Impact of Frequency of Financial Reporting on Earning Predictability of Quoted Banks in Nigeria

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Abstract - *This paper examined the relationship frequency of financial reporting and earning predictability of quoted banks in Nigeria. The empirical study has performed using a sample of ten (10) banks and 5 years observation from the period of 2015-2020. Ex-post facto research design was applied through secondary data from ten (10) out of the twenty (20) commercial banks listed in the NDIC annual statistical bulletin from 2015 to 2020. Panel data analysis was adopted as the inferential statistics. Results revealed that frequency of financial reporting had a positive significant impact on on earning predictability of quoted banks (R^2 = 0.52, t-statistic is -2.103735 and p = 0.0407) in Nigeria. The study concludes that so far, the properties of earnings quality are concerned, their combined influence on financial reporting of listed banks in Nigeria is significant. The study recommendation is pillared on further viable strategies that would enhance financial reporting quality disclosure and earning predictability of quoted banks in Nigeria.*

Keywords: Banks, Earnings predictability, Financial reporting, quoted

1.0 Introduction

Earnings are one of the essential summaries of characteristics of accounting information. It is considered the most significant accounting item prepared and presented in financial reports. It also serves as a key factor in determining a banks dividend policy, a guideline for investment and decision making, a core measure of a bank's performance, an adequate criterion in the share pricing, and eventually an instrument utilized to make predictions. This explains why standard-setters worldwide strive to develop accounting standards that improve the quality of reported earnings. Many recent auditing changes, corporate governance, and enforcement have been found to target a similar objective.

Teets (2002) defined earnings quality as accounting earnings that reflect information about the value of a company. It represents the degree to which reported earnings of an entity truly reflects the actual income (Penman & Zhang, 2002; Schipper & Vincent, 2003). Srinidhi et al. (2011) described it as the current reported earnings to reflect the future cash flow and earnings. In this context, earnings quality refers to how best current reported earnings could predict the future performance of an entity.

Earnings quality is expressed through several properties, also referred to as earnings quality proxies. Penman and Zhang (2002), Francis, LaFond, Olsson and Schipper (2004) and Dechow, Ge and Schrand (2010) identified up to eight properties of earnings quality that have been widely used in accounting research. The properties are further divided into accounting-based and market-based earnings properties. The accounting-based earnings properties are accruals quality, income smoothing, persistence and predictability of earnings while the market-based properties are earnings variability, value relevance, timeliness of earnings and earnings conservatism. According to Easton and Haris (1991), Schipper and Vincent (2003) and Francis (2004), of these eight variables, accruals quality, income smoothing, earnings variability, timeliness of earnings, and earnings conservatism seemed to have dominated earnings quality studies.

Earnings quality have occurred since the rise of organized companies and are phenomenon's researchers have found interesting in studying closely. Findings from studies that compare different companies state that there is an exponential increase in the pace and realization of earnings quality in organizational shifts (Rogers, 2018). Adekunle and Asaolu (2006) identified

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in their study that financial reports and analysis presented by Nigerian companies had been found to be deficient over time and this is a great concern to investors as their performance in terms of profitability which are measured by turnover or the ratio of profit retention are decreasing by the day. Shehu and Ahmad (2013) also found that financial information quality in Nigeria remains weak compared to other advanced market, and this has resulted in hampering of the growth of efficient equity market. Hence, this study supports the view that if financial report is of good quality, it will affect profitability and business growth in the long run. Since investors are in need of information, quality information will increase the trading and subsequently growth and expansion of banks.

Accounting-based earnings quality properties on one hand take cash or earnings (or other measures that can be derived from these, such as accruals) as the reference construct, and are estimated using accounting data. On the other hand, market-based properties take returns or prices as the reference construct and rely on both accounting data and returns data for their estimation. The differences in reference constructs are based on implicit or explicit assumptions about the intended function of earnings. Specifically, accounting- based earnings quality measures assume that the function of earnings is to allocate cash flows to reporting periods via accruals; while market-based earnings quality measures assume that the role of earnings is to reflect economic income as represented by share prices. This approach further lends credence to the ongoing debate on income measurement and accounting information disclosure.

Accounting information is reliable because users can depend on it to judge the economic conditions or events that it purports to represent. Reliability has the qualities of neutrality, representational, faithfulness and verifiability. Verifiability, on the other hand means the ability through consensus among measurers to ensure that the information is correct or that the chosen method of measurement has been used without error or bias. It has three key aspects namely; consensus among observers, assurance of correspondence to economic events, and direct and indirect verification (Johnson, 2005). Financial reporting quality has always been an issue of interest among regulatory bodies, shareholders, researchers, and the accounting profession itself. This is due to the fact that financial reporting has been a principal means of communicating financial information to outside users (Johnson, Khurana and Reynolds, 2002) and the use of financial report itself in assessing the economic performance and condition of a business in the quest to monitor management's actions and assists in making economic decisions (Warren and Reeve, 2004).

Financial reporting is considered high quality if it possesses three attributes: transparency, full disclosure, and comparability. Transparency is referred to as revealing information about events, transactions, judgment and estimates which allows users to see the result and implication of decisions, judgment and estimates of preparers. Full disclosure is related to the provision of all information necessary for decision-making while comparability means that similar transactions are accounted for in the same manner both cross-sectional arising among companies as well as over time (Barton&Waymire,2004).

Several factors could influence the quality of financial reporting among which are the audit committee. The effectiveness of the audit committee in overseeing the financial reporting process could depend on its size and the independence of members (Klein, 2002). The management opportunist conduct which could influence the quality of reporting may likely be moderated or reduced by an effective audit committee (Chandar, Chang, & Zheng, 2012; Liao & Hsu, 2013).

According to (EBA, 2017), the financial market crisis revealed a loss of confidence in the redibility of banks' financial reporting. Banks questioned the portfolio quality of other institutes and refused to grant loans, and depositors reclaimed their money, followed by a severe shortage of

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liquidity within the financial sector. Beside short term actions to restore credibility, such as state guarantees, the legislators felt compelled to improve the rules. As a consequence, the Basle Committee on Banking Supervision (BCBS) released its recommendations for strengthening the regulation and supervision of the banking sector, better known as Basle III. The reform aimed at strengthening the resilience of the banking sector. Two main reform measures relate to a) improving the risk management and institutes' internal governance structures and b) enhancing the banks' transparency and disclosure quality (EBA, 2017).

The discourse within the economic literature reveals that the connection between earnings management and financial reporting quality is still an open question. Besides, it is highly dependent on the specific means of earnings management (Dechow et al., 2010). Insofar, discretionary accruals or loss avoidance have a rather negative connotation while income smoothing or conditional conservatism are also being related to enhanced transparency of financial reporting and therefore, assumed to improve the quality of reported earnings. Nevertheless, there is still too little empirical evidence that addresses earnings management's effect on the quality of firm reporting to finally explain the connection. Since this question is crucial for the discussion of the role of the corporate governance in mitigating earnings management, the following section provides a brief overview of the arguments in literature structured through earnings management.

2.0 Literature Review

2.1 Concept of Earnings Quality

Earnings quality can simply be referred to the degree to which reported earnings capture a banks economic reality a given company. It is defined from two different perspective; decision-usefulness perspective and economic-base perspective. From the decision-usefulness perspective earnings quality is regarded to be high if the reported earnings are useful for decision making (Khairul et al, 2014). Dechow et al. (2004) view earning quality from this perspective. They explained that analysts are likely to view earnings to be of high quality when the earnings numbers accurately reflect the company's current operating performance; are good indicators of future operating performance; and are a good summary measure for assessing firm value. Therefore, it is consistent with the objective of financial analysts, which is to evaluate the performance of the company, assess the extent to which current earnings indicates future performance and determine whether the current stock price reflects intrinsic firm value.

Economic based-definition of earnings quality is based on Hicksian definition of Income (Shippers & Vincent, 2003). They further define earnings quality as the extent to which reported earnings faithfully represent Hicksian income; where representational faithfulness means correspondence or agreement with a measure or description of the phenomenon that it purports to represent. This supports the view of earnings quality as numbers that reflect "true earnings" which is not based on accounting rules and standards. 'True earnings' is a neutral and context-free benchmark, yet difficult to assess as Hicksian income (economics income) is not observable (Khairul et al. 2014) and they concluded that the more accurate or timely that reported earnings reflect shocks in the present value of expected future dividends, the higher the quality of earnings.

Different researchers define earnings quality using certain characteristics of earnings such as persistence or sustainability, predictive ability, smoothness, conservatism, value- relevance, timeliness, earnings management or earnings manipulation and accrual quality. In general, earnings that are considered of high quality are those with high level of persistence, predictability, less volatility, timely, lower level of earnings management and higher accrual quality (Khairul et al. 2014).

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Earnings quality refers to the ability of reported earnings to reflect the company's true earnings, as well as the usefulness of reported earnings to predict future earnings. It also refers to the stability, persistence and lack of variability in reported earnings (Roya, Kamran & Ghadiri, 2012). They further explained that earning has more quality when it shows the real value of organization which can use to predict the future value of entity. While Mishari (2009) defined earnings quality based on earnings persistent, he defined earnings quality as the ability of past earnings to predicting future cash flows. Palepu and Healy (2008) based their definition on the ability of the accounting system to capture the firm fundamental activities. They defined earnings quality as the extent to which accounting measurement, processes and their implementation by the banks captures the banks' underlying economic fundamentals. Hence, earnings quality means financial statement must be free from all forms of bias and it is measured using residuals from Chang et al. (2008) model of discretionary loan loss provision.

2.2 Concept of Earnings Management

Many studies use earnings management as proxies of earnings quality. The most common way to determine the level of earnings management is by the use of discretionary accrual model (Mohdi & Mohamadreza, 2015). They further explained that managed earnings are of lower quality than unmanaged earnings. This is to say that earnings management is the opposite of earnings quality since the practice of earnings management reduces earnings quality. Several reasons that have been attributed to the preparation of misleading financial statements; they range from the demand for higher returns by shareholders on their investments, the quest to maintain a giant corporate status in the eye of the business community sporadic changes in competitiveness among others (Farouk, 2014).

Leuz, Nanda and Wysocki (2003), viewed earnings management from the managers perspective, by their definition, managers are the insiders who engage in earnings management. They defined earnings management as the alteration of a banks' reported economic performance by insiders either to mislead stakeholders or to influence contractual outcome. The definition suggests that managers' main drive for earnings management is to mislead the stakeholders.

Payam (2013) observed that there are three different earnings quality that can be viewed from the perspective of earnings management: the first view concentrated on managements approach to earning manipulation as they believe that investors prefer sustainable earning which increase constantly. This is because sometimes proportional variability of income leads to more earning quality. The second is in line with the view of Barton and Simko (2002). They concentrated on earning surprise. Their view was based on the proportion of beginning balance of net operating asset to sales. They shows that firm with low level of this ratio have met with predicted earnings surprise. According to Payman (2003) the third view was propounded by Penmanin in 2001, and it was based on the ratio of operation cash flow to income.Studies such as Mohdi et al. (2015) and Pelepu et al. (2008) associated earnings management to opportunistic interest maximization by managers. Opportunistic earnings management is a term that is used to refer to self-interested managerial reporting behaviour that is undesirable from a shareholder's perspective. A widely held belief in the literature is that earnings management is primarily opportunistic and it hampers earnings quality. Indeed, many studies have used discretionary accrual measures of earnings quality as negative proxies of earnings quality (Schipper & Vincent, 2003). Managers are posited to opportunistically manage earnings to maximize their utility at the expense of other stakeholders. These opportunistic behaviours are usually carried out within the legal framework of accounting as pointed out by Dechow et al. (2010). Accounting system measures unobservable cost and as such it is unavoidably involved in

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estimation and judgement, thus, has potential error and intentional bias (earnings management) (Dechow et al, 2010). They also pointed out that banks choose among limited set of pre-determined measurement principles (accounting standards) to measure and that no single standard will perfectly measure earnings for any given firm. Financial statement users see earnings quality in terms of absence of earnings management because intentional manipulation even within the limited of accounting standards may distort the quality of reported earnings (Khairul et al, 2014).

2.3 Properties of Earnings Quality

The literature has documented a number of earnings quality properties. The properties are broadly classified into accounting and market based. Brief discussion on each of the properties is given below:

2.3.1 Accounting-Based Properties of Earnings Quality

The literature has identified accruals, earnings persistence, income smoothing, and earnings predictability as the accounting-based properties of earnings quality. These properties use cash or earnings (or other measures that can be derived from these, such as accruals) as the reference construct, and are estimated using accounting data. According to Francis, LaFond, Olsson and Schipper (2005), earnings which map more closely into cash flows are more desirable. Earlier, Richardson, Sloan, Soliman and Tuna (2004) argued that earnings' cash component provides both relevant and reliable information, and thus linked earnings quality to cash components of earnings in terms of persistence. Barragato and Markelevich (2003) also argued that an earnings stream that is predictor of future operating cash flows is generally considered to be of high quality. The difference between cash from operating and recorded earnings generated by business indicates accrual quality (Richardson et al. 2001, Desai et al. 2006). The larger the value obtained from each method implies poor earnings quality and small value obtained from each method indicates high quality earnings.

DeFond and Park (2001) also provided evidence suggesting market participants adjust, at least in part, for earnings quality at the time earnings are announced. They reported that banks announcing positive earnings surprises have lower earnings response coefficients when income-increasing accruals exaggerate the magnitude of the earnings surprises. If, as these studies imply, investors are adjusting for the earnings quality information communicated by accruals, then investors may have already adjusted prices to reflect the quality of earnings prior to the low earnings quality signal communicated by restatement announcements. Therefore, the additional evidence about the insufficiency of earnings quality conveyed by restatement announcements of banks with low-quality earnings will not be as significant for subsequent price formation. This logic leads to the supposition that share prices of banks with low earnings quality react less significantly to restatement announcements than those with high earnings quality.

Earnings that reflect a steady growth trend are seen desirable (Wild, Subramanyam & Halsey, 2004). Thus, in financial statements analysis, non-persistent, unusual, non- operating or non-recurring items reported on the income statement require more attention than others in terms of quality of earnings as these items have negative effect on the sustainability of earnings. The term "persistence" is widely used interchangeably with sustainable earnings in the literature. Penman and Zhang (2002) indicated that reported earnings before extraordinary items that are readily identified on the income statements, is of good quality if it is a good indicator of future earnings. Thus, high quality of earnings is sustainable earnings as often referred in financial analysis. Dechow, Richardson and Sloan (2008) argued that quality of earnings depends on the proportion of earnings derived from recurring sources. Richardson, Sloan, Soliman and Tuna (2005) defined persistence as the degree to which earnings performance persists into the next

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periods implying that managers have not use their discretion in the reporting processes.

Some authors directed their studies towards the information content of earnings since the information conveyed by earnings number should be assessed in terms of how it is calculated. It is well known that earnings number may express different figures under different accounting rules. Different accounting rules are not only the issue of international differences. Even in the same country there are different accounting practices by nature of the regulators (for example sector regulators, tax authorities and so on). McNichols (2002) assumed earnings are of high quality if they accurately represent the economic implications of underlying transactions and events. Ball and Shivakumar (2005) discussed the usefulness of financial statements and emphasize on financial reporting quality. Epps and Oh (1997) examined the investors' perceived quality (relates to the informativeness of earnings) of US GAAP and foreign GAAP earnings as their rules produce different earnings numbers. Schipper and Vincent (2003) discussed earning quality from decision usefulness (consistent with FASB' framework) point of view and conclude that earnings are of high quality if they represent Hicksian income, which represents the change in total wealth faithfully.

2.3.2 Market-based Properties of Earnings Quality

The literature documents earnings variability, value relevance, timeliness of earnings and earnings conservatism as the market-based properties of earnings quality. Taking a market-based approach, Bauwman (2009) defined conservatism as the differential ability of accounting earnings to reflect economic losses (measured as negative share returns) versus economic gains (measured as positive share returns). Following Basu (1997), Ball measured conservatism as the ratio of the slope coefficients on negative returns to the slope coefficients on positive returns in a reverse regression of earnings on returns. Accounting earnings are deemed value relevant due to the association between share returns and accounting earnings (e.g. Kormendi & Lipe, 1987; Easton & Harris, 1991). The association is based on shareholders' reaction to accounting earnings, which is dependent on shareholders' perception of earnings usefulness and reliability. Empirical results show earnings to be modestly informative in explaining movements in share prices (Lev, 1989; Ryan & Zarowin, 1993; Collins, 1994; Ramakrishnan & Thomas, 1998).

Earnings Management may arise from information asymmetry problem and agency conflicts that occur when equity ownership is separated from the day-to-day operation of the corporation and when managers have a comparative information advantage over shareholders (Sun & Rath, 2008). On one hand, these market imperfections create an environment for managers to engage in accounting discretion to promote their self- interest at the expense of shareholders. On the other hand, they also create an opportunity for mangers to use accounting discretion to communicate their companies' performance related information in an appropriate manner to investors (Trueman & Titman, 1988; Dye, 1988). The perspective of opportunistic behaviour takes the view that managers use information asymmetry between outsiders and insiders to maximize their utility in dealing with compensation contracts, debt contracts and regulations. Investors are thereby misled by the unreliable information reported.

Earnings management can be used as proxies for earnings quality in the returns-earnings model. In particular, the model's focus is on measuring the improvement in the overall explanatory power of earnings by introducing earnings management, as well as examining the connections among earnings management, and the value-relevance of earnings. Accounting earnings are deemed value relevant due to the association between share returns and accounting earnings (Kormendi & Lipe, 1987; Easton & Harris, 1991). The association is based on shareholders' reaction to accounting earnings, which is dependent on shareholders'

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A valuable explanation of the weak returns-earnings association is that accounting earnings lack information relating to future earnings and cash flows (Lev, 1989; Easton et al., 1989; Kallunki & Martikainen, 1997). The incidence of earnings manipulations by managers prevents accounting earnings from being a reliable measure of future earnings and cash flows (Lev, 1989; Wang, 1994; Ali & Hwang, 1995). The less reliable are accounting earnings, the less informative they are in relation to future earnings and cash flows (Cheng et al, 2007). If reliable earnings are useful to shareholders, then reliable earnings are more value relevant than less reliable earnings. Thus, indicators of earnings quality (i.e. earnings management) should be value relevant due to their usefulness to shareholders. It follows that the information content of accounting earnings is reduced by indicators of less reliable earnings, such as managed earnings (Wang et al., 1994; Ali & Hwang, 1995; Cheng et al., 2007). The link between the information content of accounting earnings is based on the view that earnings quality influences shareholders' perception earnings reliability through its influence over management's activities and opportunistic behaviour.

2.4 Financial Reporting

Financial reporting is a process of reporting financial activities of business on a formal way. It has been considered as an essential resource for any market participant. It also reduces the mystery and the conflict in opinion between all interested users such as managers, investors, regulatory agencies, society and other stakeholders. Every one participates in this process, even each operation related to this process should be submitted carefully, especially the disclosure process, all transactions, the accounting policies and all judgments and opinions made by the staff involved in this process (Gaynor et al., 2016). Explaining variation in firm performance is the central focus of much of the strategy literature. A large part of literature and previous studies try to examine quality of financial reporting and its effects on the subsequent performance of a company. For example, Adhikari, (2016) find that there is a positive effect for the quality of financial reporting on the overall higher performance of the company.

The important attributes for effective financial management include- access to relevant information; use of that information to enhance management standards; and assurance that the information is accurate, relevant and secure (Bracci, Humphrey, Moll, and Steccolini, 2015). Accounting information systems maintain and produce the data (e.g. financial statements containing information about accounts and their balances) used by organizations to plan, evaluate and diagnose operations and financial position (Peters and Hlla, 2015), therefore, the aim of the regulators should be to make a system (accounting) that offers maximal benefits at lowest possible costs.

Other benefits of having high-quality information from financial reporting are mentioned in Lambert et al. (2007). He clarifies that the high-quality information guarantees the reduction of information risk and liquidity. Other opinions are mentioned in Chatterjee, et al. (2017): It reduces the mangers authority and power in making decisions for their own interests and guides them to make appropriate and efficient investment decisions. Rajgopal and Cohen, and Karatzimas, (2017) add that the high-quality financial reporting reduces the lack of equivalence and the asymmetric information that arises from conflicting agency. It also helps market agents to get full understanding about all company operations and activities by reducing the ambiguity that surround some events (Chatterjee, et al. (2017).

2.5 Theoretical Review

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2.5.1 Voluntary Disclosure and Investors Decision Making

There is a great wealth of disclosure literature that has investigated various determinants of disclosure practice in annual reports in developed capital markets (e.g. Malone et al., 1993; Hossain et al., 1995; Inchausti, 1997). However, a few disclosure studies addressing the extent of voluntary disclosure have been conducted in developing capital markets (e.g. Chow & Wong-Boren, 1987; Hossain et al., 1994; Ahmed, 1996). In Jordan, Naser et al. (2002) investigate the relationship between corporate disclosure after the implementation of International Accounting Standards (IASs) and company's firm characteristics. Using a disclosure index of 86 unweighted items of information, Naser et al. showed that the level of compliance with the IASs is related with corporate liquidity ratio, audit firm status, profitability, gearing, and size. Suwaidan et al. (2004) evaluated the level of social responsibility disclosure practices of 65 industrial Jordanian banks using 37 items of information. The results of the study identified that social disclosure is associated with corporate size, profitability, and risk.

Healy et al. (1999) also used AIMR disclosure rankings and found that the increases in disclosure level are accompanied by increases in banks' stock returns, institutional ownership, analyst following, and stock liquidity. Leuz and Verrecchia (2000) studied German banks that have switched from German GAAP to international accounting regime with a greater disclosure requirement (IAS or US- GAAP) in consolidated financial statements. They claimed that these banks were thereby committing themselves to increased levels of disclosure. Leuz and Verrecchia showed that banks adopting international reporting (more disclosure) were associated with lower bid- ask spreads and higher trading volume than the ones keeping to the German reporting regime. Coller and Yohn (1997) used a sample of 278 quarterly earnings forecast to investigate whether the manager's decision to issue management earnings forecast reduces information asymmetry. They found that forecasting banks have wider bidask spreads than a matched sample of non- forecasting banks prior to the forecast release. Espinosa et al. (2005) examined the relationship between disclosure and liquidity using a sample of Spanish listed banks. They found a positive relationship between disclosure and liquidity using Amihud (2002) illiquidity model.

Lang and Lundholm (2000) examined corporate disclosure activity around seasoned equity offerings and its relationship to stock prices. They found evidence that banks increase their disclosure activity over an extended period of time (six to nine months) in advance of seasoned equity offerings, consistent with managers using disclosure to decrease information asymmetry and increase offering proceeds. Heflin et al. (2002) obtained the measure of a banks disclosure for 1998 from AIMR and measured the stock market liquidity using two measures of liquidity; bidask spread and depth. They found that a firm with high quality of accounting disclosure enhanced its market liquidity through reducing information asymmetries across traders. Recently, Zhang and Ding (2006) examined the relationship between increased disclosures and bid-ask spread in the Chinese capital market and found that disclosure level is negatively related to bid-ask spread as a measure of stock market liquidity.

2.5.2 Voluntary Disclosure and Performance of Banks

By increasing the quality of accounting information, the likelihood of fraud, distortion and other abuses in the financial statements of these kinds of companies is minimized and presentation of acceptable opinion by independent auditors seems reasonable and logical. Audit privacy led to an increase in auditor change among the companies of the study. In addition with the increase in auditor change, qualified opinion in audit reduces and instead, acceptable opinion increases. This suggests that audit privacy, reduces auditor independence and causes the opinion selection phenomenon rise,

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especially after the organization of the formal accountant's community. Ghasim Osmani and Abbasi (2007) studied the relationship between the cost of capital and the level of financial information disclosure of 87 companies listed in Tehran Stock Exchange. The sample was 87 companies listed in Tehran Stock Exchange. The results showed that there is no significant relationship between the level of information disclosure and cost of capital (cost of equity, cost of debt.)

Arabmazar and Arzitoon (2008) investigated the relationship between financial structure characteristics and corporate performance, and the level of information disclosure in the financial statements of the companies. With a sample of 50 companies listed in Tehran Stock Exchange, they came to the conclusion that: There is a significant relationship between financial structure characteristics and adequate disclosure in the financial statements and there is a significant relationship between corporate performance and adequate disclosure in the financial statements.

The study of Wang et al. (2008) examined empirically the determinants of voluntary disclosure in the annual reports of Chinese listed banks that issue both domestic and foreign shares. The results indicated that the level of voluntary disclosure is positively related to the proportion of state ownership, foreign ownership, firm performance measured by return on equity, and reputation of the engaged auditor. However, there is no evidence, however, that companies benefit from extensive voluntary disclosure by having a lower cost of debt capital. Haniffa and Cooke (2002) examined the relationships between a number of corporate governance, cultural, and firm-specific characteristics, and the extent of voluntary disclosure in the annual reports of a sample of Malaysian companies. A total of 65 items were selected and an unweighted disclosure index was used in the study. The findings indicated a significant association between corporate governance and the extent of voluntary disclosure. In addition, one cultural factor (proportion of Malay directors on the board), was found to be significantly associated with the extent of voluntary disclosure.

3.0 Methodology

The study adopted *ex-post facto* design to provide evidence on the relationship between Financial Reporting and Earning Predictability of Quoted Banks in Nigeria. The reason for using this design was because all the information needed could be easily derived from the annual reports of the sampled banks and the statistical bulletin of the Nigerian NDIC. This was an after-the fact research that was undertaken whereby secondary data that are already in existence are used. Content analysis is used which involves tracing of sentences of each component of the corporate social responsibility disclosed in annual reports of banks in the sample. This study was based on the voluntary disclosure index constructed using the annual reports of the sampled banks. The independent variables could not be manipulated because they already existed as published in the annual reports of the various oil companies. A panel data analysis of the information extracted from the annual reports of the five banks. The results and findings from data gathered were presented on tables and analyzed using descriptive and inferential statistic. This research design is in consistence with Uadiale and Fagbemi, 2011 and Makori and Jangongo, 2013. The population of the study consisted of the nine banks operating in Nigeria.

Table 1: List of Banks

S/N	Banks	S/N	Banks
1	Access Bank Pic	11	Mainstreet Bank
2	Citibank Ltd	12	Skye Bank PIc
3	Diamond bank Plc	13	Stanbic IBTC
4	Ecobank Nigeria PIc	14	Standard Chartered Bank Ltd

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5	Enterprise Bank	15	Sterling Bank PIc
6	Fidelity Bank PIc	16	Union Bank Plc
7	First Bank of Nigeria Pic	17	United Bank for Africa Plc
8	First City Monument Bank PIc	18	Unity Bank Plc
9	Guaranty Trust Bank Pic	19	Wema Bank PIc
10	Keystone Bank	20	Zenith Bank PIc

There were 73,246 employees in the 20 commercial banks as at the end of year 2011 (NDIC, 2012.) with 7,430 staff in the credit groups (Olutoye, 2014) while a new total employees survey was conducted. The researcher decision on the population sample frame is justified by the studies of Peretomode (1996) and Yomere and Agbonifo (1999) where both recommended 10% sample size to be adequate for scientific studies. The researcher in the process of getting successful answers from the research questions as set out in the objectives, data need to be obtained and analyzed. The source of primary data used for this study was questionnaire as instrument. Secondary data were also collected from publications and related articles to the research work from Central Bank of Nigeria from the annual statistical bulletin.

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3.1 Findings and Discussions

Test of Hypothesis

The hypothesis tested the impact of frequency of financial reporting on earning predictability of quoted banks in Nigeria. This hypothesis was tested using the model stated below.

$Y = f(X)$

$EP_{it} = \alpha_1 + \beta_1 FP_{it} + \mu_1$

where:

Y = Earning predictability (EP)

X = Financial Reporting (FP)

α_1 is the intercepts (constants)

β_1 is the coefficient

μ_1 are the stochastic variables of each model.

$_{it}$ represents in firm "i" in year "t"

Research Hypothesis: frequency of financial reporting has no significant impact on earning predictability of quoted banks in Nigeria.

Table 2: Regression Estimate

Primary Data Analysis

Variable	Model 4			
	Coefficient	**Std Error**	**t-Stat.**	**Prob.**
C	28.06435	1.083151	25.909915	0.0002
LR	0.404495	0.027053	14.951946	0.0000
R^2	0.514928			
Adj. R^2	0.435294			
S.E of Reg	1.256021			
F-Statistic	16.951944			
Prob.(F-Stat)	0.000004			

Dependent Variable: Log (EPQB)

Significance @5%

Source: Computed by the authors

$\text{Log (EPQF)} = \alpha + \beta_4 LR + \mu$

$\text{Log (EPQB)} = 28.06435 + 0.404495\ LR$
------------------- Primary Data

3.2 Interpretation of Result

Primary Data

The model tested the impact frequency of financial reporting (FFP) has on earning predictability of quoted banks (EPQB). The result shows that FFP independently has a positive effect on EPQB as can be seen from the coefficient;

β_1= +0.404495. This relationship is statistically significant; this is because the probability of t-statistics of 0.0000 is less than the acceptable 5% level of significant.

Furthermore, the R- square which is the coefficient of determination showed the magnitude of variations caused on earning predictability of quoted banks (EPQB) by the explanatory variable, frequency of financial reporting (FFP) to be about 51%. This indicates that about 51% variation in EPQF is attributed to a unit change in FFP, while the remaining 49% variation is caused by other explanatory factors outside this model.

Thus, the result indicates that frequency of financial reporting (FFP) has an significant effect on earning predictability of quoted banks (EPQB). Therefore, we reject the null hypothesis and reject the alternate hypothesis.

3.3 Test of Hypothesis one (Secondary data) Regression Estimate

Table 3: Secondary Data Analysis

Variable	**Model 4**			
	Coefficient	**Std Error**	**t-Stat.**	**Prob.**
C	25.29612	1.017921	24.85078	0.0000
LR	0.013385	0.021628	0.618889	0.5410
R^2	0.013495			
Adj. R^2	-0.021737			
S.E of Reg	1.128131			
F-Statistic	0.383024			
Prob.(F-Stat)	0.540992			

Dependent Variable: Log (EPQB)

Significance @5%

Source: Computed by the authors

$$\text{Log (EPQB)} = \alpha + \beta_4 LR + \mu$$

$$\text{Log (EPQB)} = 25.29612 + 0.013385\ LR$$

------------------- Secondary Data

3.4 Interpretation of Result

Secondary Data

The Model tested the impact frequency of financial reporting (FFP) has on earning predictability of quoted banks (EPQB). The result shows that FFP independently has a positive effect on EPQB as can be seen from the coefficient; β_1= +0.013385. This relationship is statistically insignificant; this is because the probability of t-statistics of 0.540992 is greater than the acceptable 5% level of significant.

Furthermore, the R- square which is the coefficient of determination showed the magnitude of variations caused on earning predictability of quoted banks (EPQB) by the explanatory variable, frequency of financial reporting (FFP) to be about 2%. This indicates that about 2% variation in EPQB is attributed to a unit change in FFP, while the remaining 98% variation is caused by other explanatory factors outside this model.

Thus, the result indicates that frequency of financial reporting (FFP) has an insignificant effect on earning predictability of quoted banks (EPQB).
Therefore, the decision here is to accept the null hypothesis.

4.0 Conclusion

The study examined the impact of frequency of financial reporting on earning predictability of quoted banks in Nigeria. The study found an impressive result between financial reporting quality disclosure and earnings quality. Based on the result obtained, the study concludes that the properties of earnings quality are concerned. Their combined influence on financial reporting of listed banks in Nigeria is significant. The effect, however, gets diluted as the variables are considered on an individual basis.

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The result is also in line with the theoretical expectation of mandatory disclosure among listed companies in Nigeria. The study found significant positive relationship between earnings quality and financial reporting quality disclosure in the annual report. The study will be important to management, banks, regulators, accounting professionals, and investors in Nigeria.

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