timeliness, the study discovered from an ongoing review of previous studies that the majority of the studies were done using different methodologies, different environments, the nature of data and sources in different jurisdictions, and the policy trust, among other factors, which could account for the differences between this study and other studies. As a result, the motivation for this study stems from users of financial information's concern about the time it takes to acquire financial reports for their decision-making. The effect of firm qualities on financial reporting timeliness of listed information Communication technology companies in Nigeria is investigated in this study, which adds to the current literature.

The decision-making process of investors and other users is influenced by timely presentation of financial reports. Due to a lack of timely information, investors may seek for alternative sources of information. As a result, as Bamber, Bamber, and Schoderbek (1993) correctly pointed out, delayed disclosure of financial information may encourage certain corrupt investors to acquire costly private pre-disclosure information, thus exploiting their private information at the expense of the 'less informed' investors. Previous research relied primarily on binary logit regression models, which are inadequate for a count dependent variable, as Lee and Jahng (2008), Guilherme, Joao, and Paulo (2012) point out. As a result, the ordinary least regression model is used in this study, which is the most appropriate for the investigation. Furthermore, previous studies have only looked at a few industries; however, this study looks at all firms listed on the Nigerian Stock Exchange that are in the information and communication technology (ICT) sector. The literature review, methodology, conclusion, and suggestions take up the rest of this paper.

The purpose of this research is to look at the combined effects of audit fee, audit firm type, and audit committee independence on the financial reporting timeliness of Nigerian listed information

communication technology companies. Other specific goals include (i) determining the impact of audit fee on financial reporting timeliness of listed information Communication technology companies in Nigeria; (ii) determining the impact of audit firm type on financial reporting timeliness of listed information Communication technology companies in Nigeria; and (iii) determining the impact of audit committee independence on financial reporting timeliness of listed information Communication technology companies in Nigeria. In order to achieve the objective, three (3) research questions were raised: (i) what is the effect of audit fee on financial reporting timeliness of listed information communication technology companies in Nigeria? (ii) to what extent does audit firm type affect financial reporting timeliness of listed information communication technology companies in Nigeria? (iii) what is the effect of audit committee independence on financial reporting timeliness of listed information communication technology companies in Nigeria? Four (4) null hypotheses were proposed to solve these study questions: (H01): Audit fee has no significant effect on listed information Communication technology companies' financial reporting timeliness in Nigeria; (H02): Audit firm type has no significant effect on listed information Communication technology companies' financial reporting timeliness in Nigeria. (H03): Financial reporting timeliness of listed information communication technology companies in Nigeria is unaffected by audit committee independence.

LITERATURE REVIEW

Financial Reporting Timeliness

Financial reporting timeliness is defined by Oraka, Okoye, and Ezejiofor (2019) as the time between an entity's accounting year end and the dissemination of the financial report to accounting information users. The audit lag, according to the study, is the number of days between the end of the accounting year and the date on which the external auditor signs the financial statement. Similarly, Lukason and Camacho-Minano (2020) defined financial reporting timeliness as managers' capacity to meet legal deadlines for filing financial statements. According to Al Daoud, Ismail, and Lode (2017), there are two components of financial reporting timeliness: frequency of reports and financial reporting lag.

Financial reporting was defined in this study as a method of communicating an organization's financial position to financial report users such as management, investors, the government, and other stakeholders. Firms might release reports on a half-yearly, quarterly, or monthly basis. The time lag between the end of the financial reporting period and the date the financial reports are issued, or the date the reports are submitted to regulatory agencies, is known as the financial reporting lag. Furthermore, financial reporting latency can be divided into two categories: audit report lag and management report lag. The audit report lag is the time between the end of a company's fiscal year and the publication of its audited financial reports, whereas the management report lag is the time between the end of a company's fiscal year and the publication of its audited financial reports (Elshawarby, 2018; Abed, Bataineh & Suwaidan, 2020; Rahmawati, 2018; Gulec, 2017; Efobi and Okougbo, 2014). This study, on the other hand, looks at financial reporting timeliness, which is the number of days between the end of the firm's accounting year and the release of the financial statements to the financial statement users.

Audit Fees

The amount of money charged by an auditor to a customer for auditing their financial accounts is known as the audit fee. It is calculated using scale rates provided by the ICAN and ANAN and is based on the effective time spent and expertise skills engaged on the audit process. In other words, the audit fee is the expense to the company of paying a public accounting firm to audit the company's financial statements. It refers to payments given to the auditor in connection with the auditing role.

Audit Firm Type

Large accounting firms such as Klynveld Peat Marwick Goerdeler (KPMG), Ernst & Young (EY), Akintola Williams, Deloitte and Price Waterhouse Coopers are known as audit Big4 firms (PWC). According to previous research, Big4 firms had a reduced audit report latency than non-Big4 organizations (Ahmed, 2003). Furthermore, when compared to non-Big4 organizations, Big4 businesses accomplish audit projects more efficiently and effectively (Soltani, 2002).

Audit Committee Independence

The term "audit committee independence" refers to the requirement that audit committee members carry out their responsibilities with honesty and impartiality when carrying out the audit function. In order to successfully carry out their jobs, they are free to act in accordance with existing laws and without intervention from management. Independence refers to an audit committee's capacity to carry out its responsibilities without being influenced by auditors or management.

Empirical Literature

Audit Fee and Financial Reporting Timeliness

The effect of audit fees on the timeliness of audit reports of listed industrial enterprises in Nigeria was investigated by Nyor, Mustapha, Nyor, Nyor, and Tahuid (2020). To arrive at a sample size for the study, thirteen (13) out of fourteen (14) industrial enterprises registered on the Nigerian Stock Exchange (NSE) were sampled using the purposive sampling technique. From 2012 to 2018, secondary data was gathered from financial reports and audited accounts of sampled businesses. The data was analyzed using the Ordinary Least Square (OLS) method. The findings revealed that audit charge has a substantial impact on the timeliness of audit reports.

Donia (2017) looked at the factors that influence audit fees and the timeliness of audit reports in the Egyptian and UK contexts. The study was conducted using a survey research design. The sample size was calculated using a sample of 212 Egyptian stock market companies and the top 350 London stock exchange companies over a six-year period from 2008 to 2013. The panel data was evaluated using a multiple regression model, which demonstrated that audit fees and audit report lag have a positive significant influence. The audit fees and timeliness of accounting information of listed Tehran companies were investigated by Ali, Bahman, and Azam (2013). From 2003 through 2011, the study's population included all companies registered on the Tehran Stock Exchange (TSE). Data from secondary sources was analyzed using multiple regression analysis. The study discovered that audit fees have an inverse relationship with accounting information timeliness; as audit fees rise, financial statements are sent to users sooner.

Audit Firm Type and Financial Reporting Timeliness

The variables of financial reporting timeliness of listed deposit money banks in Nigeria were investigated by Oraka, Okoye, and Ezejiofor (2019). The study used an ex-post facto research design with a sample of sixteen (16) Nigerian Stock Exchange-listed banks. With the help of SPSS version 2.0, regression analysis was used to examine the hypotheses. The study discovered that bank size, bank age, audit firm type, and bank performance all have an impact on financial reporting timeliness in Nigerian banks. Özcan, (2019) looked on the elements that influence financial statement timeliness in Turkey. The study looked at 90 manufacturing companies that were listed on Borsa Istanbul from 2014

to 2017. The effects of firm-specific factors on financial statement timeliness were investigated using Poisson regression. The study found that the type of audit firm, firm size, board independence, profitability, and leverage all had a substantial impact on financial statement timeliness. Arowoshegbe, Uniamikogbo, and Adeusi (2017) investigated factors that influence audit report timeliness in Nigeria from 2012 to 2015. The research used a quasi-experimental approach. The researchers looked at 42 financial and non-financial organizations listed on the Nigerian Stock Exchange (NSE). The study discovered that audit firm type has a positive and significant effect on audit report timeliness, whereas the age and size of the company have a negative and significant effect on audit report timeliness, using the ordinary least square (OLS) regression technique of data analysis. It was determined that changing audit firms has no significant impact on the timing of an audit report.

Audit Committee Independence and Financial Reporting Timeliness

Using a population of 10 firms, Abdullahi, Dachomo, and Jibril (2020) evaluated the effect of audit committee qualities on financial reporting timeliness of listed healthcare firms in Nigeria from 2008 to 2017. Secondary data was gathered from the sample healthcare firms' audited financial statements. Using ordinary least square regression analysis, it was discovered that audit committee independence, audit committee meeting, and firm size have a positive and insignificant impact on financial reporting timeliness of healthcare firms in Nigeria, whereas audit committee financial expertise has a negative significant impact. Between 2012 and 2015, Gospel and Ngozi (2019) evaluated the impact of audit committee features on the timeliness of corporate financial reporting in the Nigerian insurance market. The study was conducted using an ex post facto research design and multiple regressions using the Ordinary Least Square technique. The frequency of audit committee meetings and the timeliness of corporate financial reporting were found to have a strong negative association in the study. In addition, there was a weak but substantial link between audit committee gender and corporate financial reporting, as well as audit committee independence. The study also discovered that the size of the audit committee was favorably and statistically insignificantly connected to corporate financial reporting timeframes.

Odit (2015) looked at the impact of corporate governance on the timeliness of financial reporting by Nairobi Securities Exchange-listed companies. All firms listed on the NSE were included in the study, and secondary data was gathered from published financial statements during a five-year period (2009-2014). According to the report, companies listed on the NSE take an average of 107 days to submit financial results to the public following the end of the fiscal year. Variations in corporate governance processes accounted 12% of variances in financial reporting timeliness, according to the data. Expanded board size, in particular, increases the number of days before release, which has a negative impact on timeliness. The Audit committee and diversity of board reduce the number of days before the release which improves the timeliness of financial reporting. Appah and Emeh (2013) used ex-post facto research and multiple regression models to investigate the impact of corporate governance on the timeliness of financial statements of public firms in Nigeria. According to their findings, audit committee expertise (ACE) and audit committee independence (ACI) both have a considerable impact on the timely delivery of audited reports. The size of the audit committee (ACS) and the number of audit committee meetings (ACM) have little bearing on the timely delivery of financial reports. Based on their empirical findings, the researcher concluded that implementing appropriate corporate governance aspects will aid in the timely delivery of financial reports and the production of high-quality financial statements.

Theoretical Framework

Stakeholder Theory

The effect of firm qualities on financial reporting timeliness of listed information communication technology in Nigeria is explained using stakeholder theory. Stakeholder Theory extends beyond the interaction between managers and shareholders, which has been agency theory's primary flaw. Stakeholder theory, according to Karlsson and Reimbert (2015), prioritizes broader parties over the small parties that exist between managers and shareholders. Other parties who interact with firms are studied in this theory. In 1984, Edward Freeman published the first paper on stakeholder theory. He believed that a company should provide value for all stakeholders, not just shareholders, in his idea. Stakeholder theory, according to Antonelli, D'Alessio, and Cuomo (2016), extends beyond shareholders; company activities and choices touch a number of agents, and these agents' interests must be respected. This theory proposes that a firm's primary goal should not be shareholder wealth maximization, but rather stakeholder wealth maximization, which is in opposition to the traditional goal, and that managers should make decisions that promote societal development and add value to both a firm's suppliers and customers, financial institutions, the government, and its employees (Amertha, Ulupui & Putri, 2014; Waweru & Riro, 2013; Eriki & Omoye, 2014). Stakeholders, according to Antonelli, D'Alessio, and Cuomo (2016), are people or institutions who engage with a company and who may be harmed or harmed by the company's activity. If there is an effective corporate governance structure in place, the firm's stakeholders may also benefit. Managers should include stakeholders in all decision-making processes, according to this theory (Tyokoso & Tsegba, 2015). According to Antonelli, D'Alessio, and Cuomo (2016), while agency theory's accountability scope is limited, stakeholder theory is applicable to this study since it recognizes the necessity for all stakeholders in the yearly report while requiring financial report timeliness.

METHODOLOGY

The research design used in this study is correlational. The sample size for this study was seven (7) out of ten (10) firms listed on the Nigerian Stock Exchange (NSE) as of December 31, 2020. The research will take place between 2014 and 2020. Because the study used panel data, ordinary least square regression analysis was utilized to analyze the data. The model is in line with Oraka et al's findings (2019). The regression equation utilized in this investigation is shown below.

$$FRT_{it} = f(\beta_1 AUDFEE_{it} + \beta_2 AUDTY_{it} + \beta_3 ACIND_{it} + \mu_{it}) \dots \dots \dots (1)$$

The above model can also be written as

$$FRT_{it} = f(\beta_1 AUDEE_{it} + \beta_2 AUDTY_{it} + \beta_3 ACIND_{it} + \mu_{it}) \dots \dots \dots (2)$$

Where

FRT = Financial Reporting Timeliness

AUDFEE = Audit Fee

AUDTY = Audit Firm Type

ACIND = Audit Committee Independence

$\beta_1 - \beta_3$ = Coefficient of the parameter

it = Time coefficient

μ = error term

Dependent and independent variables with the measurement parameter

Variables	Acronym	Measurement	Source
Financial Reporting Timeliness (Dependent variable)	FRT	FRT= The number of days between the end of the fiscal year and the public disclosure of annual reports.	Eze, & Nkak, (2020)

Firm Characteristics (Independent Variables)	AUDFEE	AUDFEE= The natural log of audit fees paid by the sampled information communication technology enterprises in Nigeria was used to calculate the score.	Amahalu&Ezechukwu (2017)
	AUDTY	Audit Firm Type is operationalized with audit firm type. 1 for big4 and 0 for non-big4.	(Murat & Evrim, 2018;
	ACIND	Audit Committee Independence was proxy using theratioof independent non- executive directorsinthe audit committee and is calculated as ratio of the number of independent non- executive directors divided by the total number of directors on the audit committee.	Appah & Emeh (2013)

Source: Author's Compilation (2022)

RESULTS AND DISCUSSION

The data collected for this study are with respect to financial reporting timeliness, audit fee, audit firm type and audit committee independence are presented in this section of the study.

Table 1: Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std Dev.	Jarque-Bera	Probability
FRT	39.00000	171.0000	96.55102	30.97651	8.397934	0.015011
AUDFEE	6.000000	8.490000	6.989618	0.675363	3.002492	0.222852
AUDTY	0.000000	1.000000	0.571429	0.500000	8.180845	0.016732
ACIND	0.500000	0.600000	0.424563	0.024223	374.6890	0.000000

Source: EViews 10 Output 2022

The descriptive statistics for the variables are shown in the table above, and as can be seen from the table, the financial reporting timeframes were 39 days after the accounting year end, with 171 days being the largest delay recorded during the study period. The average of 96 days revealed that information communication technology corporations comply with financial reports within the 90-day window on average. Given the p-value of the Jacquebera ($p = 0.015$), the Jacquebera statistics for data normality demonstrate that the series is normally distributed. The average audit fee was 6.989618 dollars, with a minimum and maximum of 6.000000 and 8.490000 dollars, respectively. With a value of 3.002492 ($p = 0.222$), the Jacque-bera statistics for data normality suggest that the series is normally distributed. The mean for audit firm type was 0.571429, with 0.000000 and 1.000000 as the minimum and highest values, respectively. Given the Jacque-bera value of 8.180845 ($p = 0.016$), the series is normally distributed, according to the Jacque-bera statistics for data normality. The average independence of audit committees was 0.424563, with maximum and minimum values of 0.600000 and 0.500000, respectively. Given the Jacque-bera value of 374.6890 ($p = 0.000$), the series is normally distributed, according to the Jacque-bera statistics for data normality.

Table 2 Correlation Matrix

	FRT	AUDFEE	AUDTY	ACIND
FRT	1.000000			

AUDFEE	-0.464459	1.000000		
AUDTY	0.178323	0.221448	1.000000	
ACIND	-0.137864	-0.165193	-0.294884	1.000000

Source: EViews 10 Output 2022

The correlation results show that audit firm type (AUDTY) is favorably associated with financial reporting timeliness (FRT), whereas audit fee (AUDFEE) and audit committee independence (ACIND) are adversely associated with financial reporting timeliness (FRT) (FRT). This means that, with the exception of audit fee (AUDFEE) and audit committee independence (ACIND), all other variables move in the same direction as financial reporting timeliness (FRT), implying a linear relationship.

Post Residual Diagnostics Test

Multicollinearity test

Variance Inflation Factors

Date: 02/04/22 Time: 23:42

Sample: 1 49

Included observations: 49

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	9570.599	673.8275	NA
AUDFEE	33.81648	117.3813	1.063794
AUDTY	65.72870	2.644396	1.133313
ACIND	27379.91	494.9099	1.107971

Source: EViews 10 Output 2022

The purpose of the multicollinearity test is to see if there is an effect between the independent variables that could cause the study's results to be skewed. The application of Variance Inflation Factors confirms the absence of multicollinearity between the independent variables (VIF). There is no multicollinearity between the exogenous variables because the Variance Inflation Factors (VIF) is less than ten (Basuony, Mohamed, Hussain & Marie, 2016).

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	5.268901	Prob. F(2,43)	0.0090
Obs*R-squared	9.644631	Prob. Chi-Square(2)	0.0080

Source: EViews 10 Output 2022

The result of the test shows an F-statistic value of 5.268 with the corresponding probability value of 0.00 which implies that there is no case of serial correlation in the residual.

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	6.922459	Prob. F(3,45)	0.0006
Obs*R-squared	15.47274	Prob. Chi-Square(3)	0.0015
Scaled explained SS	11.83884	Prob. Chi-Square(3)	0.0080

Source: EViews 10 Output 2022

The heteroskedasticity test, shown in Table 3, is used to determine whether or not the error variability is constant. One of linear regression's assumptions is that variance must be constant. The Breusch-Pagan Godfrey test was used to determine whether or not this assumption had been violated. The F-statistic has a value of 6.92 and a probability value of 0.00. The R-square of 15.47 and Prob. of 0.00 imply that the error variability will have no effect on the results.

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.411988	3	0.3324

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
AUDFEE	26.264819	-17.136266	1257.858932	0.2211
AUDTY	5.096331	6.692787	15.221533	0.6824
ACIND	28.352482	13.324101	1898.631403	0.7302

Source: EViews 10 Output 2022

From ordinary least square regression, the Hausman test can help you pick between fixed effect and cross section random effect. Use the fixed effect if the probability is less than 0.05 percent; otherwise, use the cross section random effect. The random effect was used since the likelihood of 0.33 percent from the hausman test is greater than 0.05 percent.

Regression Results

Table 4.3 Summary of Ordinary Least Square Regression Analysis

Variables	Coefficient	Std. Error	z-Statistic	Probability.
Constant	361.7232	97.82944	3.697489	0.0006
AUDFEE	-25.04410	5.815194	-4.306667	0.0001
AUDTY	15.74100	8.107324	1.941578	0.0585
ACIND	-195.8387	165.4687	-1.183539	0.2428
R-squared	0.320025			
Prob(F-statistic)				0.000547

Source: EViews 10 Output 2022

The F-statistic assesses the overall significance of the regression model, taking all variables into account. As a result of assessing the model's overall fit and significance, it can be shown that the model has a better fit because the probability F-statistic value of 0.00 is less than 0.05. The modified R-square of 0.32 implies that the variables studied account for 32 percent of the variation in financial reporting timeliness, whereas other variables not included in the model account for just 68 percent. Audit fees have a negative and significant effect on financial reporting timeliness of listed information communication technology companies in Nigeria, according to the regression table above, with a coefficient of -25.04 and a standard error of 5.81, t-statistics of -4.30, and a probability value of 0.00, which is less than 0.05 percent (the level of significant). As a result, at the 5% level of significance, the null hypothesis that audit fee has no significant effect on financial reporting timeliness of listed information communication technology companies in Nigeria is rejected. The type of audit firm has a favorable and considerable impact on the financial reporting timeliness of Nigerian listed information communication technology companies. The coefficient is 15.74, the t-statistic is 1.94, the standard error is 8.10, and the t-statistic is 1.94. Because the p-value is less than 0.05. At the 5% level of significance, the null hypothesis, that audit firm type has no significant effect on financial reporting timeliness of listed information communication technology companies in Nigeria, is rejected. Because the p-value of 0.24 is greater than 0.05 and the coefficient is -195.83, audit committee independence has a negative and negligible effect on financial reporting timeliness for listed information communication technology businesses in Nigeria. The t-statistics is -1.18, while the standard error is 165.46. As a result, at the 5% level of significance, the null hypothesis that audit committee independence has no significant effect on financial reporting timeliness of listed information communication technology companies in Nigeria is accepted.

According to the findings of this study, audit fees have a negative and considerable impact on the financial reporting timeliness of publicly traded information communication technology companies in Nigeria. Mohammed and Ibrahim (2018); Abdul-Rahman, Benjamin, and Olayinka (2017); Reza, (2017); and Al-khaddash, Al-Nawas, and Ramadan (2017) all came to similar conclusions (2013). The findings of this study also show that the kind of audit firm has a favorable and significant impact on the financial reporting timeliness of Nigerian listed information communication technology companies. Arowoshegbe, Uniamikogbo, and Adeusi (2017), zcan, (2019), Oraka, Okoye, and Ezejiofor (2019), and others have found that audit firm type has a significant impact on financial report timeliness. The study also discovered that audit committee independence has a negative and minor impact on the financial reporting timeliness of publicly traded Nigerian information communication technology businesses. This research supports the findings of Ojeka, Iyoha, and Obigbemi (2014), Hassan (2013), Habbash (2010), and Appah & Emeh (2013), who found that the audit committee's independence can have a significant impact on financial reporting reliability. The findings contradicted those of Ame (2013), who discovered a negative link between audit committee independence and financial reporting timeliness.

CONCLUSION AND RECOMMENDATIONS

The study shows that audit fee and audit committee independence both have a negative impact on financial reporting timeliness of listed information communication technology businesses in Nigeria, whereas audit firm type has a positive impact. The study recommends that;

- i. i. As a result, auditor fees are proportional to the timeliness of financial reporting. As a result, audit firms should ensure that their employees are fairly compensated, as this will likely improve audit quality.
- ii. ii. Because audit firm type is directly proportional to financial reporting timeliness, this study recommends that information communication technology use the services of big four

auditors who have built a reputation over time, understand the pressures placed on them to deliver, and have been able to attract and retain existing clients.

- iii. The study concluded that audit committee independence should be strengthened, with appropriate assurances of investor protection. The establishment of a competent audit committee would aid in the building and retention of investor confidence, as well as reducing overall risk and improving the companies' decision-making process. The audit committee's independence must be strengthened, with a true sense of regulation and the correct assurance of investor protection. The establishment of a competent audit committee would aid in the development and retention of investor trust, as well as the reduction of systemic risk and the improvement of corporate governance.

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EFFECT OF ACCOUNTING RESEARCH ON PROFESSIONAL ACCOUNTING PRACTICE IN NIGERIA

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Abstract

The advancement of the frontiers of knowledge inaccounting generally is one of the core mandates of the professional bodies of accountants in Nigeria. The implication of this mandate is that professional

accounting practice is expected to be a product of accounting research just as we have in medical sciences where medical practice is a direct function of medical research. There are varied opinions held by different schools of thoughts as to the nexus between accounting research and professional accounting practice. While some schools of thoughts believe that there is an inverse connection between them, some believe that the connection is mutual. The main objective of this study therefore is to narrow the gap by examining the effect of accounting research on professional accounting practice in Nigeria. Both primary and secondary sources of data collection were employed. The non-parametric statistical technique was applied. The survey research design was used. The sample size was 314 respondents out of a population of 580 based on judgmental sampling technique. The findings show that accounting research has positive influence on financial accounting and reporting practice in Nigeria. The advancement of accounting research has led to the advancement of financial reporting practice in Nigeria. Secondly, accounting research has led to introduction of better procedures and more enhanced strategies in audit practice in Nigeria. Furthermore, accounting research has led to the formulation of more robust tax policies and as such provided the basis for an effective tax planning system. The following recommendations are made based on the findings of this study: The financial reporting council of Nigeria as an agency of government and corporate establishments should ensure that there are more commitments to research activities by establishing research directorates or departments of organizations under their purview to pave way for better methods of financial reporting. Professional accounting regulatory bodies like the Association of National Accountants of Nigeria (ANAN) and the Institute of Chartered Accountants of Nigeria (ICAN) should make it more mandatory for their members who are into professional audit and tax practice to invest heavily in accounting research to promote knowledge generation, knowledge transfer and knowledge application in accounting.

Keywords: Accounting, Research, Practice, Audit, Tax

INTRODUCTION

The advancement of the frontiers of knowledge in accounting research is one of the core values of so many academic institutions with departments of accounting globally. On the other hand, one of the core mandates of professional and regulatory bodies of accountants worldwide is the promotion of professional and technical knowledge of accounting. Accounting research deals with the generation of accounting academic knowledge while accounting practice on the other hand, deals with the application of accounting professional knowledge. There is obviously a nexus between academic research and professional practice. It is the responsibility of the professional and regulatory bodies of accountants like the Association of National Accountants of Nigeria (ANAN) and the Institute of Chartered Accountants of Nigeria (ICAN) to transmit academic research findings to practitioners. The existence of communication flow and exchange of academic and professional values between accounting researchers and accounting practitioners enhance the quality of accounting research and practice. This is why it is highly commendable that both ANAN and ICAN apart from having standard Journals for the publications of research findings in accounting, also organize regular conferences, seminars, workshops and symposia to bring accounting researchers and practitioners together to always channel the way forward for the profession.

Accounting is an information system that generates financial data, processes them and gives out financial information for decision making. Due to the importance of accounting as a creature of the law, there should be total commitments to accounting research activities as these commitments will go long way in enhancing accounting practice. Accounting research should be the determinant of professional practice just as we have in medical sciences. Accounting research is an organized inquiry that aims at obtaining dependable solutions to accounting problems through a carefully selected and properly designed system of data collection, analysis and interpretation. It is the most vital tool for

accounting knowledge generation, accounting knowledge transfer and accounting knowledge application. The generation of accounting knowledge involves a systematic inquiry that aims at discovery of existing body of knowledge in accounting. Research reveals information not known prior to the research or promotes better knowledge and understating of what is already known. Research is the most important tool for advancing knowledge, for promoting progress and for enabling man to relate more efficiently to his environment to accomplish his purposes and to resolve his conflicts (Osuala, 2005). The focus of research is the discovery of a new knowledge or better understanding of an existing knowledge. Research uncovers what is unknown and explains what is known using a new approach for better understating and application. Research provides various opportunities for the researchers and the general public. It promotes growth and development by engendering innovations and creativity.

According to Adefila (2008), the contribution of research to knowledge is evident through three features. These are novelty, defensible and availability through dissemination. The first feature that a research work must exhibit before it can contribute to knowledge is novelty. Original knowledge and experience add more value to the existing body of knowledge than replicated knowledge or experience. Novelty makes the recognition of original research endeavors highly commendable and generally acceptable. Secondly, the research work must be defensible. Through proofs and empirical evidences, findings in research endeavors must be properly defended and easily verifiable. Furthermore, another feature that makes and research work to contribute to knowledge is availability through dissemination. Research output must be disseminated or made known if it must contribute to knowledge. It must be made available to the generality of the public for it to contribute to the existing body of knowledge.

Knowledge generation (research), knowledge transfer (teaching) and knowledge application (community service) are the three fundamental functions of any academic institution globally. Knowledge is generated so that it can be transferred and applied for the benefits of humanity. It is expected that the application of knowledge in accounting should be a direct function of the generation of the pool of proportional knowledge in accounting just as we have in medical sciences. Accounting research should promote accounting practice. The academic community and the professional community have to interact to achieve sustainable growth and development of the accounting profession. However, there are divergent opinions held by different schools of thoughts on the debate as to the nexus between accounting research and accounting practice. While some believe that the nexus between them is not defined or is disjointed, others believe that the former influences the latter. There have been claims that research has become too far removed from the interest of the profession and practitioners. Many practical matters that are of interest to professional accountants do not attract the attention of accounting researchers. Research generally is expected to improve practice and whatever solution is obtained from research activities is applied for the growth and development of the organization. The essence of looking at the effect of accounting research on accounting practice in Nigeria is to establish the extent to which research activities in accounting have promoted professional practice in accounting. Since Research is the most important tool for advancing knowledge, for promoting progress and for enabling man to relate more efficiently to his environment to accomplish his purposes and to resolve his conflicts (Osuala, 2005), the question here now is what is the effect of accounting research on accounting practice in Nigeria and what are the implications of the effect to accounting researchers, policy makers and practitioners? Consequently, the following hypotheses have been formulated in line with the objectives of this study:

- (i) HO1: Accounting research does not have positive effect on financial reporting practice in Nigeria.
- (ii) HO2: Accounting research does not have positive effect on audit practice in Nigeria.
- (iii) HO3: Accounting research does not have positive effect on tax practice in Nigeria.

LITERATURE REVIEW

Accounting

It is necessary to look at the compound term, accounting research, from its components. These components include; (i) Accounting and (ii) Research. The term accounting has been offered various definitions by different authors and professional bodies. According to Modum (2005), accounting has been defined as “a system of principles and techniques, which permits a series of interrelated activities that form a progression of steps, beginning with observing then collecting, recording, analyzing and finally communicating information to its users”. Walter (1977), defined accounting as “the design of accounting systems, preparation of financial statements, audits, cost studies, development of forecasts, income tax work, computer applications to accounting processes, and the analysis and interpretation of accounting information as an aid making business decisions”. According to Ama (1999) accounting is “a set of theories, concepts or ideas and techniques by which financial data are processed into meaningful information for reporting, planning, controlling and decision making purposes or simply the process of recording, classification, reporting and interpreting the financial data of an organization to management and other users”.

In the words of Geoffrey (1986), accounting is the “art of controlling a business by keeping accurate book-keeping records, measuring and interpreting the financial results of the business by the preparation of certain statistics called accounting ratios and communicating these results to management and other interested parties”. The planning, keeping, analyzing and interpreting financial records is called Accounting (Swanson 1993). Pyle (1977) opined that “accounting is a service activity the function of which information, primarily financial in nature, about economic entities”. Inanga (2000) defined accounting as “a process by which data relating to economic activities of an organization are measured, recorded and communicated to interest parties for analysis and interpretation”. Sylvia (1996) viewed it as “an information system that measures, processes and communications financial information about an identifiable economic entity” Accounting is an activity designed to identify, measure and communicate information about economic entities that is intended to be useful in making economic decisions (Williams, 1984).

Apart from the definitions offered accounting by the various authors, there are definitions given to it by professional authorities. The American Institute of Certified Public Accountants (AICPA, 1961) defined accounting as the “art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least of a financial character and interpreting the results thereof”. According to the American Accounting Association (AAA, 1966) Accounting is “the process of identifying, measuring and communication economic information to permit informed judgments and decisions by users of the information”. Furthermore, AICPA (1970) pointed out that, “Accounting is a service activity. Its function is to provide quantitative information, primarily financial in nature, about economic entities that is intended to be useful in making economic decisions, in making reasoned choices among alternative courses of action”. From the various definitions of accounting given by various authors and professionals authorities, it is therefore clear that accounting, basically regarded as a language of business is a system that captures financial data, processes to produce information for sound judgments and decisions. It is an information system.

Research

The Longman Dictionary of Contemporary English (LDCE, 2003) defined research as (i) Serious study of a subject that is intended to discover new facts or test new ideas. (ii) The activity of finding information about something that you are interested in or need to know about. According to the Oxford Advanced Learners Dictionary (OALD, 2004), research is, “a careful study of a subject especially in order to discover new facts or information about it”. In the words of Inanga (2002), research involves “a systematic investigation of a specific phenomenon directed at either the discovery of new facts or critical exposition of existing knowledge.” Osuala (2005) defined research as, “the process of arriving

at dependable solutions to problems through the planned and systematic collection, analysis and interpretation of data”. From the various definitions about, it is obvious that research is the most important tool for advancing knowledge, for promoting progress and for enabling man to relate more effectively to his environment to accomplish his purposes. It is now necessary to look at the term theory.

The Longman Dictionary of Contemporary English (LDCE, 2003) defined theory as: an idea or set of ideas that is intended to explain something about life or the world, especially one that has not yet been proved to be true. According to Jhingan (2003), “we seek, by the use of theory to explain, understand and predict phenomena in the real world around.” A theory provides explanations and predictions and attempts to give reasons for, purposes of or grounds for certain things happening and the way they happen (Ikeagwu, 1998). According to Kerlinger (1964), theory is “a set of interrelated constructs (concepts), definitions, and propositions that present a systematic view of phenomena.” In considering the place of research in accounting, two types of theories may be considered relevant to research findings. The first is the descriptive theory. It is also known as the positive theory. It attempts to present real - world situations as they are. Research based on positive theory involves empirical observations of the relevant phenomena. If the resulting descriptive theory is an accurate representation of the empirical phenomena, such a theory can be used for purposes of prediction. The second type is the normative theory. A normative theory is a goal-oriented theory that represents real world situations, not as they are, but as they ought to be. Normative theories are normally characterized by goal assumption and deduction. Narrowing it down to accounting, accounting researchers perform two main types of research, positive and normative. Positive research is the branch of academic research in accounting that seeks to explain and predict actual accounting practices. Normative research on the other hand seeks to derive and prescribe the optimal accounting standards.

Accounting Research

Accounting research seen as applied research plays vital roles in creating new knowledge in accounting. It looks at how accounting affects the world around us and how the world affects accounting. Accounting research has been defined as research into the effect of economic events on the process of summarizing, analyzing, verifying and reporting standardized financial information and on the effects of reported information on economic events. Although the relationship between accounting research and accounting practice is believed to be vague or elusive, accounting research ultimately improves accounting practice. Accounting research for very long decades was not considered as an important field by accounting practitioners. Early professional accountants had the belief that accounting is not a research field that should be studied at the Universities or any other higher institution but a practical field that should be learnt through articleships where would be accountants are attached to professional accountants to learn the art and science of accounting over a period of time. In most research cases, theory precedes practice but in accounting, many schools of thought believe that practice precedes theory. In other words, theories are drawn from practices. According to Inanga (2002), research in accounting should aim at improving accounting practice in the same way as medical research is directed at improving medical practice. It is a well-known fact that in medical sciences, there is a symbolic relationship between medical research and medical practice. There is a direct flow between the two, working together and interacting with each other to improve medical practice.

Accounting Research and Financial Reporting Practice

Research, policy and practice are the three components of accountancy as a profession. There is a need for interconnection and communication flow between academic researchers, policy makers and practitioners. Section 474 subsection 1 of the Companies and Allied Matters Act (CAMA) of 2020 states that every company shall cause accounting records to be kept. Accounting research plays very

important roles in professional financial reporting. Policies, bases, methods, concepts/principles, conventions, axioms, guidelines and standards that are applied in the preparation of financial statements are expected to be products of accounting researches. Corporate reporting can be enhanced if more attention is given to both academic and corporate research activities. The Financial Reporting Council of Nigeria and the professional regulatory bodies of accountants in Nigeria like the Association of National Accountants of Nigeria (ANAN) and the Institute of Chartered Accountants of Nigeria (ICAN) must work together to ensure that more impacts of accounting research is felt on professional practice.

Audit Research and Audit Practice

Auditing is a creature of law just like Accounting. Section 404 of the Companies and Allied Matters Act (CAMA, 2020) as amended mandate the auditors to carry out such examinations and investigations as may enable them to form an opinion and this opinion is conveyed in a report. The owners who appoint the directors as stewards are concerned with what happens to their investments. These directors are expected to render stewardship Accounts to the shareholders. These accounts are usually presented by means of financial statements best known in form of income statement and statement of financial position, Directors Report and Cash Flow. These statements are produced in most cases; annually and as such form the Annual Report and Accounts. All parties who use the annual report and accounts need to be able to believe and rely on them and auditing is the means by which this belief is obtained. Auditors are professionals with relevant academic and professional qualifications who are usually licensed by professional bodies of accountants for audit practice. The appointment, qualification, duties etc of the auditors are contained in sections 401, 403 etc of CAMA 2020. Competence and experience are two key words in professional audit practice and these are strongly emphasized by professional regulatory bodies of accountants like the Association of National Accountants of Nigeria (ANAN) and the Institute of Chartered Accountants of Nigeria (ICAN). Financial statements which are the output of the accounting system must be independently examined by an auditor in accordance with the provision of the law before presentation to the shareholders and other users of accounting information. Audit practice takes care of this aspect of the accounting profession.

Tax Research and Tax Practice

Tax is a compulsory contribution imposed by the government on the people (Olatunji, Olaleye and Adesina, 2001). The reasons for the imposing these levies among others are to generate revenue for the government, to redistribute incomes, to control inflation through fiscal policies, to promote export, to discourage the consumption of certain goods, to protect infant industries and to stimulate economic growth and development. Tax practice could mean professional tax assessment, collection and administration activities that promote the course of the tax profession. It means carrying out professional tax functions based on the expertise training acquired from professional certification.

Empirical Discussion

Moehrle, S. and Anderson, K. in 2009 worked on the impact of academic accounting research on professional practice: An analysis by the AAA research impact task force. The paper identified the contributions of accounting research to practice with focus on financial accounting, auditing, tax policy/tax practice, management accounting, regulation, accounting information system etc. The findings showed that accounting research has contributed impressively to practice. It was recommended that there is room for improvement if more commitments are made.

Evans E., Burritt R. and Guthrie in 2011 worked on Bridging the Gap between Academic Accounting Research and Professional Practice published by the Institute of Chartered Accountants in

Australia. The paper looked at the relationship between academic accounting research and professional practice, research policy and practice.

Theoretical Framework

Agency theory can be used to explain the principal agent relationship in accounting research and accounting practice. The principals are responsible for the formulation of accounting policies and setting of targets, developing/evolving accounting programmes, standards and systems and the agent is responsible for the day to day implementation of the formulated policies. In order to place reliance on the financial statements produced by the accounting system, the preparation of these statements should be backed up by tested and validated theories underpinning professional practice. Secondly, the stewardship theory stipulates that a manager's objective is first to maximize the firm's performance because a manager's need of achievement and success are met when the firm is doing well (Coleman, 2008, cited in Enobakhare, 2010). According to Donaldson & Davis (1991), stewardship theory holds that there is no interest, general problem of executive motivation. According to stewardship theory, performance variation arises not from inner motivational problem among executives, but from whether the structural situation in which the executive is located facilitates effective action by the executive. In stewardship theory, the model of man is actually based on a steward whose behaviour is premised on collectivism. Collectivistic behaviours have higher utility than individualistic self serving behaviours. The stewardship theory looks at situations in which managers are not motivated by individual goals but by the general goals and goals of the principals. Stewardship theories assume a strong relationship between the success of the organization and the principal's satisfaction. A steward protects and maximizes shareholders' wealth through firm performance and by so doing, the steward's utility functions are maximized (Davis Donald, 1997).

METHODOLOGY

The study adopted the survey design. The primary source of data collection was basically used. The non-parametric tests were applied. A structured questionnaire where responses to the questions were graded using 5-point likert scale with 5 – strongly agree, 4 – Agree, 3 – undecided, 2 – Disagree and 1 – strongly disagree. The sample of the study was 350 respondents out of a population of 580. The questionnaire was administered to 350 respondents but 314 were successfully returned.

Data Presentation

The data presented below were obtained from the primary sources. The data show the position of the respondents on the influence of accounting research on financial reporting, audit and tax practice in Nigeria.

Table 1: Accounting research has positive influence on financial reporting practice in Nigeria

Option	Frequency	Percentage (%)
Strongly Agree	198	63%
Agree	73	23%
Undecided	10	3%
Disagree	28	9%
Strongly Disagree	05	2%
Total	314	100%

Source: Survey, 2021.

From table 1 above, 198 respondents which represent 63% of the total respondents strongly agree that accounting research has positive effect on financial reporting practice in Nigeria. 73 respondents representing 23% agree while 10 respondents representing 3% of the total respondents were undecided. 28 and 5 respondents representing 9% and 2% of the total respondents disagree and strongly disagree respectively.

Table 2: Accounting research has positive effect on auditing practice in Nigeria

Option	Frequency	Percentage (%)
Strongly Agree	177	56%
Agree	68	22%
Undecided	20	6%
Disagree	43	14%
Strongly Disagree	06	2%
Total	314	100%

Source: Survey, 2021.

From table 2 above, 177 respondents which represent 56% of the total respondents strongly agree that accounting research has a positive effect on audit practice in Nigeria. 68 respondents representing 22% agree while 20 respondents representing 6% of the total respondents were undecided. 43 and 6 respondents representing 14% and 2% of the total respondents disagree and strongly disagree respectively.

Table 3: Accounting research has positive effect on tax practice in Nigeria

Option	Frequency	Percentage (%)
Strongly Agree	180	57%
Agree	62	20%
Undecided	19	6%
Disagree	38	12%
Strongly Disagree	15	5%
Total	314	100%

Source: Survey, 2021.

From table 3 above, 180 respondents which represent 57% of the total respondents strongly agree that accounting research has positive effect on tax practice in Nigeria. 62 respondents representing 20% agree while 19 respondents representing 6% of the total respondents were undecided. 38 and 15 respondents representing 12% and 5% of the total respondents disagree and strongly disagree respectively.

Table 4: Accounting research promotes accounting practice in Nigeria

Option	Frequency	Percentage (%)
Strongly Agree	169	54%
Agree	78	25%
Undecided	20	6%

Disagree	36	11%
Strongly Disagree	11	4%
Total	314	100%

Source: Survey, 2021.

From table 4 above, 169 respondents which represent 54% of the total respondents strongly agree that accounting research promotes accounting practice in Nigeria. 78 respondents representing 25% agree while 20 respondents representing 6% of the total respondents were undecided. 36 and 11 respondents representing 11% and 4% of the total respondents disagree and strongly disagree respectively.

RESULTS AND DISCUSSIONS

HO1: Accounting research does not have positive effect on financial reporting practice in Nigeria.

In analyzing the first hypothesis, from the survey information, 86% (271) of the respondents agreed that accounting research has positive effect on financial reporting practice in Nigeria while 11% (33) disagreed. 3% (10) was undecided. The computed X^2 is 165.6 while the critical value is 3.841. If the calculated X^2 is greater than the critical value, the null hypothesis is rejected. Since the calculated X^2 of 165.6 is greater than the critical value of 3.841, the null hypothesis that states that accounting research does not have positive effect on financial reporting practice in Nigeria is therefore rejected. Therefore, accounting research has positive effect on financial reporting practice in Nigeria

HO2: Accounting research does not have positive effect on audit practice in Nigeria.

In analyzing the second hypothesis, from the survey information, 78% (245) of the respondents agreed that accounting research has a positive effect on audit practice in Nigeria while 22% (69) disagreed. 6% (20) was undecided. The computed X^2 is 98.6 while the critical value is 3.841. If the calculated X^2 is greater than the critical value, the null hypothesis is rejected. Since the calculated X^2 of 98.6 is greater than the critical value of 3.841, the null hypothesis that states that accounting research does not have positive effect on audit practice in Nigeria is rejected. Therefore, accounting research has positive effect on audit practice in Nigeria.

HO3: Accounting research does not have positive effect on tax practice in Nigeria.

In analyzing the first hypothesis, from the survey information, 77% (242) of the respondents agreed that accounting research has a positive effect on tax practice in Nigeria while 23% (72) disagreed. 6% (19) was undecided. The computed X^2 is 92 while the critical value is 3.841. If the calculated X^2 is greater than the critical value, the null hypothesis is rejected. Since the calculated X^2 of 92 is greater than the critical value of 3.841, the null hypothesis that states that accounting research does not have positive effect on tax practice in Nigeria is rejected. Therefore, accounting research has a positive effect on tax practice in Nigeria.

CONCLUSION AND RECOMMENDATIONS

The paper looked at the effect of accounting research on accounting practice in Nigeria. From the results of the study, accounting research has positive effect on financial reporting practice in Nigeria. Secondly, accounting research has positive effect on audit practice in Nigeria. Thirdly, accounting research has a positive effect on tax practice in Nigeria. Furthermore, the study showed generally that accounting research promotes accounting practice in Nigeria. Based on the findings of this study, the recommendations are made:

- (i) The financial reporting council of Nigeria as an agency of government and corporate establishments should ensure that there are more commitments to research activities by

establishing research directorates or departments of organizations under their purview to pave way for better methods of financial reporting.

- (ii) Professional accounting regulatory bodies like the Association of National Accountants of Nigeria (ANAN) and the Institute of Chartered Accountants of Nigeria (ICAN) should make it more mandatory for their members who are into professional audit practice to invest heavily in audit research to promote audit practice.
- (iii) The Chartered Institute of Taxation in Nigeria should be completely committed to tax research and should encourage members to pay more premium to tax research as tax research promotes tax practice in Nigeria.

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