<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Title &amp; Name of the Author(s)</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Examining the Effect of Company’s Size and Resources on the Relationship Between Stakeholders’ Pressure and Environmental Strategies in the Malaysian Palm Oil Industry Mohd Rafi Yaacob</td>
<td>5</td>
</tr>
<tr>
<td>4.</td>
<td>An Empirical Study on Tax Payer’s Attitude Towards E- Return Filing in India Dr. Sujeet Kumar Sharma &amp; Dr. Rajan Yadav</td>
<td>20</td>
</tr>
<tr>
<td>5.</td>
<td>Spatial Analysis of Land Use in Mysore City Dr. Harish M</td>
<td>25</td>
</tr>
<tr>
<td>6.</td>
<td>Drivers of New Product Success K. Vijayan &amp; Dr. Jaysree Suresh</td>
<td>30</td>
</tr>
<tr>
<td>7.</td>
<td>Knowledge Management for Performance Excellence Dr. S. Ramananthan &amp; Dr. S. Selvamuthukumaran</td>
<td>35</td>
</tr>
<tr>
<td>8.</td>
<td>A New Paradigm in Designing an Advertisement - An Application of Real Time Data Warehouse &amp; Data Mining in Preparation of an Ad Copy Dr. G. Vadivalagavan, N. Suganthi &amp; M. Rameshkumar</td>
<td>39</td>
</tr>
<tr>
<td>9.</td>
<td>Unethical Practice of Mis-selling of Insurance – Impact and Solutions C. Barathi, Dr. Ch. Ibomaj Meitei &amp; C. D. Balaji</td>
<td>45</td>
</tr>
<tr>
<td>11.</td>
<td>Variance of the Time to Recruitment in a Single Graded Manpower System – SCBZ Property R. Arumugam &amp; Dr. A. Pandurangan</td>
<td>54</td>
</tr>
<tr>
<td>12.</td>
<td>Survey - 3D Face Tracking Sushma Jaishwal, Dr. Sarita Singh Bhadauria &amp; Dr. Rakesh Singh Jadon</td>
<td>57</td>
</tr>
<tr>
<td>13.</td>
<td>An Empirical Evaluation of Investors Inclination on Utip Insurance Products with Reference to Delhi City R. Saranmadavi, Dr. M. G. Saravanaraj &amp; Dr. M. Latha Nataraajan</td>
<td>79</td>
</tr>
<tr>
<td>14.</td>
<td>A Study on the Traffic Problems with Special Reference to Nellore District Kanagalururu Sai Kumar</td>
<td>84</td>
</tr>
<tr>
<td>15.</td>
<td>A Study on Lean Management in Chennai Port R. Akila &amp; Dr. N. Thangavel</td>
<td>89</td>
</tr>
<tr>
<td>17.</td>
<td>Managing Non Performing Assets: A Study of Indian Commercial Banks Dr. Himanshu Shekhar Singh &amp; Dr. Ajay Singh</td>
<td>99</td>
</tr>
<tr>
<td>18.</td>
<td>Empowerment of Rural Odisha Through Connectivity (With Special Reference to Khurda District of Odisha) Dr. Ipseeta Satpathy, Dr. B. Chandra Mohan Patnaik &amp; Prabir Kumar Pradhan</td>
<td>103</td>
</tr>
<tr>
<td>22.</td>
<td>JIT Based Quality Management in Indian Industries Sandeep Malik, Nishant Pawha &amp; Dr. Dinesh Khanduja</td>
<td>120</td>
</tr>
<tr>
<td>23.</td>
<td>Recent Case Studies of Risk in Information Security Dr. S. Kanchanaratnam &amp; T. T. Raukumar</td>
<td>123</td>
</tr>
<tr>
<td>24.</td>
<td>Relationship Between Job Stress and Employees Performance in Day to Day Operations of Private Organizations and the Impact of Stress on the Overall Performance of Employee Vijay Kumar Gupta</td>
<td>126</td>
</tr>
<tr>
<td>26.</td>
<td>Request for Feedback</td>
<td>140</td>
</tr>
</tbody>
</table>
CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects like Accounting Education; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macroeconomics; Micro Economics; Monetary Policy; Portfolio & Security Analysis; Public Policy Economics; Real Estate; Regional Economics; Tax Accounting; Advertising & Promotion Management; Business Education; Business Information Systems (MIS); Business Law, Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labor Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; Public Administration; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism, Hospitality & Leisure; Transportation/Physical Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Digital Logic; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Multimedia; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript anytime in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email addresses, infoijrcm@gmail.com or info@ijrcm.org.in.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. COVERING LETTER FOR SUBMISSION:

DATED: _____________

THE EDITOR

IJRCM

Subject: SUBMISSION OF MANUSCRIPT IN THE AREA OF

(e.g. Computer/IT/Finance/Marketing/HRM/General Management/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript titled ‘___________________________________________’ for possible publication in your journal.

I hereby affirm that the contents of this manuscript are original. Furthermore it has neither been published elsewhere in any language fully or partly, nor is it under review for publication anywhere.

I affirm that all author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if our/my manuscript is accepted, I/We agree to comply with the formalities as given on the website of journal & you are free to publish our contribution to any of your journals.

NAME OF CORRESPONDING AUTHOR:

Designation:

Affiliation with full address & Pin Code:

Residential address with Pin Code:

www.ijrcm.org.in
2. **INTRODUCTION:** Manuscript must be in British English prepared on a standard A4 size paper setting. It must be prepared on a single space and single column with 1” margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of the every page.

3. **MANUSCRIPT TITLE:** The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

4. **AUTHOR NAME(S) & AFFILIATIONS:** The author(s) full name, designation, affiliation(s), address, mobile/landline numbers, and email/alternate email address should be in italic & 11-point Calibri Font. It must be centered underneath the title.

5. **ABSTRACT:** Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para.

6. **KEYWORDS:** Abstract must be followed by list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

7. **HEADINGS:** All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

8. **SUB-HEADINGS:** All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.

9. **MAIN TEXT:** The main text should be in a 8 point Calibri Font, single spaced and justified.

10. **FIGURES & TABLES:** These should be simple, centered, separately numbered & self explained, and titles must be above the tables/figures. Sources of data should be mentioned below the table/figure. It should be ensured that the tables/figures are referred to from the main text.

11. **EQUATIONS:** These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.

12. **REFERENCES:** The list of all references should be alphabetically arranged. It must be single spaced, and at the end of the manuscript. The author(s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow Harvard Style of Referencing. The author(s) are supposed to follow the references as per following:

   - All works cited in the text (including sources for tables and figures) should be listed alphabetically.
   - Use (ed.) for one editor, and (ed.s) for multiple editors.
   - When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
   - Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
   - The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
   - For titles in a language other than English, provide an English translation in parentheses.
   - The location of endnotes within the text should be indicated by superscript numbers.

**PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:**

**BOOKS**
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio,” Ohio State University.

**CONTRIBUTIONS TO BOOKS**

**JOURNAL AND OTHER ARTICLES**

**CONFERENCE PAPERS**

**UNPUBLISHED DISSERTATIONS AND THESIS**

**ONLINE RESOURCES**
- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

**WEBSITE**
The proliferation of accounting scandals has prompted the need to improve the relevance of financial reporting by setting up good governance structures. The relationship between corporate governance and information quality has been strongly debated in the context of developed countries. It is only recently that attention turned to the study of governance and financial information quality in developing countries. This paper examines the effect of corporate governance mechanisms on the financial reporting quality of Nigerian banks. Multiple regression is used as a tool of analysis for the data collected from all the quoted banks on the Nigerian stock exchange as at 31st December, 2010. The results reveal that governance mechanisms have affected positively and strongly the financial information quality of the Nigerian banks. What therefore left to be done is for CBN to ensure that the Nigerian banks are structured with good governance to improve their financial information quality.

KEYWORDS
Financial Reporting, Accounting scandals, Corporate governance, Nigeria, Bank.

INTRODUCTION
The concern for how banks should be governed lies precisely with the increasing impact of private corporate behavior on the collective welfare of the economy. The importance of banks to national economies is underscored by the fact that banking is, almost universally, a regulated industry and that they have access to government safety nets. Also, the business of banking has a number of intrinsic risks that could jeopardize the entire financial system of an economy. Some of the intrinsic risks include operating with high leverage which can make the banks vulnerable to losses, dependence on the confidence of depositors and the financial markets for securing necessary funds, general opaqueness of the business of banking. It is therefore of crucial importance that banks have strong corporate governance. Corporate governance aims to protect the interests of all stakeholders and to minimize asymmetric information between bank’s managers, its owners as well as customers. The banks’ corporate governance focus is also different due to the source of their financing. Banks typically receive a greater percentage of their financing through debt, which tends to be in the form of deposits from multiple unsophisticated debt-holders of non-financial businesses. Banks are also different due to deposit insurance which exists in some jurisdictions and which largely removes the incentive for depositors (the debt-holders of the bank) to monitor their activities and which can also lead to risky behaviour on the part of bank management (Hanc, 1999). In addition, banking businesses are generally more opaque than non-financial firms’ businesses. Although information asymmetries plague all sectors, evidence suggest that these information asymmetries are large with banks (Furtine, 2001). Banks can alter the risk composition of their assets more quickly than most non-financial firms, and can readily hide problems by extending loans to clients that cannot service debt obligations. These traits have some implications for the corporate governance of banks.

The wave of accounting scandals occurred recently in the international financial community has raised many criticisms about the financial reporting quality (Agrawal and Chadha, 2005; Brown et al., 2010). Several prominent banks were involved in accounting frauds, such as Oceanic bank, Intercontinental bank and Unity bank etc, which has weakened the investor confidence toward the management team and the financial reports. The widespread failure in the financial disclosure has created the need to improve the financial information quality and to strengthen the control of managers by setting up good governance structures (Karamaou and Vafeas, 2005; Beekes and Brown, 2006; Brown and Caylor, 2006; Firth et al., 2007; Petra, 2007). Indeed, the financial information serves as a basis for investment decisions of the capital market participants. It is useful for owners, creditors, firm partners and regulators, since it helps to determine the firm’s past performance, predict its future profitability and monitor the managers’ actions (Bushman and Smith, 2001; 2003).

According to Bushman and Smith (2001), publicly reported accounting information can be used as important input information in various corporate governance mechanisms. A vast body of literature acknowledged the importance of corporate governance mechanisms to improve financial information reporting quality and past literature has demonstrated that good governance reduces the risk of financial reporting problems. Good governance goes in-hand with reduced risk of financial reporting problems and other bad accounting outcomes Hermanson (2003).

The link between corporate governance and financial information quality has been strongly discussed in the developed countries. Emphasis was placed on specific governance mechanisms such as board independence and size (Beekes et al., 2004; Bradbury et al., 2006; Petra, 2007 Beasley, 1996; Dechow et al., 1996; Peasnell et al., 2000; Klein; 2002, Davidson et al., 2005), institutional shareholding Ballesta and Meça, 2007 Beatty and Harris (1998), Kim and Yi (2006), Richardson (2000) and audit committee (Agrawal and Chadha, 2005 Anderson et al., 2004; DeZoort and Salterio, 2001, Klein, 2002; Bedard et al., 2004, Menon and Williams, 1994; Beasley et al., 2000). Recently, attention turned to the study of corporate governance and financial reporting in the emerging economies which are rapidly growing and have distinctive features about corporate control, capital allocation and regulations (Bradbury et al., 2006; Firth et al., 2007; Dimitropoulos and Asteriou, 2010).

However, advocates of agency theory believe that board composition of a bank comprising majority of outside directors reduce agency conflicts as they provide effective monitoring tool to the board (Fama and Jensen, 1983). They argue that the inclusion of outside directors increases the boards’ ability to be more efficient in monitoring the top management and to ensure absent of collusion with top managers to expropriate stockholder wealth as they have incentives to develop their reputations as experts in decision control. Normally, the outside directors are expert managers from other large organizations and with their expertise, independence, objectivity and legal power, outside directors become potentially powerful governance mechanisms to mitigate agency costs and protect shareholders wealth(Lu, 1994).

Accounting-based numbers are a persistent and traditional standard that creditors use to assess firm health and viability. Smith and Warner (1979) note for instance, that such criteria have been used in lending agreements and debt covenants for hundreds of years. Firms violating these accounting-based standards allow debt holders, as senior claimants, to liquidate projects or renegotiate lending contracts (DeFond and Jiambalvo, 1994). Managers as such, may have incentives to issue misleading financial statements to conceal negative information and thereby provide private personal benefits or potential shareholder benefits (Dechow et al., 1996). The importance creditors place on accounting numbers and the countervailing managerial incentives to manipulate these reports suggests that bondholders potentially exhibit great concern over factors influencing the reliability and validity of the financial accounting process (Smith, 1993 and Leftwich, 1983).

From a creditor’s perspective, perhaps one of the most important factors influencing the integrity of the financial accounting process involves the board of directors. Boards of directors, among other tasks, are charged with monitoring and disciplining senior management, and lending agreements typically require that boards supply audited financial statements to the firm’s creditors (Daley and Vigeland, 1983; DeFond and Jiambalvo, 1994; and Dichev and Skinner, 2002).
Klein (2002a), Carcello and Neal (2000), Beasley (1996), and Dechow et al. (1996) examine the importance of directors monitoring the financial accounting process and document a relation between board characteristics and manipulation of accounting information. Board attributes that influence the validity of accounting statements may thus be of great importance to creditors. Smith and Warner (1979) suggest that creditors price the firm’s debt to reflect the difficulties in ensuring the validity of the lending agreement, indicating that if board structure is an important oversight element in the financial accounting process, debt prices may be sensitive to board of director characteristics.

Smith and Warner (1979) and Kalay (1982) observe that bondholders’ concerns lie with protecting their investment. One of the more important elements in bondholders’ ability to protect their investments is the firm’s financial accounting numbers. Creditors use accounting numbers to judge compliance with debt covenants and to administer lending agreements (DeFond and Jiambalvo, 1994) and Daley and Vigeland, (1983). Boards of directors have a primary responsibility of overseeing the firm’s financial reporting process. Boards meet routinely with the firm’s accounting and external auditors to review financial statements, audit procedures, and internal control mechanisms (Klein, 2002a). As such, bondholder’s potentially view boards of directors and, in particular, board composition as critical elements in delivering credible and relevant financial statements.

The corporate governance culture in Nigeria has consistently failed to be responsible to the stakeholders, accountable to the shareholders and has no deep-rooted mechanism to maintain a balance among the major players (board of directors, shareholders, and management) in corporate governance which resulted into gross misconducts since investors are not included in the governing structure. Policy and procedures required to ensure efficient internal financial information quality. In the third section, the methodological approach is displayed and in the forth section, the results of our empirical investigation is presented and discussed. Finally, conclusion and recommendation are provided.

The discussion in this paper is organized as follows. In the second section, literature will be reviewed covering the link between corporate governance and financial information quality. Researchers have found evidence on the association between poor governance and poor quality of financial reporting including earnings management activities and performance (Bathala and Rao, 1995; Mitton, 2002; Vethanayagam et al., 2006), little is known in terms of the relationship between corporate governance and financial reporting quality issues on the earnings quality issues in a developing economy like Nigeria. To the best of our knowledge, the identity of the directors or the shareholders and its effect on the financial reporting quality were not heavily discussed by prior research especially in the developing economies (Dimitropoulos and Astenou, 2010). This constitutes principally the contribution of this paper compared to prior studies. Hence, we posit in our study that the governance mechanisms do not affect the quality of financial information of the Nigerian banks. Our research contributes to the extant literature in three ways. First, we investigate the relationship between corporate governance and financial information quality in a developing economy which is Nigeria. Second, we identify the control mechanisms which are specific to the financial information of Nigerian banks i.e. Board, Independence, size, audit committee and institutional shareholding. Principally, we focus on the directors and shareholders to identify the principal governance mechanisms and try to overcome the corruption and lack of control capacity to implement the codes of conduct governing corporate governance. Company executives enjoy an atmosphere of lack of check and balances in the system to engage in gross misconducts since investors are not included in the governing structure. Policy and procedures required to ensure efficient internal controls are disregarded, and total lack of thorough selection process of CEO, board members and audit committees – round pegs in square holes remain a challenge in Nigeria.

This paper therefore examines the effects of corporate governance mechanisms on the quality of Nigerian banks’ financial information. It is therefore hypothesized that corporate governance mechanisms have no significant effect on the financial information quality of Nigerian banks. This question is relevant to be examined because the Nigerian market is more and more expanding. It adopted several reforms to modernize the financial market, promote the foreign investment, privatize the public firms and liberalize the trade. Although the concept of corporate governance is still at an embryonic stage, the Nigerian regulators emphasized the necessity of disclosing relevant and reliable information by the banks.

The corporate governance culture in Nigeria has consistently failed to be responsible to the stakeholders, accountable to the shareholders and has no deep-rooted mechanism to maintain a balance among the major players (board of directors, shareholders, and management) in corporate governance which resulted into gross misconducts since investors are not included in the governing structure. Policy and procedures required to ensure efficient internal financial information quality. In the third section, the methodological approach is displayed and in the forth section, the results of our empirical investigation is presented and discussed. Finally, conclusion and recommendation are provided.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

A survey of the theoretical and empirical literature concerning corporate governance and financial information quality are reviewed. The emphasis is placed on the board composition, size and independence of the board of directors, audit committee as well as institutional shareholding all as relate to financial information quality. Researchers have found evidence on the association between poor governance and poor quality of financial reporting including earnings management activities and performance (Bathala and Rao, 1995; Mitton, 2002; Vethanayagam et al., 2006), little is known in terms of the relationship between corporate governance and financial reporting quality issues on the earnings quality issues in a developing economy like Nigeria. To the best of our knowledge, the identity of the directors or the shareholders and its effect on the financial reporting quality were not heavily discussed by prior research especially in the developing economies (Dimitropoulos and Astenou, 2010). This constitutes principally the contribution of this paper compared to prior studies. Hence, we posit in our study that the governance mechanisms do not affect the quality of financial information of the Nigerian banks. Our research contributes to the extant literature in three ways. First, we investigate the relationship between corporate governance and financial information quality in a developing economy which is Nigeria. Second, we identify the control mechanisms which are specific to the financial information of Nigerian banks i.e. Board, Independence, size, audit committee and institutional shareholding. Principally, we focus on the directors and shareholders to identify the principal governance mechanisms and try to overcome the corruption and lack of control capacity to implement the codes of conduct governing corporate governance. Company executives enjoy an atmosphere of lack of check and balances in the system to engage in gross misconducts since investors are not included in the governing structure. Policy and procedures required to ensure efficient internal controls are disregarded, and total lack of thorough selection process of CEO, board members and audit committees – round pegs in square holes remain a challenge in Nigeria.

The discussion in this paper is organized as follows. In the second section, literature will be reviewed covering the link between corporate governance and financial information quality. In the third section, the methodological approach is displayed and in the forth section, the results of our empirical investigation is presented and discussed. Finally, conclusion and recommendation are provided.
their presence in the board has no effect on the reporting quality of information, (Petra (2007) for American firms, Bradbury et al. (2006) for Singapore and Malaysian firms and Ahmed et al. (2006) for New Zealand firms. Prior literature generally posits that board of director independence from senior management provides, among other things, the most effective monitoring and control of firm activities. Beasley (1996) and Dechow et al. (1996) find that the proportion of independent directors on the board (board independence) is inversely related to the likelihood of financial statement fraud. If independent boards provide superior oversight of the financial accounting process, then we expect bondholders to directly benefit through greater transparency and validity in accounting reports.

**AUDIT COMMITTEE AND INFORMATION QUALITY**

Audit committees have been long seen as a vital institution in assisting the board of directors in enhancing the transparency and integrity of financial information (reporting Dan (2007)). The code provided that the audit committee will be responsible for the review of the integrity of the banks’ financial reporting system and oversee the independence and objectivity of the external auditors. Specifically, effective audit committees are expected to enhance financial reporting quality by fulfilling its numerous responsibilities including, commenting on and approving accounting policies, reviewing the financial statements, and maintaining and reviewing the adequacy of internal controls. Moreover, audit committees are also expected to play an important role in enhancing the effectiveness of external auditors over financial reporting quality by, assuming responsibilities for the appointment and remuneration of external auditors, and discussing the scope of and reviewing the auditors work.

However, prior research indicates that the conduct of audit committee effectiveness over financial reporting is multidimensional and is affected by variety of audit committee characteristics such as committee size (Anderson et al., 2004; DeZoort and Salterio, 2001), committee independence (Klein, 2002; Bedard et al., 2004) and committee number of meetings (Menon and Williams, 1994; Beasley et al., 2000). Audit committee member financial expertise is another important dimension of audit committee effectiveness that has gained the attention of regulators and academics (Treadway Commission, 1987; GAO, 1991; POB, 1993; Kalbers and Fogarty, 1993; DeZoort, 1997, 1998; BRC, 1999; SOX, 2002). Advocates propose that the presence of financial experts in audit committees do assist the committee in, critically analyzing accounting policies and financial statements, identifying potential problems, and solving them. Carcello and Neal (2000) provide support for this argument by documenting a relation between greater audit committee independence and the quality of financial reporting.

However, accounting expertise may be more important for audit committee members than any other expertise, since banks code of best practices (2006) suggest that audit committee members are responsible for tasks that require high degrees of accounting sophistication. Prior studies argue that financial reporting issues involve the highest level of technical detail among audit committee effective areas (Kalbers and Fogarty, 1993; Green, 1994), and ideal audit committee members should have knowledge of accounting concepts and the auditing process to enhance their understanding of the financial reporting process, recognize problems, ask probing questions of the management and auditor and make leadership contributions to audit committees (McDaniel et al., 2002; Libby and Luft, 1993; Bull and Sharp, 1989; Lipman, 2004; Scarpati, 2003). Archival evidence suggests that audit committee accounting expertise is negatively associated with SEC enforcement actions and restatements (McMullen and Raghunandan, 1996; Agrawal and Chadda, 2005) and suspicious auditor switches (Archambeault and DeZoort, 2001), and positively associated with firm credit ratings (Ashbaugh-Skaife et al., 2006) and the likelihood of supporting auditors in financial reporting disputes with management (DeZoort and Salterio, 2001).

DeFond et al. (2005) document positive market reactions to the appointment of new audit committee members with accounting expertise, but no reactions to the appointment of audit committee members with non-accounting expertise. It is therefore likely that accounting expertise, relative to other expertise, can contribute more to the effectiveness of audit committees which in turn improve the quality of financial information.

**INSTITUTIONAL SHAREHOLDING AND INFORMATION QUALITY**

Considering the influence of shareholder activism in governance reforms is important to obtain insight into governance practices (Daily et al., 2003). Institutional investors’ participation has emerged as important force in corporate monitoring to serve as mechanisms to protect minority shareholders’ interest. The significant increase in the institutional investors’ shareholdings especially in banks has led to the formation of a large and powerful constituency to play a significant part in governance reforms is important to obtain insight into governance practices (Petra (2007) for American firms, Bradbury et al. (2006) for Singapore and Malaysian firms and Ahmed et al. (2006) for New Zealand firms. Prior literature generally posits that board of director independence from senior management provides, among other things, the most effective monitoring and control of firm activities. Beasley (1996) and Dechow et al. (1996) find that the proportion of independent directors on the board (board independence) is inversely related to the likelihood of financial statement fraud. If independent boards provide superior oversight of the financial accounting process, then we expect bondholders to directly benefit through greater transparency and validity in accounting reports.

Institutional shareholdings by institutions provide an incentive for diligent monitoring as they have the resources, expertise and stronger incentives to actively monitor the actions of management and prevent managers’ opportunistic behaviour (Wan Hussin and Ibrahim, 2003). Given they own substantial shareholdings that make it difficult to sell shares immediately at prevailing price, the institutional investors have greater incentives to closely monitor companies with high free cash flow (Chung et al., 2005). Extending prior research that look into the role of internal governance mechanisms and earnings management, Mitra and Cредdy (2005) provide evidence that monitoring investors also help to prevent managers’ opportunistic reporting behavior and improve the quality of governance in the financial reporting process. They find that institutional shareholders intervene and mitigate the self-serving behaviour of corporate managers in financial reporting based on a sample of 136 companies belong to the S&P 500 group and 237 belong to non- S&P 500 category for eight years period (1991-1998). The result may be different if the study could have been conducted recently.
Chung et al. (2005) find evidence that institutional shareholders moderate the discretionary accrual and surplus free cash flow relationship when the surplus free cash flow is high. The presence of institutional investors with substantial shareholdings restrain managers from engaging in income increasing discretionary accruals when companies have high free cash flow, however, when there is no free cash flow agency problems, the institutional investors do not effectively constrain the management’s use of income increasing discretionary accrual.

In this paper, we draw on agency theory to develop an empirical framework for examining the link between corporate governance and financial reporting behavior of Nigerian banks. We use this framework to formulate and test specific hypothesis on the association between measures of earnings quality and corporate governance.

Agency theory provides a natural backdrop for our analysis because financial reporting concerns arise when there is a conflict of interests between managers and owners (shareholders) coupled with information asymmetries. Beatty and Harris (1998), Kim and Yi (2006), and Richardson (2000). Without this agency problem, reporting quality is a non-issue because managers do not have any incentive to misreport or hide information (keeping aside reporting incentives that might arise from strategic product market considerations). The purpose of corporate governance in its various forms is to reduce this agency problem, suggesting a natural link between corporate governance and financial reporting. All else equal, effective corporate governance should result in high reporting/earnings quality. Indeed, Chtourou, Bédard, and Courteau (2001) provide evidence that effective boards and audit committees constrain earnings management activities.

METHODOLOGY, MODEL SPECIFICATION AND ROBUSTNESS TESTS

This paper focuses on corporate governance mechanisms and banks’ financial information quality. The population of the study is 21 banks that are quoted on the Nigerian Stock Exchange as at 31st December, 2010 and all of them are studied making 100% sample using census sampling technique. Multiple regression is used as a tool of analysis and the secondary data is collected from the financial statements of the banks for 3 years (2007–2009). Further, we check if there is a multicollinearity problem among the explanatory variables of our model. According to the VIF test (variance inflation factors), it is concluded that this problem does not arise all factors are below 1 and the tolerance values are less than 10. Gujarati (2005). The result not shown for brevity.

Firstly, we measure the financial information quality using the Dechow and Dichev (2002) which considers the standard deviation of the residuals as a measure of financial reporting quality. Large values of the model residuals mean a considerable level of discretionary accruals and so a poor quality of the financial information value versa. Our selection of the model is informed by the study of Keith, Gopal and Kevin (2007) who evaluated the ability of ten measures derived from the extant discretionary accruals models to detect the very existence of fraudulent events in financial statements, the extent of fraudulent earnings, and voluntarily earnings restatements including a total of 35 accruals, a low-cost alternative to discretionary accruals. They found that while total accruals are associated with a fraudulent event, many commonly used measures, such as discretionary accruals derived from the Jones model, the modified Jones model, and performance-matched models are not associated with fraud. The following three measures have explanatory power for detecting fraud beyond total accruals: accrual estimation errors estimated from cross-sectional models of working capital changes on past, present, and future cash flows (Dechow and Dichev 2002), McNichols (2002) and the Beneish (1999) probability of earnings manipulation. They also recommended that future research could develop better measures by including corporate governance and other characteristics which happens to be the focus of this paper.

Dechow and Dichev (2002) suggested a new approach and became widely accepted to assessing accrual and earnings quality as a proxy of financial information quality in this paper, which examines estimation errors related to the mapping of accruals with cash flows. Specifically, they model changes in working capital accruals as follows:

\[ \Delta \text{WCit} = \beta_1 + \Delta \text{CFOit} + \epsilon \]

Where \( \Delta \text{WCit} \) is computed as the change in accounts receivable plus the change in inventory minus the change in accounts payable and taxes payable plus the change in other assets (net), and CFO represents cash flow from operations. The model is estimated using firm-specific regressions, where the residual determines the accrual quality. —the larger the standard deviation of the residuals, the lower the quality of accruals. They also point out; CFO is actually comprised of three components: current-period net cash flows plus net cash flows related to the previous period’s income plus net cash flows related to next period’s income.

Secondly, we identify the corporate governance mechanisms of the Nigerian banks that are related to the board of directors (Composition, Size, Audit Committee and Institutional Shareholding).

**Board Composition (BC)** is measured by the proportion of independent non-executive directors on the board, expressed in percentage (Che Haat, 2006). The bank of directors (Composition, Size, Audit Committee and Institutional Shareholding).

**Board Size (BS)** is measured by the total number of directors on the board.

**Institutional Shareholding (IS)** is measured using proportion of shares owned by institutional investors to total number of shares issued, expressed in percentage (Abdul Wahab et al., 2007).

**Audit Committee (AC)** is measured using audit committee governance score (AC GOV SCORE) that captures the overall strength of the audit committee.

Specifically, **AC GOV SCORE** is derived from three commonly used audit committee characteristics: audit committee size (ACS), audit committee independence (ACI), and audit committee meetings (ACM). To develop the summary measure, we create dichotomous measures of the three audit committee governance characteristics for each sample bank, with a value of 1 representing strong governance and a value of 0 representing weak governance:

1. **Audit committee size (ACS)**—Banks with larger audit committees devote more resources to oversee the financial reporting and internal control systems (Anderson et al., 2004) and facilitate quality discussions among audit committee members (DeZoort and Salterio, 2001). Since the code requires a bank to have at least three directors in the audit committee, we code sample banks 1 if they have at least three members on their audit committee in each year during the sample period and 0 otherwise.
2. **Audit committee independence (ACI)**—there is considerable evidence depicting a positive relationship between audit committee independence and financial reporting quality (Klein, 2002; Bédard et al., 2004). We code sample banks 1 if their audit committees are entirely comprised of independent members in each year during the sample period and 0 otherwise.
3. **Audit committee meetings (ACM)**—Menon and Williams (1994) argue that audit committees that do not meet or meet only once are unlikely to be effective monitors while audit committees that meet several times exert more serious efforts in monitoring management. We code sample banks 1 if the audit committee met at least four times in each year during the sample period and 0 otherwise.

The three dichotomous variables are then summed up to obtain the summary governance measure (AC GOV SCORE). An overall measure of audit committee strength (ACGOV) is then constructed by coding it 1 if a sample bank’s AC GOV SCORE is greater than or equal to two (strong audit committee governance), and 0 otherwise.

Thirdly, we introduce D3 as control variable 1 to control bank size which is measured as natural logarithm of total assets.

Finally, we introduce D4 as control variable 2 to control bank generation which is measured as natural logarithm of total deposit.

The overall regression model that captures the hypothesis of the study is presented as follows:

\[ \text{FRQ} = \beta_1 + \beta_2 \text{BS} + \beta_3 \text{ACI} + \beta_4 \text{ACM} + \text{D1} + \text{D2} + \epsilon \]

Where:

- \( \text{FRQ} \) = S.D. of the residuals
- \( \Delta \text{WCit} = \beta_1 + \Delta \text{CFOit} + \epsilon \)
- \( \beta_1 \) = Intercept
- \( \beta_2 \) = Coefficient of the independent variables
- \( X_{1} \) = Board Composition
- \( X_{2} \) = Board Size
- \( X_{3} \) = Audit Committee
- \( X_{4} \) = Institutional shareholding

INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION & MANAGEMENT

A Monthly Double-Blind Peer Reviewed Refereed Open Access International e-Journal - Included in the International Serial Directories

www.ijrcm.org.in
RESULT AND DISCUSSION

The analysis begins with a range of descriptive statistics on dependent variable and independent variables with mean, standard deviation, minimum and maximum presented below:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC</td>
<td>0.204907</td>
<td>6.034606</td>
<td>0.600013</td>
<td>0.260900</td>
</tr>
<tr>
<td>BS</td>
<td>0.350638</td>
<td>5.357671</td>
<td>0.000000</td>
<td>1.86190</td>
</tr>
<tr>
<td>AC</td>
<td>0.352090</td>
<td>12.151211</td>
<td>1.000000</td>
<td>0.392601</td>
</tr>
</tbody>
</table>

Source: Output of data analysis using E-view

The correlation results presented in table 2 above shows that all the explanatory variables are positively and strongly correlated with the explained variable. Thus, there is a strong relationship between corporate governance and financial information quality in the Nigerian money deposit banks. On the other hand, all the independent variables are negatively correlated with themselves except two and control 1 that are negligibly insignificant. This indicates an absence of multicollinenarity between the explanatory variables of the study.

The findings related to board composition or independence above supported that of Fama and Jensen (1983) that outside directors are argued to have incentives to carry out their monitoring tasks more effectively, not collude with top managers in expropriating shareholder wealth, and objectively question and evaluate management performance (Carcillo and Neal, 2003). Also, Rosenstein and Wyatt, 1990; Dechow et al., 1996; Beasley, 1996; Core et al., 1999 empirically indicated that independent directors are associated with stronger corporate governance and financial reporting integrity which is in line with the finding of this study. Therefore, the policy implication is for Nigerian banks to have at least 15% and not more than 35% independent directors out of the total number of directors.

Further, for board size our finding supported that of Jensen (1993) and Lipton and Lorsch (1992) who suggest that large boards are less effective monitors and are easier for CEOs to influence. Yermack (1996), Eisenberg et al. (1998), and Loderer and Peyer (2002) find a significant negative relationship between large board size and financial reporting quality. Our result reveals that Nigerian banks should have a minimum of 5 and maximum of 12 executive and non-executive directors for their reported financial information to be of quality.

The table below summarizing the regression result shows that:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>t. test</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.721671</td>
<td>0.065633</td>
<td>4.611386</td>
<td>0.0011*</td>
</tr>
<tr>
<td>BC</td>
<td>0.530721</td>
<td>0.058783</td>
<td>4.255308</td>
<td>0.0064*</td>
</tr>
<tr>
<td>BS</td>
<td>0.712355</td>
<td>0.161117</td>
<td>3.232486</td>
<td>0.0010*</td>
</tr>
<tr>
<td>IS</td>
<td>0.013020</td>
<td>0.100341</td>
<td>0.2016052</td>
<td>0.0430**</td>
</tr>
<tr>
<td>D1</td>
<td>0.015341</td>
<td>0.021515</td>
<td>3.083864</td>
<td>0.0144**</td>
</tr>
<tr>
<td>D2</td>
<td>0.002420</td>
<td>0.112245</td>
<td>3.468224</td>
<td>0.0251</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.670816</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.520434</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson stat</td>
<td>2.203214</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>7.510430</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000211*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Output of data analysis using E-view

The results show that the estimated model of the study is fit because all the explanatory variables are significant in determining the dependent variable except control 2 variable controlling bank generation. It can also be observed that the coefficients of all the explanatory variables are positive showing all none of the variables in inversely related with financial information quality of Nigerian banks. Thus, board composition, board size and control 1 are all significant at 1%, whereas, institutional shareholding is significant at 5% level of significant and control 1 is not significant at all.
with larger audit committees are less likely to make suspicious auditor switches. However, for the committee independence it tallies with the findings of Klein, (2002); Bédard et al., (2004) and Anderson et al. (2004) depicting a positive relationship between audit committee independence and financial reporting integrity. Finally, Menon and Williams (1994) argue that audit committees that do not meet or meet only once are unlikely to be effective monitors while audit committees that meet several times exert more serious efforts in monitoring management therefore protecting earnings manipulation which improves the quality of financial information to be reported. Other supporting evidence indicates that firms whose audit committees meet less often are more likely to engage in fraudulent behavior (Beasley et al., 2000). face reporting problems (McMullen and Raghunandan, 1996), and make suspicious auditor switches (Archerbeaut and DeZoort, 2001). The evidence that firms with more members in the audit committee are more likely to have good quality financial reporting is in contrast with the evidence from previous studies such as Felto et al. (2003), Abbott et al. (2004) and Bédard et al. (2004), but consistent with Lin et al. (2006). This suggests that larger audit committees are more likely to be able to devote adequate time and effort to ensure that the information disclosed in the financial statements is accurate and timely and hence increase the quality of financial reporting.

Overall, the findings can provide guidance to users of accounting information such as investors and regulators. For users, our findings serve as a reminder that audit committees may appear to comply with regulatory requirements on independence, financial expertise and minimum number of meetings, yet in actuality they only play a ritualistic role with no substantive monitoring in the financial reporting process, in tandem with the institutional theory prediction (Cohen, Krishnamoorthy, & Wright, 2008). To help users make an informed decision on the quality of audit committee and to facilitate a sound assessment of "independence in substance", more qualitative disclosure is required on the activities of audit committees and the extent to which they have fulfilled their responsibilities. For the regulators, the efficacy of prescribing certain best practices for the audit committee remains an open question. Moreover, for institutional share holder the result reveals that Nigerian banks have minimum of 19% and Maximum of 39% institutional shares holding with most of them having 26% out of the total issued shares and became significant on the quality of their financial information. This implies that banks should ensure that the institutional holding should not be above 39% of the total holdings so that the quality of the accounting figure may be maintained. In fact it should be noted that the higher the institutional holding the more block holding in a firm since must if the institutional holdings are bulk shares purchase. Looking at the relation between institutional ownership and discretionary accruals, a positive relation emerged and supported statistically. This significant association indicates that institutional investors are a major consideration in managers’ aggressive earnings management strategy. This result is not surprising. As a result, institutional investors in Nigerian banks are effective in constraining managerial behaviour of earnings management. Consistent with the argument that institutional investors in Nigeria create incentives for managers of their portfolio firms to manage earnings aggressively, these institutional investors focus excessively on current earnings performance (Koh, 2003). The result of influential effect of institutional investors on earnings management found in this study is consistent with what Velury and Jenkins (2006) found in a sample of US based firms. However, similar evidence is found by Sirerag and Utama (2008) for Indonesian firms. Regarding the other variables, included as control variables (D1 and D2), we found that banks’ size significantly affecting the quality of accounting information while their generation is not. Size appears to affect earnings management significantly indicating that banks with larger assets have high earnings quality since they engage more in earnings management but bank generation (new or old) has nothing to do with their earnings quality. Finally, the cumulative influence of all the explanatory variables put together is able to explain the dependent variable up to 72 as indicated by the adjusted R² and remaining 28% is controlled by other factors. Similarly, the result of the F-statistic value of 7.5 implies that the model is well fitted and significant at 1% considering the rule of thumb of 2. This provides evidence of rejecting the null hypothesis that corporate governance mechanisms have no significant effect on the quality of financial information of Nigerian banks. The Durbin- Watson of 2.20 reveals a complete absence of serial correlation within the 3 years of the study.

CONCLUSION AND RECOMMENDATION

Boards of directors, audit committees and institutional holdings are responsible for monitoring, evaluating, and disciplining banks' management. Perhaps one of the most important responsibilities of the board from a creditor’s perspective is oversight of financial reporting. Because debt holders rely on accounting based covenants in lending agreements, creditors may have concerns with board and audit committee monitoring of the financial accounting process. Consistent with this idea, we find that board and audit committee independence are positively associated with significantly quality of financial information. In line with this, is it therefore concluded that corporate governance has significant effect in influencing the quality of financial information in banks. Overall, our study supports the argument that the corporate governance affects the accounting quality in the Nigerian money deposit banks. What left to be done is for the shareholders of Nigerian money deposit banks to ensure the inclusion of outside directors one of who must be financial expert in their audit committee and the committee to meet at least 4 times annually in order to improve the quality of financial information reporting.

REFERENCES


REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Computer Application and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mails i.e. infoijrcm@gmail.com or info@ijrcm.org.in for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail infoijrcm@gmail.com.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator