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The Relationship Between Corporate Governance and Financial Reporting Quality: Evidence from Ghana

By

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DECLARATION

I do hereby declare that except for references to other people's work which have been duly acknowledged, this thesis is a result of my own research work and neither in whole nor in part has this work been presented for the award of a degree in this university or any other institution. I further declare my full responsibility for any deficiency in this document

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(Supervisor)	Signature	Date

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(Head of Department)	Signature	Date

DEDICATION

This entire work is dedicated to the glory of the Almighty God, my wife Esther Nyarkoah and daughter AnnaLisa, for their support and love during my studies.

ACKNOWLEDGEMENT

I am very grateful to God Almighty for guiding and giving me strength, knowledge and wisdom through the entire program. My heartfelt gratitude also goes to my supervisor, Dr. Daniel Domeher, who is the Head of the Department of Accounting and Finance, for his dedication, time, expertise, assistance, submissions and critiques from the commencement of the study to the successful completion of it. I say thank you to all other lecturers of the Department of Accounting & Finance and the Institute of Distance Learning for creating the necessary online resource environment.

I am also equally indebted to the numerous authors whose books were used as references in my bid to have this research completed.

Finally, to my wife and daughter, Esther Nyarkoah and AnnaLisa, I am so grateful. You have been a blessing behind my success. To my parents Mr and Mrs Okai may the Almighty God richly bless you for your invaluable love and investment into my life.

ABSTRACT

Good corporate governance should ensure financial reporting quality, a decrease in agency cost and information asymmetry, that mostly emerges from opportunistic management behaviour. In Ghana, corporate governance and financial reporting quality (FRQ) has attracted a lot of attention in recent times due to the recent banking failures, leading to massive lock up of individual and institutional funds. Financial reporting quality offers assurance to several stakeholders, in addition to providing crucial and useful information. The purpose of the research was to evaluate the relationship between corporate governance (specifically board characteristics) and Financial reporting quality of listed banks in Ghana. The board characteristics considered were Board Size, Foreign Directorship, Board Independence, Board Diversity[1] and Audit Committee Independence. The effects of certain factors were controlled via including control variables observed to be related to corporate governance and FRQ. The variables were Big Four audit firms and Firm Size. The empirical research was based on eight listed banks on the Ghana Stock Exchange for a five-year period (2015-2019). The results of the study showed that Foreign Directorship was positively correlated to and held a causative relationship with financial reporting quality unlike Board Size, Board Independence, Board Diversity and Audit Committee Independence which were negatively correlated to and held no causative relationship with financial reporting quality. Hence, high foreign directorship ensured a high financial reporting quality, as among other things, Foreign Directors' knowledge of foreign markets and network are unmatched. The findings of this study will add to existing knowledge and provide a reference for future academics, students, researchers, policy makers and other stakeholders with interest in the relationship between corporate governance practices and FRQ.

[1] In terms of gender (women membership)

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LIST OF ABBREVIATIONS

IAS	International Accounting Standards
ACI	Audit Committee Independence
AIQ	Accounting Information Quality
ANOVA	Analysis of Variance
BD	Board Diversity
BF	Big Four Auditor
BI	Board Independence
BIST	Borsa Istanbul
BoG	Bank of Ghana
BS	Board Size
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGI	Corporate Governance Index
Coeff	Coefficient
ED	Exposure Draft
F	Faithful Representation
FASB	Federation of Accounting Standards Board
FD	Foreign Directorship
FIFA	International Federation of Association Football
FRQ	Financial Reporting Quality
FS	Firm Size
GAAP	Generally Accepted Accounting Principles
GCB	Ghana Commercial Bank
GDP	Gross Domestic Product
GoG	Government of Ghana
GSE	Ghana Stock Exchange
HIH	Health International Holdings
HOSE	Ho Chi Minh City Stock Exchange
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
KAP	Public Disclosure Platform
KPMG	Klynveld Peat Marwick Goerdeler
MD&A	Management, Discussion & Analysis
MLR	Multiple Linear Regression
NSE	Nigeria Stock Exchange
NYSE	New York Stock Exchange
R	Relevance
SEC	Securities and Exchange Commission
STATA	Statistics and Data

Std Err	Standard Error
UK	United Kingdom
USA	United States of America
VIF	Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The "vehicle" through which the change of the way that businesses are governed is the compliance to a "corporate governance" code. For the development of an operating economic environment, it is further necessary for the expansion of the corporate governance concept (Agyei-Mensah, 2019). Uwuigbe et al. (2017) submitted that financial reporting is not currently apparent or perceived as a simple record of transactions or a normal accounting activity but observed as a significant instrument in dealing with an organization under sound corporate governance principles. As indicated by Nassar et al. (2014), financial reports could be delineated as a methodical depiction of the financial position and performance of an organisation; it really grants information concerning an entity to a wide scope of users to ensure they make quality financial and economic decisions. With reference to IAS 1, "Financial reports present the performance of management as stewards of resources trusted to them". As indicated by Okereke (2008) referred to in Uwalomwa et al. (2018), this idea has gotten huge interest from potential and present investors just as other significant stakeholders. Uwuigbe et al. (2016) proposed that the principal goal of a financial statement is to improve the nature of the choices users make, as quality choices can only be made with accessibility to quality financial data. Financial reporting and corporate governance are profoundly intertwined. Indeed, financial reporting represents an urgent aspect of corporate governance (Melis and Carta, 2010). The basic role of the activity of financial reporting is to make accessible top-notch financial data; while corporate governance as a component of its goal, grants the enabling environment to guarantee financial report quality.

Lately, corporate governance has become a subject of huge interest in the corporate world as a result of the growing prominent scandals and crashing of certain organizations like the Volkswagen Emissions Scandal; Marconi (Britain); Nortel (Canada); Parmalat in Italy; One Tel and HIH Insurance in Australia; Enron and WorldCom (United States). Others are the Corruption Scandal at FIFA, the Accounting Scandal at Toshiba, Lehman Brothers and numerous others in recent times (Uwuigbe et al., 2017). Corporate governance has become a primary determinant of identifying a company's weakness and strength; the quality of the financial reporting process is one of the most crucial roles executed by corporate governance *(Akeju & Babatunde, 2017).* Likewise, Sultana, Singh and Rahman (2019) maintain that to reduce corporate financial failure risks and increase public confidence, an effective operation of sound corporate governance practices is required .

The financial (banking) sector has significantly boosted the economy in a number of developing countries (Baldavoo & Nomlala, 2019). For instance, the Ghana Statistical Service (2017) detailed that in the year 2017, the banking sector boosted the gross domestic product (GDP) of Ghana by roughly 9.4%. However, since 2013, there have been continued difficulties in Ghana's banking sector. The crash of microfinance institutions in the country, involving DKM, in 2015, brought about the loss of large amounts of investors' monies. The Bank of Ghana (BoG) and different stakeholders had barely dealt with the fall of the institutions when the BoG had to revoke the licenses of two other commercial banks, Capital Bank and UT Bank, in 2017. By BoG's insistence, 'GCB Bank' acquired these banks. Eight months later in 2018, five more commercial banks collapsed. The Government of Ghana (GoG) set up a new bank, Consolidated Bank Ghana, to take over all the assets and liabilities of the five collapsed banks. The GoG indicated that the above exercise cost the state approximately 2.2 billion Ghana Cedis (Ministry of Finance, 2018).

Since the banking industry occupies a central role in promoting the nation's entrepreneurial and economic development, the failure of these banks negatively impacted the Ghanaian economy. Therefore, the GoG and different stakeholders decided to determine the causes of the failure of these banks. As a result, an auditing firm, KPMG was tasked to investigate what might have led to the bank failures. The KPMG Report (2018) affirmed many factors comprising incompetent management, banking laws disregard, related party transactions and irregularities in reporting as the main attributes of the banks' collapse. Every one of these elements pointed to the lack or weak best corporate governance practices in the banks. These findings opened up a discussion on the role corporate governance played in the failure of these entities. Even further propelling the discussion was the early failures of Enron and co. These multinational entities' collapse was assigned to the auditing and reporting scandals that finally put a spotlight on audit and governance quality (Salehi, Moradi and Paiydarmanesh, 2017). It is against these backgrounds that I seek to evaluate the relationship of corporate governance and FRQ of listed banks in Ghana.

1.2 PROBLEM STATEMENT

Good corporate governance should see to FRQ (Baldavoo & Nomlala, 2019). The question is whether corporate governance can determine FRQ (Aobdia, 2019). Regardless of the substantial importance corporate governance has on FRQ, very little focus has been granted it in existent literature, especially in Ghana. Further, the utilisation of only one measurement in existent studies has produced results which are unreliable as corporate governance is best evaluated with several variables. This is believed to have created a gap as information available to aid the decision making of business owners and policy makers at large, is inadequate. Several research showed that corporate governance significantly impacted financial report quality (Baldavoo & Nomlala, 2019; Matoke & Omwenga, 2016; Hassan & Farouk, 2014). These authors clarified that quality financial reporting rendered assurance to several stakeholders, in addition to offering important advice to entities, leading to improvement in performance. Contradicting these outcomes, Elewa & El-Haddad (2019) and Rahimi & Amini (2015) provided evidence that quality financial reporting had no to negative effect on firm performance. In the study of Hermalin and Weisbach (2001) and Rajan and Zingales (2000), the focus was mainly on the various individual governance characteristics like CEO duality, board of directors, audit committee size and composition/ extent of institutional ownership. The challenge with the study was that a corporate governance characteristic is not an adequate representation for all corporate governance matters. Shiri, Vaghfi and Soltani (2012), with an aim to better this methodology, modified the concept of matching corporate governance to an individual element. In the study, the cross-sectional regression model was utilised as a measuring tool, thus generalisation was ineffective since one period is usually different from the other. Further, Akyeampon, Abor and Amidu (2013) carried out an analogous study. In accordance with the proposal of Gruszczynski (2006), their study sought to minimise the econometric issues related to undertaking a cross sectional study, employing the panel data approach. The limitation of their study dwelt in the exclusive emphasis on Earnings Management, a characteristic of FRQ. To fill the gaps in literature and arrive at a significant conclusion that can inform policy makers and investors alike, this study attempted to improve on earlier methodologies and measurements. Thus, this study sought to establish the relationship between corporate governance (specifically board characteristics) and FRQ of listed banks in Ghana. The board characteristics considered were Board Size, Foreign Directorship, Board Independence, Board Diversity[2] and Audit Committee Independence. The study made use of the annual reports of a

[2] In terms of women membership

recent period of 2015 to 2019, in order to present current results that were also representative enough.

1.3 RESEARCH OBJECTIVES

The objectives of the study are separated into general and specific objectives.

1.3.1 General Objective

The general objective of the study is to evaluate the relationship between corporate governance and FRQ of listed banks in Ghana.

1.3.2 Specific Objectives

The following specific objectives were developed:

1. To evaluate the relationship between Board Size and FRQ
2. To evaluate the relationship between Foreign Directorship and FRQ
3. To evaluate the relationship between Board Independence and FRQ
4. To evaluate the relationship between Board Diversity and FRQ
5. To evaluate the relationship between Audit Committee Independence and FRQ

1.4 RESEARCH HYPOTHESES

The following research hypotheses were developed:

1. Board size does not significantly affect the FRQ of listed banks in Ghana
2. Foreign executives on boards do not significantly affect the FRQ of listed banks in Ghana
3. Board independence does not significantly affect the FRQ of listed banks in Ghana
4. Board Diversity does not significantly affect the FRQ of listed banks in Ghana

5. Audit Committee Independence does not significantly affect the FRQ of listed banks in Ghana

1.5 SIGNIFICANCE OF THE RESEARCH

This study would add to existing knowledge on corporate governance and FRQ. This study provides a reference for future academics, students, researchers, government, policy makers and other stakeholders with interest in corporate governance and FRQ. In the case of stakeholders such as employees, investors, shareholders, consumer associations, pressure groups, the study provides information that suggests to the improvement in corporate governance of the respective businesses in Ghana. Also, the study would assist managers of the various listed banks understudied and other banks to identify ways of enhancing corporate governance practices. It would further provide an empirical basis for government in terms of strategic decision making in diverse crucial areas of business operations, render a justifiably reliable and valid guideline to designing workable good corporate governance practices. This would help to build and deliver stakeholders' value, create long-term mutually beneficial relationship with customers, achieve sustainable business growth, customer satisfaction and loyalty.

1.6 SCOPE AND LIMITATIONS OF THE STUDY

The study covered 8 banks. The analysis was based on data from annual reports of the banks from 2015-2019. The study evaluated the relationship between some corporate governance characteristics and FRQ of only listed Banks on the Ghana Stock Exchange. Hence, the result cannot be generalized to all banks and firms in Ghana.

1.7 ORGANIZATION OF THE STUDY

This research was structured into five primary Chapters. The Chapter One comprises the study's introduction, which includes areas such as; Background of the Study, Problem Statement, Objective of the Study, Research Hypotheses, Research Methodology, Significance of the Study, Scope and Limitation to the Study and Organization of the Study. Chapter Two consists of the review of related literature, which is divided into three sections namely: Conceptual Literature, Theoretical Literature, Empirical Literature and Conceptual Framework. Chapter Three presents the study's methodology. It looks at the Research Design; Population; Data Collection Method (Sources of Data and Data Collection Instrument/ procedures); Data Analysis Method; and Reliability and Validity of Data (Pre-Test). Chapter Four presents the Results and Discussions of the analysed data answering the Research hypotheses. Chapter Five presents a Summary of the Findings, Conclusion and Recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter presents the literature review of the study. It comprises of conceptual literature, theoretical literature, empirical literature and conceptual framework. The chapter reviewed other related works on corporate governance and financial reporting quality (FRQ).

2.1. CONCEPTUAL LITERATURE

2.1.1 Corporate Governance

Due to the important role of banks, corporate governance in the banking industry has obtained significant attention in literature. Corporate governance involves rules, policies, procedures, mechanisms, practices and processes by which entities are administered and controlled (Yermack, 2017). The principal purpose of effective corporate governance practise is to protect shareholders interests. This is so because, without an effective corporate governance, management would perform to satisfy their own interest, rather than that of the owners of an entity (McCahery, Sautner and Starks, 2016). The compliance of an entity to good corporate governance practises assures the shareholder value through the suitable application of the resources of the entity to maximize the value of the business (Oppong et al., 2016). In agreement with McCahery et al. (2016), the primary feature of corporate governance is its delegation role of the responsibilities and rights amongst the diverse stakeholders of a business.

In Ghana's banking sector, stakeholders and policy makers have put in place various measures, policies and laws to enable the practice of good corporate governance amongst banks. Numerous factors affect Ghana's corporate governance code. Various monitoring mechanisms are available to assist banks comply to practicing good corporate governance. These mechanisms mostly include the promulgation of legislations and regulations that cause the banks to function in a legislative and regulatory framework. These legislations and regulations involve the Banks & Specialised Deposit-Taking Institutions Act 2016 (Act 930), BoG regulations, BoG Corporate Governance Directive 2018, SEC's Corporate Governance Code for Listed Companies, Companies Act, 2019 (Act 992) and the Criminal Code. In response to the seven banks collapse in 2017/2018, Bank of Ghana presented specified corporate governance mechanisms for banks in Ghana. Included in these, was the Corporate Governance Directive 2018; which instructed among other things a four-year tenure for CEOs and Managing Directors for banks in Ghana in addition to particular experience and qualifications for chief bank officials. Since Ghana was onetime Britain's colony, most corporate governance practises are adopted from there. Further, being a member of various global associations and unions, this has affected the corporate governance structures in Ghana (Oppong et al., 2016). For instance, the Sarbanes-Oxley Act of 2002 guides entities in Ghana. Likewise, formulated by the Bank for International Settlements, the Basel III, also guides banks in Ghana.

2.1.2 Financial Reporting Quality

Financial reporting refers to the financial results an organisation issues to the populace. Financial reporting generally includes the following: Financial statements, footnote disclosures, financial information on organisation's website, annual reports and prospectus issued to prospective investors regarding the issuance of securities (Doan, et al., 2018). Robinson & Henry (2009) proposed that the quality of Financial reporting can therefore be specified as the level a company's financial performance reported reflects the company's performance and is effective in the prediction of future cash flows. Further, Gaynor, Kelton, Mercer, & Yohn (2016) submitted that a company is regarded to produce quality financial reports if it possesses reports that provide objective, comprehensive and correct information concerning its general economic performance and condition. From the definition, it can be seen that quality financial reports exhibit “completeness”, “predictive and confirmatory” and “neutrality and free from error” dimensions. Many prior studies measured financial report quality by several methods. According to Beest & Boelens (2009), these methods include accrual models, value relevance models, specific elements in the annual report or qualitative characteristics. To evaluate FRQ, it was noticed that value relevance and accrual model’s literature focuses on accounting financial figures. Meanwhile, a comprehensive measurement tool of FRQ would at least include the complete annual report, including both financial and nonfinancial information (Beest and Boelens, 2009). The approach which focuses on particular annual report elements ensures evaluating properly and deeply the impact of specific information in the annual report on the decisions made by users. However, the quality of financial information should be evaluated as a whole report, not a separate element that cannot provide enough information to help users make decisions.

To measure FRQ, several methods for measurement can be utilised. Table 1 furnishes a non-exhaustive categorisation of type of approaches greatly utilized in earlier studies to evaluate quality financial reporting, that is, value relevance models, accrual models, studies concentrating on particular annual report elements and methods which operationalize the qualitative characteristics[3].

[3] Some measurement tools employed in other studies include Leuz (2003); utilises trading volume and bid-ask spread as information asymmetry proxies to evaluate the quality of financial reporting, Roychowdhury (2006); employs manipulation of real activities to evaluate earnings management level

Table 1: Measurement tools[4] used to evaluate financial reporting quality

	Accrual models	Value relevance literature	Specific elements in annual report	Qualitative characteristics
Method	Examines the level of earnings management as a proxy for earnings quality	Examines the relationship between stock returns and earnings figures in order to measure the relevance and reliability of financial reporting information	Examines specific elements in the annual report in depth, f.i. by conducting an experiment	Examines the level of decision usefulness of financial reporting information by operationalizing the qualitative characteristics
Advantages	Relatively easy to collect data in order to measure earnings management	Relatively easy to measure	Focus on financial reporting quality	Focus on financial reporting quality
		Provides insight into the economic value of earnings figures	Direct measure of financial reporting quality	Direct measure of financial reporting quality
Disadvantages	Focus on earnings quality	Focus on earnings quality	Focus only on selected elements	In general, difficult to operationalize causing measurement difficulties
	Indirect measure of financial reporting quality	Indirect measure of financial reporting quality	Difficult to measure	
	Difficult to estimate discretionary accruals	No insight is provided in the tradeoffs between relevance and reliability		
Authors	e.g. Jones, 1999; Healy & Wahlen, 1999; Dechow *et al*., 1995	e.g. Barth *et al*., 2001; *Choi et al*., 1997; Nichols & Wahlen, 2004; Nelson, 1996	e.g. Hirst *et al*., 2004;; Beretta & Bozzolan, 2004; Cohen *et al*., 2004	e.g. Schipper & Vincent, 2003; Van der Meulen, *et al.,* 2007; Barth *et al*., 2006

[4] employed in prior studies

With reference to the Conceptual Framework 2010 (IASB, 2017), financial reports have function providing useful information for users in making decisions about providing resources to the entity. Thus, through the extent of usefulness that users base their decision making, financial reporting quality could be evaluated. In other words, the qualitative characteristics of financial information can be defined as an appropriate measurement for FRQ. The qualitative characteristics are divided into fundamental qualitative characteristics and enhancing qualitative characteristics (IASB, 2017). For the purpose of this study, only fundamental qualitative characteristics (specifically relevance and faithful representation) was utilised in evaluating the quality of financial reports.

2.1.2.1 Relevance

Relevance (R) is the potential "of making a difference in the decisions made by users in their capacity as capital providers" (IASB, 2008). Based on previous literature, utilising four items relating to confirmatory and predictive value, relevance was operationalized, in this study. In place of the quality of financial reporting, researchers mostly choose to concentrate on earnings quality. Narrow in scope, this definition ignores non-financial info and leaves out ''future'' financial info accessible to users of the annual reports, for instance on prospective dealings (Nichols & Wahlen, 2004; Jonas & Blanchet, 2000). This research considered a predictive value broad perspective taking into consideration both non-financial and financial information, to enable an improvement of the quality assessing measurement tool comprehensiveness. A lot of researchers like Francis et al., 2004; Lipe, 1990; Schipper & Vincent, 2003 operationalize predictive value to be the capability of past earnings to forecast future earnings. Precisely, info on an organisation's capability to yield cash flows in the future is predictive value: IASB, 2008: 36 offers that "information about an economic phenomenon has predictive value if it has value as an input to predictive processes used by capital providers to form their own expectations about the future".

In decision usefulness terms, predictive value is considered as a crucial index of relevance. Utilising three items, predictive value was evaluated. [R1] Firstly, this item was an evaluation of the extent the annual reports supply statements which are forward-looking. These statements normally explain the expectations of management for the future. For creditors and others who use the annual report, this information is pertinent as management possesses the right to the information required to develop the forecast (Bartov & Mohanram, 2004). [R2] Secondly, this item evaluated the extent to which annual reports brings out information taking into consideration business risks and opportunities. In reference to predictive value and the know-how acquirable of business risks and opportunities, Jonas and Blanchet (2000) make reference to complementing financial information with non-financial, as it renders understanding into potential organisational future scenarios.

[R3] Item three evaluated the banks' application of fair value. Early literature mostly references the usage of fair value as against historical cost in addressing financial reporting information's predictive value (McDaniel et al. 2002 and Schipper & Vincent, 2003). More literature on this can be found in for instance Barth et al., 2001; and Schipper, 2003. It is mostly believed that accounting in fair value ensures more relevance of financial info as compared to historical cost since it constitutes assets' current values, rather than price of purchase (Schipper & Vincent, 2003; Maines & Wahlen, 2006). Further, Barth et al., 2001 submitted that both IASB and FASB are presently looking at novel standards to permit much more accounting in fair value to enhance financial reporting information relevance, as fair value is regarded as one of the most important approaches to improve relevance.[5]

[5] Jonas & Blanchet (2000: 360) considers an extra item in relation to relevance and predictive value: "When identifying unusual or nonrecurring items for disclosure, are both gains and losses given equal importance?" This

[R4] Adding to predictive value, contributing to financial reporting information relevance is confirmatory value. Information possesses confirmatory value "if it confirms or changes past (or present) expectations based on previous evaluations" (IASB, 2008: 36). If the annual report info offers to annual report users response concerning previous events or transactions, it will aid in changing or confirming their expectations (Jonas and Blanchet, 2000). Particularly, the 'Management, Discussion & Analysis' (MD&A) and financial statements sections of the bank's reports will be studied to gain an understanding into the information's confirmatory value.

2.1.2.2 Faithful representation

The second fundamental qualitative characteristic detailed in the Exposure Draft is Faithful representation (F). Annual reports must be neutral, complete and free from material error, to faithfully represent the economic phenomena that the information aims to represent (IASB, 2008). "Economic resources and obligations and the transactions and other events and circumstances that change them" represents the economic phenomena in annual reports (IASB, 2006). Coherent with existent literature and employing five items pertaining to completeness, neutrality, verifiability and freedom from material error, faithful representation was measured (Dechow et al., 1996; McMullen, 1996; Beasley, 1996; Rezaee, 2003; Cohen et al., 2004; Sloan, 2001; Jonas & Blanchet, 2000; Maines and Wahlen, 2006; Gaeremynck and Willekens, 2003; Willekens, 2008).[6]

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particular enquiry is not contained in the measuring tool as the 2nd item pertaining to the relation between financial and non-financial info already integrates unusual or nonrecurring item disclosures. In addition, whether they should be afforded equal importance is most closely associated with neutrality, a sub concept of faithful representation, than with predictive value.

[6] Note that the Exposure Draft distinguishes verifiability to be an individual enhancing qualitative characteristic. "Verifiability is a quality of information that helps assure users that information faithfully represents economic phenomena that it purports to represent. Verifiability implies that different knowledgeable users of financial reporting information reach general consensus, although not necessarily complete agreement" (IASB, 2008; 39). As the purpose of the measurement tool is to directly evaluate the qualitative characteristics and verifiability refers to the appraisal of verifiability, faithful representation is involved in the measuring tool as a sub concept of this significant qualitative characteristic. This opinion is backed by the prelim views on an enhanced conceptual

It is challenging to directly measure faithful representation by solely evaluating the annual report, as info concerning the real economic phenomenon is essential to ensure faithful representation (Botosan, 2004). For Maines and Wahlen (2006), nevertheless, assumptions and estimates that nearly match the fundamental economic constructs the existent standards seek could improve faithful representation. Hence, this study focused on annual report items that enhances the chance of information represented faithfully. Although, the items do not constantly relate to the American IFRS or GAAP without deviation, they offered an indirect proxy of faithful representation of financial reporting info organised according to some accounting standards.

[F1] First proxy pertained to the matter ‘‘free from bias’’. As economic phenomena provided in annual reports are often evaluated under uncertain conditions, annual reports could by no means be entirely free from bias. Lots of assumptions and estimates are contained in the annual report. Per IASB (2008), though an absolute absence of bias is unachievable, some level of precision is essential for the decision usefulness of financial reporting info. Hence, for the various assumptions and estimations established in the annual report, it is crucial to analyse the argument rendered (Jonas & Blanchet, 2000). When valid argumentation is furnished for the estimates and assumptions provided, they will probably, without bias, represent the economic phenomena.

[F2] Further, Jonas and Blanchet (2000); and Maines and Wahlen (2006) suggested that what raises the probability that preparers adequately appreciate the measurement method is the sound and valid argumentations furnished for the accounting principles utilised. This reduces the probability of unintended and material errors in financial reports. Furthermore, when chosen accounting

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framework for financial reporting (IASB, 2006) and the FASB (1980) concept statements, which comprise verifiability as a sub concept of faithful representation.

principles are distinctly reasonable and explained, it raises the probability of reaching an agreement and detecting misstatements for the auditor and financial report user.

[F3] The IASB delineates neutrality, the third item of faithful representation, as "the absence of bias intended to attain a predetermined result or to induce a particular behaviour. Neutral information does not colour the image it communicates to influence behaviour in a particular direction" (IASB, 2008). Further, Jonas & Blanchet (2000) submitted: "neutrality is about objectivity and balance". Neutrality pertains to preparers' intentions; preparers should endeavour to objectively present events instead of concentrating exclusively on events that are positive without citing negative events.

[F4] Relating to unqualified auditor's report is item four, used to evaluate faithful representation. Several researchers studied the audit impact and the auditor's report on the economic value of an organisation (Gaeremynck and Willekens, 2003; Kim et al., 2007; and Willekens, 2008). By offering assurance reasonably concerning the level to which an annual report faithfully represents economic phenomena, these researchers resolved that an auditors' report enhances the value of financial reporting information. Maines and Wahlen (2006) yet contend that an unqualified audit report is an essential factor to see the financial reporting information as faithfully represented or reliable.

[F5] Lastly, associated to faithful representation, a progressively crucial condition in an annual report is the statement on corporate governance.[7] Dechow et al. (1996), McMullen (1996), Beasley (1996) and Rezaee (2003) have studied the relationship between corporate governance & FRQ and found that bad governance reduces the FRQ. Seemingly, corporate governance info increases value for creditors. Information on corporate governance, more particularly, heightens the chance of faithfully represented information (Holland, 1999; Sloan, 2001).[8]

2.1.3 Corporate Governance and Financial Reporting Quality

Providing financial info that would be helpful in making decisions for potential and existing investors and lenders is the aim of the general-purpose financial reporting, referencing the Conceptual Framework for Financial Reporting (Kamu et al. 2018). If the financial information is as required by the conceptual framework, then the info presented to the financial statement users would be useful as it would possess the supporting and basic qualitative characteristics. The qualitative characteristics of useful financial info mostly hold FRQ characteristics. One of the fundamental qualitative properties of useful financial info, relevance shows the "predictive and confirmatory" property of FRQ. The "neutrality and free from error" and "completeness" property of FRQ are associated with useful financial info presentation in a faithful representation. The usefulness of the financial information supplied by organisations depend on its high-quality. Akeju & Babatunde (2017) proposed that high-quality financial info provision is crucial since it positively impacts capital markets, financing, investment and other related decision-making

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[7] F4 and F5 are items not directly relating to IFRS or US GAAP. Pertaining to audit standards is F4, whilst national corporate governance codes, F5. Nonetheless, the link between nations' corporate governance codes, auditing standards and info, organised in conformity with IFRS and US GAAP, is close.

[8] Jonas and Blanchet (2000) include an extra faithful representation question, not comprised in my measurement tool. The question focuses on management's intentions: "To what extent does the company enter into (or modify) transactions in order to achieve a specific accounting result?"

activities. Accounting scandals occurrence all over the globe, like Parmalat, Enron, Marconi, HIH Insurance, WorldCom and so on has lowered investor and business partner trust in FRQ. In order that reliable, accurate and relevant information to stakeholders is provided, the establishment of a sound corporate governance mechanism in organisations is critical (Akeju & Babatunde, 2017).

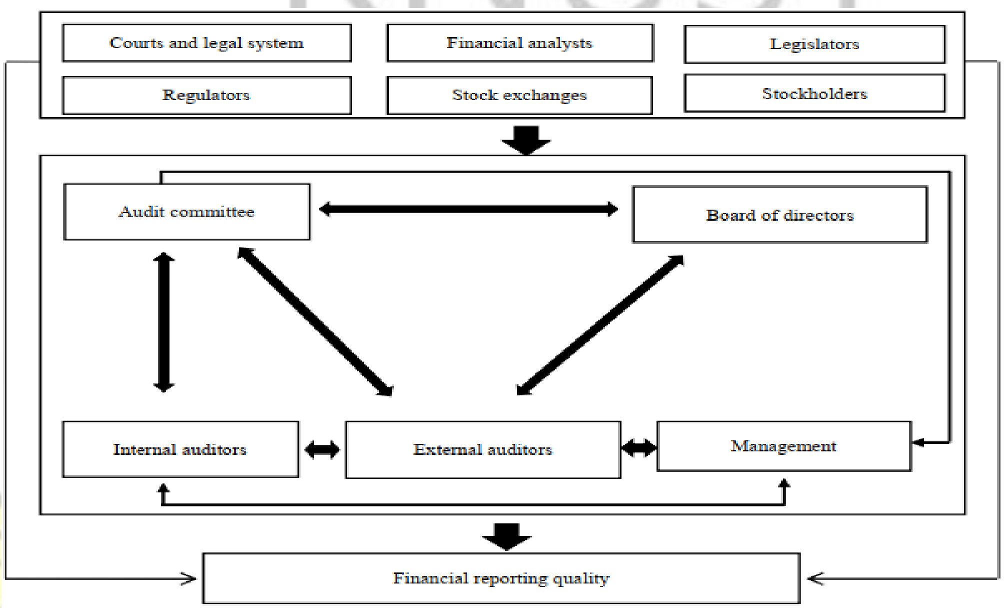

Figure 1: Relationship between corporate governance and FRQ (Source: Cohen et al., 2004)

2.2 THEORETICAL LITERATURE

Several theories on corporate governance underpinned this study. They include theory of information asymmetry, political, resource dependence, stewardship and agency theories.

2.2.1 Political Theory

Abdoullah & Valentine (2009) proposed that political theory has become a part of corporate governance because firms are bounded by laws. Affecting certain related activities such as corporate power distribution, benefits and profits, these laws have an impact on the corporate decision making of firms. For instance, in Ghana firms are guided by the Companies Act, 2019 (Act 992) which one-way or the other affect the decisions made by firms. This theory therefore espouses that firms in different political environment might behave in a different way even if they had the same economic environments. This theory helps to highlight the importance of a stable environment if a firm is to reap its full potentials and benefits. It asserts that a stable political environment is important in the life of a firm. This stability is in terms of a war-free environment as well as laid down policies so that even if governments change, policies and programs should not change to the detriment of current and potential investors.

2.2.2 Stewardship Theory

The Stewardship theory which contradicts the agency theory espouses that, corporate executives are stewards of their companies. In view of this, they are expected to choose the interests of their stockholders over their own interests (Sundaramurthy & Lewis, 2003). This means that, the board of directors do not necessarily have to focus on controlling corporate executives but should rather take measures to empower them (Daily, Dalton & Canella, 2003). The basis of the theory of stewardship is associated with the works of McGragor in the 1960’s and the Y theory that presupposes that managers are rational and do not require any external monitoring in performing their duties as the agency theory assumes (Nicholson & Kiel, 2012).

In particular, the agent must always act in the interest of the principal who employed them. This is a daunting task for the agent to advance the interest of the principal only since the business environment is not only secluded to the agent and the principal. The needs of the other stakeholders though not fund contributors, have equal share and interest in the affairs of the firm. For tranquillity, harmony and the advancement of the firm, there is the need to put all the interests of these various stakeholders on an achievable level for all.

2.2.3 Resource Dependence Theory

According to Wernerfelt (1984), this theory refers to the duty of the board of directors to make available anything be it strength or weakness that can help in the performance of the duties of the firm. This theory's literature is based on the work of Pfeffer and Salanick (1978) who posited that an organization's aim of appointing a board is because they expect these individuals to support and show concern for the problems of the firm once the needed resources have been provided. The Resource dependence theory borders on the activities of a firm. It is based on the notion that; organisations are open systems in their environments of operation and forming the foundation on which they make decisions, regarding their resource allocation, are the social relations. Pearce and Robinson (2009) posited that firms operate in an open system. This suggests that these firms one way or the other depend on other industries that provide them with essential services. In effect, this theory considers the role managers play in allocating the resources of the firm given their external environment (Hillman, Wither & Collins, 2009). This theory brings out the basic concept of 'network' underlying the corporate governance construct.

2.2.4 Agency Theory

The agency theory according to literature is the root and the building block of all corporate governance theories. Achim and Borlea (2013) posited that the agency theory is the first theory to be considered once the issues of corporate governance appear in a discussion. According to them, this theory could be traced to the USA in the early 1970s. The agency relationship is one between one party (agent) and another (the principal), where the agent is hired to work in the principal's interest (Jensen & Meckling, 1976). This theory has been attributed or linked to the field of economics (Eisenhardt, 1989) where individual families are seen to advance their individual interests at the expense of their public shareholders. The agent is to transact business, distribute goods and render services on the principals' behalf. In the discharge of his duties, should he incur some costs, it is the duty of the principal to make good the costs.

The agency theory, although variously highlighted in the early 1970s, can be traced to the work of Berle and Means (1932) who posited the need for a separation in the control of Government. Thus, the same people responsible for the provision of goods and the rendering of service cannot be the same person responsible for the evaluation of the work done. This they believed is imperative to ensure the citizenry get what is due them and not what the government feels is right. In return for rewards for service, management is employed by ownership to manage their business. This implies that the primary purpose of management is the maximisation of shareholder wealth. Nevertheless, there is a possibility that management would prosecute their personal interests to the disadvantage of investors. This is as a result of information asymmetry where the information quantity and quality accessible to management is more than that accessible to investors (Lin & Hwang, 2010). This enigma is referred to as the agency theory and the related problem is the agency problem. Agency theory emphasizes the agency problem existence between investors and management due to the segregation of control and ownership which might lead to expropriation and entrenchment of investor wealth by managers (Sultana, Singh & Rahman, 2019).

Figure 2: Agency Theory (Source: Kaplan, 2012)

2.2.5 Stakeholder Theory

The stakeholder theory stems from the agency theory. Friedman (1970) suggested that the stakeholder theory replaces the sole aim of maximizing the value of shareholders to include the satisfaction of all major stakeholders. A stakeholder is seen as one that has an interest in the affairs of a firm. Investors, suppliers and customers are seen as stakeholders in a typical firm. However, modern literature has defined the term stakeholder to include the government, trade associations and even the community in which a firm is situated (Borlea & Achim, 2013). The problem with an organization with numerous stakeholders is the fact that all these numerous stakeholders want their individual interests to be advanced. However, it has been realized that the stakeholder theory has made firms more efficient not only because it has contributed to their economic success but because it has made them competitively advantaged (European Commission, 2011).

2.2.6 Information Asymmetry Theory

Founded on the research of Akerlof (1978), is the information asymmetry theory. The theory presupposes that, the behaviour of market participants (buyers and sellers) is keenly determined by the available information. Where there is information asymmetry, there can be a collapse in the market and adverse selection relating to the quality of products on the market (Heikel, 1981). Information asymmetry is a term which means that in a particular market, all participants are not privy to the same type and amount of information. Therefore, if some participants in the market have an information, which the rest do not have, they would use it to make decisions that would benefit them, to the detriment of those who do not have the information. The result of an information asymmetric environment is market conflicts. In as much as it is hard to have an environment where all market participants have the same level of information; information asymmetry should be reduced to the barest minimum.

2.3 EMPIRICAL LITERATURE

2.3.1 Relationship Between Corporate Governance Characteristics & Financial Reporting Quality (Hypothesis Development)

Aketu and Babatunde (2017) looked into FRQ and corporate governance in Nigeria. This study was conducted utilising a sample of 40 entities listed on the Nigeria Stock Exchange (NSE) from 2006 to 2015. The relationship between FRQ and corporate governance characteristics was analysed. Statistically significant at 0.05 level was the outcome of the multiple regression analysis. The outcome generally interpreted the model, as indicated by the F statistics of 3.641. The results of the research revealed that FRQ is improved by corporate governance. Al-sufy et al (2013) looked into corporate governance effect on accounting information quality in Amman's Financial Market, Jordan, employing arithmetical mean, T-Test and standard deviation. The study's results demonstrated that a crucial positive relationship exists between FRQ and corporate governance in Amman.

2.3.1.1 Board Size and Financial Reporting Quality

Patrick et al (2015) stressed that corporate governance characteristics like board and firm size firmly affect financial report timeliness. From the agency theory position, it could be contended that problems of agency are simpler addressed by large boards as a result of bigger numbers of directors observing and assessing management decisions (Bugshan, 2005). In an associated study, Monks and Minnow (1995) established that whilst small boards devote lesser effort and time in superintending management's activities, large boards possess an ability to devote much effort and time in handling an entity. As a result of the integral capability to split responsibilities between a large group of directors, monitoring is carried out more effectively by large boards (Klein, 2002). Big boards affirm financial reports value relevance (Yermack, 1996; Byard et al, 2006). Ezat and El- Masry (2008) submitted that board membership variability together with their ambition to disclose financial information more timely will draw on more investor interest. Suggesting that timely disclosures are great desires for large boards.

In conflict to these findings, Chalaki et al (2012) examined the quality of financial reporting and corporate governance characteristics in Iran applying multiple regression analysis. The results' evidence established that a relationship did not exist between the quality of financial reporting and corporate governance characteristics like board size. Further, Yermack (1996); and Eisenberg, Sundgren and Wells (1998) proposed that a "large" or "overcrowded" board will much probably be ineffective in undertaking its oversight function over an entity. For Jensen (1993), small boards most probably ensure effective and efficient coordination and communication amongst management and board. Likewise, larger boards raise the management of earnings and consume information (Bradbury, Mak, and Tan, 2006; Ahmed, Hosain, and Adams, 2006). However, other researchers like Firth, Fung & Rui (2007) did not support the relationship. Hence, as a result of the inconsistency in literature, this research proposed:

Hypotheses 1: Board size does not significantly affect financial reporting quality

2.3.1.2 Foreign Directors and Financial Reporting Quality

Presently a style in most firms around the corporate world is the engagement of foreign directors (Maryam, Michael, Steve, & Shane, 2016). Due to their relationship with different countries, which might allow for bringing on board fresh expertise and knowledge to the board, this group of directors is distinct. However, they could be pricy due to the costs required: example being travelling costs, non-familiarity with the resident country and distance. The expertness of foreign directors is normally the most beneficial in monitoring financial report timeliness, if the value of their existence on a board is well appreciated (Miletkov, 2013). A positive relationship between the existence of foreigners on boards and financial report timeliness was found (Park and Shim, 2003). In opposition, the relationship between foreigners on a board and financial reporting quality was found to be negative in a study by Abdul and Mohammed (2006). In a research of UK firms, it was argued that no relationship existed between Foreign expatriates on a board and financial report quality (Bedrad, Chotorou, and Courteau, 2003). This claim was confirmed by Dimitropoulos and Asteriou (2010). These conflicting results served as the basis of the second hypothesis:

Hypotheses 2: Foreign executives on boards do not significantly affect financial reporting quality.

2.3.1.3 Board Independence and Financial Reporting Quality

Peasnell, Pope, & Young (2000) suggested that independent directors are normally board independence proxies, in corporate governance. A director free from the Chief Executive Officer's control is an independent director. Studies such as that of Chen, Cheng and Wang (2014) and Shukeri, Shin and Shaari (2012) posited that the level of independence of the board that governs a firm, is able to check the manipulations that occur in financial statements. These researchers concluded that the incidence of fraudulent financial statement reporting is reduced by the presence of outside directors. A similar study to these is that of Peasnell, Pope and Young (2000), which proposed that firms in the UK believe that Non-executive directors' availability is good for constraining discretionary accruals manipulations leading to financial reporting quality. Peasnell et al. (2000) and Klein (2002) noted that an independent board generally lessens earnings management, and in the long term enhances financial report timeliness. In UK, it was evident board independence ensures timely circulation of financial information (Beeks, Pope, and Young 2004). Likewise, an independent board encourages financial report quality of Chinese entities (Canavan, Jones and Potter, 2004). Further, Peasnell et al. (2000); and Davidson, Godwin and Kent (2005) corroborated a strong relationship between financial report quality and board independence. Firth et al. (2007) affirmed this position, by positing that independent boards promote quality financial reporting. More researchers like Dimitropoulous and Asteriou (2010); Marra, Marzzola and Prencipe (2011) asserted that a substantially positive relationship exists between board independence and financial report timeliness. Independent boards generate timely financial information (Kantudu and Samaila, 2015). In researching corporate governance effects on financial reporting timeliness in Nigeria, Joseph and Ahmed (2017), confirmed that board independence holds on financial report timeliness, an important positive effect. Doan et al (2018) examined the effect of corporate governance on FRQ, using STATA software to analyse the data of 90 listed companies selected randomly on HOSE from 2013-2016. The empirical results indicated that board characteristics such as independence of the board had no impact on the quality of financial reporting. Kukah (2015) also examined the relationship between accounting information quality and corporate governance characteristics. Twenty non-financial companies on the Ghana Stock Exchange was used as a sample for the empirical study. The companies were analysed over an eleven-year period, (2003-2013). Board independence served as a constraint to the behaviour of managers. Thus, when there were more independent directors on a board, managers were discouraged from earnings management resulting in a high-level accounting information quality.

Nevertheless, different views are offered by other researchers on the aforesaid argumentation. A firm negative relationship prevails between a large number of independent directors and financial information timeliness (Jaggi, Leung and Gul, 2007). Oba (2014) pointed out a greatly negative effect between board independence and financial report quality, that if put differently denotes that the presence of large independent directors does not ensure financial report timeliness. Other research by Ahmed, Hossain and Adams (2006); Bradbury, Mak and Tan (2006); and Petra (2007) indicate that an independent director does not possess any authority on financial report timeliness as he or she does not hold adequate power for the control of managers. Moreover, Chalaki et al (2012) and Petra (2007) mentioned that numbers of independent directors on a board may have no effect on financial information quality, but they represent an important mechanism to influence and control managers. Ho and Wong's (2001) findings endorses Petra (2007) findings. Other studies that recorded a negative relationship between the independence of a board and FRQ include

Beasley (1999), Gois (2014) and Shamsul (1999). Hence, as a result of the contradictory results, this research proposed that:

Hypotheses 3: Board independence does not significantly affect financial reporting quality

2.3.1.4 Board Diversity and Financial Reporting Quality

Women holding positions in management is not a novel concept. It goes far back to the 17th century where females were asked to manage household farms (Miles, 1988). Women on public corporate board positions in Australia represented only 3% of the total number observed in a 2000 survey (Sheridan, 2001). Corbett (1997) research on corporate entities in New Zealand submitted that, some companies in the nation were opened to shareholder scrutiny as a result of the absence of female directors on the board. There is hence the necessity to include this, as a corporate governance characteristic, as an independent variable.

Literature abounds on the necessity for the progress of women onto boards of corporate bodies. Few of these studies undertaken in the U.S. comprise: The Forum of Executive Women, 2003; Board of Directors Network, 2003; The Chicago Network, 2003; and The Boston Club, 2003. There are other studies that analysed the differences and similarities between the qualities of women and men board directors (Burgess & Tharenou, 2002; Catalyst, 2003) and the progress of women to directorship (Burgess & Theranou, 2000; Holton, 2000; Kaplan-Leiserson, 2003; Vinnecombe et al., 2008). Research exists which also analyse the value women bring to boards (Daily & Dalton, 2003), in addition to describing change efforts (Juntunen, 2004; McGregor, 2000). Regardless of these research, Adam and Flynn (2005) submitted that, research works, in this area, appear to be little. A research by Gavious, Segev and Yosef (2012) showed a negative relationship between the existence of earnings management and a female director, on eminent tech Israeli corporations listed on the New York Stock Exchange, which suggested a superior level of AIQ. They also stated that, in businesses that have high female board membership, external auditor influence and presence is on a low level yet high earnings quality. They assigned this to the orientation of the female nature, in doing things right. Some research regard that between female board directors and the efficiency and performance of a board, a positive relationship generally exists (Adams & Ferreira, 2009; Rogriguez-Dominguez, Garcia-Sanchez & Gallego-Alvarez, 2012). It has been demonstrated that high reported earnings quality implies that more women constitute the executive management of an entity (Krishman & Parsons, 2008).

A relationship between FRQ level and sex (with regards to risk averseness, conservatism and ethical behaviour) of an entity's executive, precisely the CFO or CEO, was detected in the study of Peni and Vahamaa (2010). In this study, they probed the relationship between the gender of the company's executives and earnings management. They observed that a company that had a woman CEO or CFO was related to income falling discretionary accruals (lower probability) of the window dressing of financial statements. This was from their 1,955 firm-year observations. This outcome also meant that females were normally more conservative than their male cohorts. In contrast to the foregoing, Doan et al (2018) examined the effect of corporate governance on FRQ, using STATA software to analyse the data of 90 listed companies selected randomly on HOSE from 2013-2016. The empirical results indicated that board characteristics such as gender diversity had no impact on the quality of financial reporting. As a result, situated on the literature gap, this research proposed that:

H04: Board Diversity does not significantly affect financial reporting quality.

2.3.1.5 Audit Committee Independence and Financial Reporting Quality

To aid a board with the exercise of its duties concerning the accounting and financial matters of an entity, the Audit committee is established. These responsibilities, also include both the external and internal auditing roles of the entity. Klein (2002) specified the Audit Committee as a significant establishment that superintends the integrity and transparentness of the financial reporting process. The audit committee is specified in Section 202 of Sarbanes Oxley Act as the "committee (or equivalent body) established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer". Two fundamental prerequisites are offered by the Act concerning the constitution of an audit committee. These are the committee's independence and inclusion of a financial expert on the committee. The independence is founded on the belief that independent directors are much more objective in terms of their analysis of the financial statements.

With respect to financial reporting, the function of the audit committee in the exercise of their responsibilities has been stressed by the research of Wild (1994) and McMullen (1996). McMullen (1996) conceived that the irregularities, illegal acts and the errors that define the financial statement reporting process, is negatively associated to entities with a share of audit committee members being foreigners. Wild (1996) stated that the purpose and being of the audit committee is to assure high quality financial reporting. Carcello, Neal, Palmrose and Scholz (2011) proposed that the effectiveness of an audit committee can be ascertained from its make-up. A like claim was made by the Cadbury Report, which added that unconditionally an audit committee should be composed of not less than three independent directors. This was retold by the research of Klein (2002) who resolved that for the audit committee to be an effective superintendent, the committee by its composition, should be independent. Agreeing with the research above, Nguyen and Nielsen (2010) put forward that for the independent board members, they should be high-level professionals who have their integrity to guard and one should be the audit committee head. They hence would not want to conduct themselves in any way that would destroy their reputation which was hard-earned.

Other empirical research that have demonstrated a relationship existed between audit committee independence and FRQ comprise Klein (2002); Xie et al. (2003); Abbott et al. (2002); Bedard, Chtourou and Courteau (2004); Carcello et al. (2000); and Baxter and Cotter (2009). These researchers resolved in all these papers that this relationship appears very firm particularly when the committee possesses financial expertise. Employing multiple regression analysis, researchers studied independent audit committee and Nigerian oil marketing entities' financial reporting quality (Kantudu and Samaila, 2015). The study's evidence showed that independent directors and independent audit committee affect the qualities of financial reporting of Nigeria oil marketing entities. Kamarudin, Wan Ismail and Samsuddin (2012) also researched whether a relationship exists between FRQ and audit committee independence. They employed the accruals quality cross-sectional estimation, developed by McNichols (2002) and resolved that financial reporting quality is enhanced when an independent audit committee exists in a company. As it serves as a control to the opportunistic conduct of management, they conceive as much more independent members are on the audit committee, the more beneficial. Contradicting the preceding studies, Klein (2002) and Bedard *et al*. (2004) affirmed a negative relationship between FRQ and audit committee independence. Hence, based on the literature inconsistencies, this study predicted that:

H05: Audit Committee Independence does not significantly affect financial reporting quality.

2.3.2 Control Variables and Financial Reporting Quality

The globally distinguished auditing firms which serve as external auditors for many organisations, both in emerging or developed markets, are referred to as the big four audit firms. Chtourou, Bedard and Courteau (2001) submit that these audit firms because of their worldwide affiliation and reputation, are able to refuse management manipulations of organisations they audit. They assign these characteristics to the rigorous regulations the governing bodies of these audit firms enforce and suggest that the big four positively impact the FRQ of the organisations they audit. An organisation's firm size is a critical control variable as it is believed has an impact on the FRQ of the organisation, either listed or unlisted. In Japan and Taiwan, Jiang and Kim (2004); and Lin and Shiu (2003) respectively concluded that, firm size is an index for investors in foreign markets. They believe that potential and current investors conceive a large firm size (that is a firm with more assets) subjects it to public scrutiny and thus leads to a low chance of managers manipulating firm earnings. Hence, large firm size implies a high level of FRQ.

2.4 CONCEPTUAL FRAMEWORK

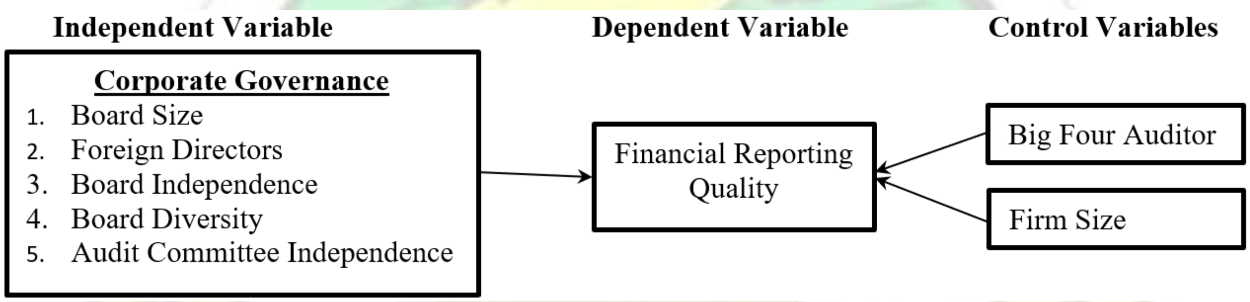

Figure 3: Conceptual Framework for the study (Adapted from Siame and Gulsen, 2019)

The framework presents the study's dependent, control and independent variables. Board size, foreign directorship, board independence, board diversity and audit committee independence made up the independent variables whiles FRQ was the dependent variable. The control variables were

Big Four Auditor and Firm Size. The framework also shows the interrelationship between the corporate governance characteristics, control variables and FRQ.

2.5 CONCLUSION

This chapter presented a summary literature review covering the conceptual literature, theoretical literature, empirical literature and conceptual framework of the study. The review covered the concepts of Corporate Governance, FRQ and Corporate Governance Characteristics. The theoretical reviews comprised of the theory of information asymmetry, political, stewardship, agency, resource dependence and stakeholder theories. The empirical review was also presented by comparing and contrasting various studies to establish gaps. Finally, the conceptual framework was exhibited.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

The methodology employed for the study is explained in this chapter. This chapter offers details on Research Design, Population, Data Collection Method (Data Source and Collection tools/ Procedures), Data Analysis Method (Variables, Model specification and justification) and Reliability and Validity of Data (Pre-Test).

3.1 RESEARCH DESIGN

This research employed a quantitative research design. Quantitative design was seen as the most appropriate design to use as the study evaluated the relationship among variables through a statistical procedure (Creswell, 2009). In contrast to, qualitative research, quantitative design allows for a systematic empirical investigation of observable phenomena. The study employed a panel or a longitudinal study as the members were observed over time. Unlike the pure cross-sectional and time series, different variables are observed over just one year, and just one firm over several years respectively. Unlike, cross-sectional data, panel data research allow the control of certain unobserved characteristics and can better aid in causal inferences (Wooldridge, 2013).

3.2 POPULATION

The banks listed on the Ghana Stock Exchange (GSE), operational in Ghana, as at December 2019, constituted the population of this study. The study covered a period of five years, that is from 2015 to 2019. As at December, 2019 there were nine (9) listed banks on the GSE but one was not operational in Ghana hence eight (8) were considered for this study. A total of forty (40) firm-year observations were expected for the period. However, since Access Bank Ghana and Agricultural Development Bank were unlisted in 2015, the study used thirty-eight (38) firm-year observations. The study's population is presented in Table 2.

Table 2: Population of the study

Listed Banks
Access Bank Ghana
Agricultural Development Bank
Calbank Plc
Ecobank Ghana Limited
Ghana Commercial Bank Limited
Republic Bank (Ghana) Limited
Standard Chartered Bank Ghana Limited
Société Générale Ghana Limited

Source: Ghana Stock Exchange, 2020

3.3 DATA COLLECTION METHOD

3.3.1 Data Source

A secondary source of data, the annual reports (of a recent period of 2015 to 2019) of the listed banks were used for this study. Although the period was partly due to availability of annual reports, it was mainly to present results that were representative and reflective of current and actual happenings on the ground. Annual reports are the official documents firms and organizations use to communicate with their stakeholders (Maama & Appiah, 2019). The annual reports were downloaded from the GSE website. Data extracted from the annual reports were Board size (BoardSize); Foreign Directors (ForeignDir); Board Independence (BoardInde); Board Diversity (BoardDiv) and Audit Committee Independence (ACInde) for corporate governance; total assets and big four auditor for control variables and financial information on fundamental qualitative characteristics (specifically relevance and faithful representation) for the computation of FRQ. The corporate governance, control variables and financial information were obtained from the

Directors' Report, Independent Auditor's Reports and Financial Statement sections respectively of the annual reports.

3.3.2 Collection Tools/ Procedures

The required data were extracted from the annual reports to Microsoft Excel spreadsheet for coding and computation of variables and then to Stata for analysis of empirical findings.

3.4 DATA ANALYSIS METHOD

The variables of the study were corporate governance characteristic as the independent variable; FRQ as the dependent variable; and Big Four Auditor and Firm Size as the control variables.

3.4.1 Corporate Governance Variables

Although corporate governance has numerous characteristics, five were chosen for the purpose of the study, namely Board Size (BS), Foreign Directors (FD), Board Independence (BI), Board Diversity (BD) and Audit Committee Independence (ACI). This was as a result of their possibility to impact the dependent variable, FRQ.

A brief explanation of the elements constituting the variables are as follows:

- **Board size:** The total count of directors, within a year, made up this element. This was consistent with the study of Kumar and Singh (2012). This research predicted a negative relationship between discretionary accruals and the size of the board in contrast to Jensen (1993) and Vafeas (2000). This was because, this study did not expect that the effectiveness in running a listed bank was tied to the number of individuals that made up the board.
- **Foreign Directors:** This was quantified as the proportion of foreign directors to the total

number of board members (Maryam, Michael, Steve, & Shane, 2016). A negative relationship, was expected in this research, between Foreign executives on a board and financial reporting quality.

- **Board Independence:** This was the proportion of directors, who were non-executives, to the total number of board members (Geraldes Alves, 2011). This research anticipated a negative relationship existence between the board independence of a listed bank and FRQ. That is, the numbers of non-executive directors, does not impact the quality of financial reporting.
- **Board Diversity:** The proportion of the numbers of females on a board, to the total number of members on the board was assessed as BD. It was believed that the conservative quality of females and their passion to make sure that things are done right, established including this variable justified. Hence, the relationship between FRQ and board diversity was anticipated to be positive. In other words, the more women board members, the higher the FRQ.
- **Audit Committee Independence:** This was computed as the proportion of the count of independent non-executive directors on the audit committee to the total count of the audit committee membership (Nelson and Devi, 2013). It was expected that a positive relationship would exist between audit committee independence and FRQ, as it was conceived that the more independent the Audit Committee's composition, the more effective it was in accomplishing its function of oversight.

Appendix I shows the measured corporate governance variables.

3.4.2 Control Variables

The effects of certain factors were controlled via including variables utilised in earlier studies and observed to be related to corporate governance and FRQ. Reviewed literature linked high FRQ to financial statements which were audited by the big four firms (Jara & Lopez, 2011). Hence, the status of the external Auditor (whether big four or not) of the bank was assessed with a binary variable of 1 (for a bank audited by a big four firm) and 0 (for a bank not audited by a big four firm). Big Four was found to have an input of 1 for all the banks hence it was dropped for the purposes of the correlation and regression analysis. One more control variable, firm size, measured by the natural logarithm of total assets at the end of a year (Sanchez & Sierra, 2001) was considered as the control for the effect the size of a bank has on its accounting policies. Literature shows that a high firm size, attracts greater media and public scrutiny, resulting in the relationship between FRQ and firm size being positive. Appendix I shows the measured control variables.

3.4.3 Financial Reporting Quality

To measure FRQ, a measurement tool was constructed using prior literature which defined FRQ in terms of the fundamental qualitative characteristics underlying decision usefulness as defined in the Conceptual Framework for Financial Reporting 2010 (IASB, 2017). The fundamental qualitative characteristics (relevance and faithful representation) are the most important and determine the content of financial reports. The enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness) can improve decision usefulness when the fundamental qualitative characteristics are established. However, they cannot determine FRQ on their own. Hence, the choice of fundamental qualitative characteristics (relevance and faithful representation) for this study (IASB, 2008).

A conceptually-based 9 item index that is based on the measurement scales developed by Beest & Boelens (2009) was constructed. The scales were five levels Likert from very important (fully complete) to not important (uncompleted) for each characteristic. The process resulted in scores between 1 & 5 for each qualitative characteristic: 1 signaling poor scores and 5 implying an excellent score. Appendix II provides an overview of the nine measured items used to measure the financial reports' fundamental qualitative characteristics (FRQ). By considering the total of scores of the two fundamental qualitative characteristics for each bank, summing the scores of faithful representation and relevance and dividing by 2, the standardized scores of FRQ was measured. Appendix I shows the measured variable.

3.4.4 Model Specification and Justification

Aminu (1995) proposed that a dependent variable could be regarded as a variable that is to be predicted, explained or determined by mathematical equations, while the variables utilised to predict or determine are referred to as the independent variables.

The method of data analysis used included correlation coefficient and multiple regressions[9]. These techniques were utilised to enable the study capture the dependent and independent variables and to also test hypotheses in their null forms, to reach logical conclusions. Unlike in simple regression analysis, in multiple regression analysis, more independent variables are employed to determine the dependent variable. The Random Effects model was the statistical model utilised. Two control variables, Big Four Auditor and Firm Size were also included, as a result of their effects on FRQ.

[9] Regression models involving more independent variables to a variable are known as multiple regression analysis.

Multiple regression formulas are generally given as:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2$$

This study's regression equation was defined as:

$$FRQ = f\,(BS, FD, BI, BD, ACI, BF, FS) \ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

$$FRQ = \alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5X_5+\beta_6X_6+\beta_7X_7 \ldots\ldots\ldots (2)$$

$$FRQ = \alpha + \beta_1BS + \beta_2FD+\beta_3BI+\beta_4BD +\beta_5ACI+\beta_6BF+\beta_7FS +\mu \qquad (3)$$

Where:

X_1 = Board size

X_2= Foreign Directors

X_3 = Board Independence

X_4 = Board Diversity

X_5 = Audit Committee Independence

X_6 = Big Four Auditor (Control Variable)

X_7 = Firm Size (Control Variable)

μ = Error term

Y = Financial Reporting Quality

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6,$ and β_7 = the partial derivatives or gradient of the independent variables

3.5 RELIABILITY AND VALIDITY OF DATA (PRE-TEST)

3.5.1 Test for Multicollinearity

A case where two or more explanatory variables in the multiple regression model are linearly related is referred to as Multicollinearity. If for instance, the correlation between 2 independent variables is +1 or -1, then a case for perfect multicollinearity is found. Perfect multicollinearity of data, is rarely faced practically. Usually, an approximate linear relationship between two or more independent variables results in multicollinearity. Though OLS estimators are mostly unbiased in multicollinearity, their large variances and co-variances makes precise estimation challenging. While the R-squared inclines to be high, this tends to cause one or more coefficients' t-ratio to be statistically insignificant. However, Gujarati (2003) proposed that multicollinearity presence is not as much of an issue as its severity. This is so because a regression model's regressors are most probably correlated however, when this correlation is quite high then the coefficients are affected. Hence, a regression model's estimates are affected by severe multicollinearity. Although multicollinearity existence and intensity can be tested by various methods such as the application of condition index, eigen values, correlation matrix and auxiliary regressions, this research utilised the Variance Inflation Factor (VIF) to determine multicollinearity severity in the model.

3.5.2 Test for Linearity

The linear relationship assumption between a dependent and independent variable, is the assumption that underlies linear regression models. This is referred to as the assumption of linearity. The linear regression fits straight lines to data that do not reflect as such, if the assumption is disregarded. Hence, whether a linear relationship assumption holds or not, it is significant to examine the model. As a result, a linearity test was further undertaken in the study.

CHAPTER FOUR

RESULTS & DISCUSSIONS

4.0 INTRODUCTION

The study's empirical results are presented in this chapter. It begins with the descriptive statistics of the key variables used in the study, the mean, standard deviation, the minimum and maximum values. To test the hypotheses of the study, it then follows up with the empirical results from all the correlation and regression analysis.

4.1 DESCRIPTIVE STATISTICS

The aim of the descriptive statistics is to quantitatively describe the major features of the study's variables. The mean, standard deviation, minimum and maximum of the explanatory and control variables (details shown in Appendix I) were computed and presented in Table 3 whilst the frequency and percentage of the dummy variable, big four auditor was further calculated and shown in Table 4.

Table 3: Descriptive Statistics

VARIABLES	MEAN	STD. DEV	MIN	MAX
FRQ	16.71	1.18	14.00	**19.00**
BoardSize	9.36	1.40	7.00	**12.00**
ForeignDir	0.24	0.22	0.00	**0.64**
BoardInde	0.69	0.16	0.38	**0.89**
BoardDiv	0.21	0.10	0.00	**0.45**
ACInde	0.39	0.08	0.25	**0.57**
FirmSize	16.22	2.26	14.26	**22.21**
BigFour	1.00	0.00	1.00	**1.00**

Source: Computed from Annual Reports of the listed Banks

Analysis of Table 3 shows that FRQ presented a standard deviation, minimum, maximum and mean (the average FRQ score of the listed Banks) of 1.18, 14, 19 and 16.71 respectively. The mean of Board Size showed an average of 9.37 for the listed Banks and a standard deviation of 1.40.

Because the minimum number of members on a board was seven and the maximum number of members was twelve, a fair difference was seen to exist across the different banks for this variable. The outcome of the Foreign Directorship indicated an average and standard deviation of 0.25 and 0.22 respectively. With a minimum and maximum of 0 and 64 percent respectively, there existed a large difference across the different banks for this variable. Also, for Board Independence, with a minimum of 38 percent and a maximum of about 89 percent, suggesting a fairly large difference across the different banks for this variable, a mean of 70 percent of the members on a board were found to be independent. The standard deviation of the Board Independence of the Banks was 0.16. The Board Diversity demonstrated a mean score and standard deviation of 0.21 and 0.10 respectively for the listed Banks. With a minimum and maximum of 10 and 45 percent respectively, there existed large differences across the different banks for this variable. Audit Committee Independence presented a mean and standard deviation of 0.40 and 0.08 respectively. With a minimum value of about 25 percent and a maximum value of about 57 percent; there existed some fair differences among the banks. For Firm Size, a control variable, it was observed that, the mean firm size was GH¢16,218,210, on the average, with minimum and maximum values of GH¢14,264,300 and GH¢22,214,800 respectively. Big Four was found to have an input of 1 for all the banks hence it was dropped for the purposes of the correlation and regression analysis.

Table 4: Descriptive Statistics (Dummy Variable)

VARIABLES	FREQUENCY	PERCENT	CUMULATIVE PERCENT
Big Four	38	100	**100**

Source: Computed from Annual Reports of the listed Banks

For the dummy control variable, Big Four, 100 percent of the firm-year observations of 38 had their financial statements audited by one of the big four audit firms.

4.2 THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND FINANCIAL REPORTING QUALITY

4.2.1 Correlation Matrix

The relationship between the study's independent and dependent variables are shown in the correlation matrix. This is shown in Table 5.

Table 5: Correlation matrix of the Dependent and Independent variables

VARIABLE	Board Size	ForeignDir	BoardInde	FRQ	BoardDiv	ACInd	FirmSize	BigFour
Board Size	1.0000							
ForeignDir	-0.1731	1.0000						
BoardInde	-0.0421	-0.2774	1.0000					
FRQ	0.0822	-0.3074	-0.0503	1.0000				
BoardDiv	-0.1364	-0.1907	-0.2702	0.3669	1.0000			
ACInd	-0.2561	-0.1954	0.3887	0.0222	0.1765	1.0000		
FirmSize	0.3952	0.4834	-0.3871	0.0465	0.1910	-0.1828	1.0000	
BigFour	-	-	-	-	-	-	-	-

Source: Computed from Annual Reports of the listed Banks

Results shown in table 5 illustrates that there was a negative correlation between Board Size and Foreign Directorship, Board Independence, Board Diversity and Audit Committee Independence at -0.1731, -0.0421, -0.1364 and -0.2561 respectively while positively correlated to FRQ at 0.0822. The Foreign Directorship was negatively correlated to Board Independence, FRQ, Board Diversity and Audit Committee Independence at -0.2774, -0.3074, -0.1907 and -0.1954 respectively. Board Independence was found to be negatively correlated to FRQ and Board Diversity at -0.0503 and -0.2702 respectively while positively correlated to Audit Committee Independence at 0.3887. However, FRQ was found to be positively correlated to both Board Diversity and Audit Committee Independence at 0.3669 and 0.0222. Further, Board Diversity was found to be positively correlated to Audit Committee Independence at 0.1765. Finally, Firm Size was found to be positively correlated to Board Size, Foreign Directorship, FRQ and Board Diversity at 0.3952, 0.4834, 0.0465, 0.1910 while negatively correlated to Audit Committee Independence at -0.1828 and Board Independence at -0.3871.

4.2.2 Regression Analysis

To enable the hypotheses of the study to be tested, a computation of the regression analysis was carried out. Table 6 shows the results, together with the Z-Score and R-square values, to offer an understanding of how the variations in the dependent variable were caused by the independent variables.

Table 6: Regression Results of the Variables

VARIABLES	COEF.	STD. ERR.	Z	P>|Z|
BOARDSIZE	0.0746239	0.265046	0.28	**0.778**
FOREIGNDIR	-3.341451	1.811364	-1.84	**0.065**
BOARDINDE	0.1042176	1.62301	0.06	**0.949**
BOARDDIV	2.262448	2.398788	0.94	**0.346**
ACIND	-0.2664849	3.070466	-0.09	**0.931**
FIRMSIZE	0.2336527	0.2021067	1.16	**0.248**
CONS	12.62674	3.767304	3.35	**0.001**
SIGMA_U	**0.79194817**			
SIGMA_E	**0.87927791**			
RHO	**0.4478874 (FRACTION OF VARIANCE DUE TO U_I)**			
R-SQUARED	Within	0.2926		
	Between	0.2148		
	Overall	0.1728		

Source: Computed from Annual Reports of the listed Banks

The regression equation of the industry is shown in Table 6. It was denoted as: FRQ = 12.62674, 0.0746239, -3.341451, 0.1042176, 2.262448, -0.2664849 and 0.2336527. This implies that FRQ value was 12.62674, when each independent variable's value in the model was zero. The Board Size regression co-efficient, could also be inferred to be 0.0746239. However, Foreign Directorship, Board Independence, Board Diversity, Audit Committee Independence and Firm Size was -3.341451, 0.1042176, 2.262448, -0.2664849 and 0.2336527 respectively. The R-square value of 0.17 indicated that 17% of the variation in FRQ could be accounted for by the study's independent variables.

4.2.3 Test of Hypothesis

To test the study's hypotheses, the regression analysis' P-value was used.

4.2.3.1 Board Size and Financial Reporting Quality

The P-value of 0.778, from the regression results shown in Table 6, indicated that board size was statistically insignificant at 5 and 10 percentage significance levels. Thus, the study's analysis presented that Board size did not have a causative relationship or significant impact on FRQ of listed Banks in Ghana. The negative relationship between the Board Size and the quality of financial reporting implied that more members on a board did not necessarily impact FRQ. Therefore, the boards that were comprised of more directors did not necessarily ensure quality financial reports were issued from their respective banks. Consequently, the null hypotheses which stated Board size does not significantly affect the FRQ of listed banks in Ghana cannot be rejected.

Consistent with these findings are the results of Chalaki et al (2012); Jensen (1993); Eisenberg, Sundgren, and Wells (1998); Yermack (1996); Bradbury et al (2006); Vafeas (2000); and Ahmed, Hossain & Adams (2006). Large boards could be dispersed, over "overcrowded" and thus ineffective in exercising their oversight functions in terms of communication and coordination to ensure quality financial reports. Mostly, this makes it a challenge for CEOs to fully observe their activities. Large boards could also be considered weak and less effective in management activity and behaviour control, allowing managers to make decisions to promote their selfish interests and not principals', of whose interest they should primarily seek to safeguard. The smaller the board size, the better the quality and information flow. This makes it possible for communication and management activity control to be effective.

4.2.3.2 Foreign Directorship and Financial Reporting Quality

From Table 6, the P-value of 0.065 suggested that Foreign Directorship was statistically significant at the 10-percentage significance level. Thus, the study's analysis depicted that, Foreign Directorship did have a causative relationship or significant impact on FRQ at the 10-percentage significance level. The relationship between FRQ and Foreign Directorship being found positive implied that the Banks with high Foreign Directorship Boards produced high quality financial reports. Hence, the study's null hypotheses which stated Foreign executives on boards do not significantly affect the FRQ of listed banks in Ghana can be rejected.

This finding is in tandem to the conclusions made in the study of Park and Shim (2003) and Miletkov, 2013. High Foreign Directorship possesses a positive impact on FRQ and has far reaching benefits beyond being cost intensive due to travelling expenses and distance. Foreign Directors' knowledge of foreign markets and network of foreign contacts are some of the advantages foreign directors always bring on board. Thus, high foreign directorship ensured a high financial reporting quality.

4.2.3.3 Board Independence and Financial Reporting Quality

From Table 6, the P-value of 0.949, of the regression results, showed that Board Independence was statistically insignificant to FRQ at the 5 and 10 percentage significance levels. The negative relationship found between the board Independence and the quality of financial reporting implied that independent board members did not impact FRQ. Therefore, the boards that were comprised of more independent directors did not necessarily ensure quality financial reports from their respective banks. Thus, the study's analysis demonstrated that Board Independence did not have a causative relationship or significant impact on FRQ of listed Banks in Ghana. Thus, the null hypotheses which stated that Board independence does not significantly affect the FRQ of listed banks in Ghana cannot be rejected.

This result is in sync with what literature has recorded in the studies of Beasley (1997); Bradbury, Mak & Tan (2006); Chalaki et al (2012); Doan et al (2018); Gois (2014); Ho & Wong (2001); Ahmed, Hossain & Adams (2006); Gulzar & Wang (2011); Jaggi, Leung & Gul (2007); Petra (2007); Oba (2014) and Shamsul (1999). High proportions of independent directors on a board holds no effect on FRQ, as independent directors hardly possess adequate power to ensure proper management oversight to protect shareholder interest. The appointment of independent directors is mostly also influenced by familiarity, hence hindering their oversight powers, as they consequently incline to please. This can result in a ‘‘hegemonic’’ work environment. Fraudulent financial reporting occurrence and/ or poor FRQ can therefore not be linked to low or no board independence.

4.2.3.4 Board Diversity and Financial Reporting Quality

From Table 6, the P-value of 0.346 demonstrated that Board Diversity was statistically insignificant to FRQ, at both the 5 and 10 percentage levels. The relationship between Board Diversity and FRQ found to be negative, at the 5 and 10-percentage significance levels, implied that more women board members did not particularly ensure FRQ. Thus, the analysis of the study demonstrated that Board Diversity held no significant impact or causative relationship with the FRQ of Banks listed on the GSE. Consequently, the study's null hypotheses that stated that Board Diversity does not significantly affect the FRQ of listed banks in Ghana cannot be rejected.

The finding agrees to that of Doan et al (2018); Dobbin & Jung (2010); and Labelle et al. (2010) though contrary to Yosef (2012); Gavious, Segev and Yosef (2012); and Rogriguez-Dominguez, Garcia-Sanchez & Gallego-Alvarez (2012). Due to the perspectives and orientation of women, a highly female diversified board may not of necessity ensure efficiency and sound performance of a board to achieve FRQ. Hence, more women board members does not always result in high FRQ.

4.2.3.5 Audit Committee Independence and Financial Reporting Quality

From the regression results in Table 6, the P-value of 0.931 presented that Audit Committee Independence was statistically insignificant to FRQ at the 5 and 10 percentage significance levels. The negative relationship between Audit Committee Independence and FRQ implied that more independent Audit Committee members did not inevitably impact FRQ. Therefore, the banks that were comprised of more independent Audit Committee members did not necessarily issue high quality financial reports. Thus, the study's analysis demonstrated that Audit Committee Independence did not have a causative relationship or significant impact on FRQ of listed Banks in Ghana. Therefore, the null hypotheses of the research which stated that Audit Committee Independence does not significantly affect the FRQ of listed banks in Ghana cannot be rejected.

This finding was affirmed by the studies of Klein (2002) and Bedard et al. (2004); and Jaggi and Leung (2007). Audit Committee Independence does not have a causative relationship or significant impact on FRQ of listed Banks in Ghana because internal controls, financial and risk management policies/ practises may not necessarily be enhanced with high proportions of independent Audit Committee members on a board. Further, banks with high proportions of outside Audit Committee members may also be characterized by acts of irregularities, illegalities and error incidents in the financial reporting process.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

Chapter 5 presents the conclusion of the study on the existence of a relationship between FRQ and corporate governance of listed banks in Ghana. It starts with summary of the findings, followed by the conclusions made from the relationship established and ends with the recommendations for stakeholders in decision-making.

5.1 SUMMARY OF FINDINGS

This research found that Board Size was negatively correlated to and had no causative relationship with FRQ. As a result, a large board size does not necessarily lead to making sound and innovative policies or strategy that would lead to raising FRQ. Some researchers actually believe a large board could be just crowded and thus ineffective in exercising their oversight functions to ensure quality financial reports.

It was also found that Foreign Directorship was positively correlated to and had a causative relationship with FRQ. Hence, more Foreigners on a board leads to optimised decision making and high FRQ for a listed bank in Ghana. It is believed this arrangement has far reaching benefits beyond being cost intensive due to travelling expenses as Foreign Directors' knowledge of foreign markets and network of foreign contacts is unmatched.

Board Independence was found to have a negative correlation to and no causative relationship with the quality of financial reporting in Ghana. This implies that more independent board members do not particularly ensure that the management of a bank issues quality financial reports.

Board Diversity was observed to have a negative correlation to and no causative relationship with FRQ. This suggests that boards constituted with more women do not necessarily exact FRQ from their banks. Although, some believe that due to the orientation of women, efficiency and performance of a board could be enhanced with more women, this opinion did not apply in Ghana.

Lastly, Audit Committee Independence was noted to have a negative correlation to and no causative relationship with the quality of Financial Reporting. This implies that more independent Audit Committee members do not necessarily ensure managers issue quality financial reports in Ghana, as independent Audit Committee members do not always have the means to ensure this.

5.2 CONCLUSIONS

This research examined the relationship between corporate governance characteristics and FRQ for listed banks on the GSE, for the 2015 to 2019 period. It also analysed corporate governance mechanisms effects on FRQ. Population for the study consisted of the 8 listed Banks on the Ghana Stock Exchange (GSE), operational in Ghana. The study used data from secondary data sources, generated from the listed Banks' annual reports, over a five-year period, from 2015-2019. The study employed Multiple Linear Regression (MLR) and utilised the extracted data from the listed Banks' annual reports to test the study's hypotheses. Stata 13.0 assisted to analyse the extracted data from the listed Banks' annual reports. Descriptive statistics was presented to understand the nature of the corporate governance characteristics. In particular, a comparison was made with the means and how certain banks were further off from the mean. A correlation matrix was also carried out for the study and presented. Finally, the regression results, data testing hypotheses and findings discussion informed the following results;

Based on the research results, a conclusion was drawn that Board Diversity, Board Size, Board Independence and Audit Committee Independence does not cause or significantly impact FRQ. However, the results from the study showed that, consistent with empirical literature, Foreign Directorship impacts FRQ in Ghana and thus any attempt to improve FRQ should take into account Foreign Directorship.

5.3 RECOMMENDATIONS

The findings of this study are relevant to regulators, policy makers and legislators, in decision making, concerning the issue of FRQ. To achieve the needed level of public trust in the financial reports of listed banks in Ghana, a board characteristic like Foreign Directorship has to be checked and managed appropriately for FRQ to be enhanced. As a result of the research findings, the following recommendations were made:

Collaborating with other regulatory agencies like the Securities and Exchange Commission (SEC), the BoG should ensure that listed Banks constitute a moderate board size with competent and experienced directors per the BoG Corporate Governance Directive 2018 and the SEC's Corporate Governance Code for Listed Companies.

The BoG and SEC releases a policy and guideline, indicating plainly the levels of Foreign Directorship required, enforcing a Foreign Directorship of at least one on every board, with sanctions, for banks who do not comply. This would go a long way to ensure that the required levels are always preserved. Listed Banks should be encouraged to appoint a lot more Foreign Directors to their boards, to enhance FRQ.

The number of independent directors and board size be decreased, to minimize costs, enhance operational efficiency and FRQ. This is because no positive and causative relationship were found between these board characteristics and FRQ.

For future studies, this paper recommends a comparative research into the FRQ in developed economies. This is because studies in those economies will aid in an informed analysis relative to the findings in Ghana, a developing country.

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LIST OF APPENDIXES

APPENDIX I

Operational measures utilized for the Financial Reporting Quality and Corporate Governance Characteristics

Bank	Variable	2015	2016	2017	2018	2019
Access Bank	R1	-	3	3	2	2
Access Bank	R2	-	4	4	4	4
Access Bank	R3	-	2	2	2	2
Access Bank	R4	-	4	4	4	4
Access Bank	F1	-	4	4	4	4
Access Bank	F2	-	4	4	4	4
Access Bank	F3	-	5	5	5	5
Access Bank	F4	-	5	5	5	5
Access Bank	F5	-	4	4	4	4
Access Bank	FRQ	-	17.5000	17.5000	17.0000	17.0000
Access Bank	BoardSize	-	8	8	8	8
Access Bank	ForeignDir	-	0.5000	0.5000	0.3750	0.3750
Access Bank	BoardInde	-	0.5000	0.6250	0.8750	0.8750
Access Bank	BoardDiv	-	0.2500	0.2500	0.2500	0.2500
Access Bank	AC Ind	-	0.3750	0.3750	0.3750	0.3750
Access Bank	FirmSize	-	14.8012	14.9785	15.0799	15.3656
Access Bank	BigFour	-	1	1	1	1
Agricultural Dev Bank	R1	-	2	2	2	4
Agricultural Dev Bank	R2	-	3	4	4	4
Agricultural Dev Bank	R3	-	2	2	2	4
Agricultural Dev Bank	R4		4	4	4	4
Agricultural Dev Bank	F1	-	3	4	4	4
Agricultural Dev Bank	F2	-	4	4	4	4
Agricultural Dev Bank	F3	-	4	5	5	5
Agricultural Dev Bank	F4	-	5	5	5	5
Agricultural Dev Bank	F5		3	4	4	4
Agricultural Dev Bank	FRQ	-	15.0000	17.0000	17.0000	19.0000
Agricultural Dev Bank	BoardSize	-	9	9	8	8
Agricultural Dev Bank	ForeignDir	-	0	0	0	0
Agricultural Dev Bank	BoardInde		0.8890	0.8890	0.8750	0.8750
Agricultural Dev Bank	BoardDiv	-	0.2220	0.1110	0.2500	0.2500
Agricultural Dev Bank	AC Ind	-	0.3330	0.3330	0.5000	0.5000
Agricultural Dev Bank	FirmSize	-	14.9259	15.0811	15.0957	15.3367
Agricultural Dev Bank	BigFour	-	1	1	1	1
Cal Bank Plc	R1	3	3	5	5	5

Cal Bank Plc	R2	3	3	4	4	4
Cal Bank Plc	R3	2	2	2	2	2
Cal Bank Plc	R4	4	4	4	4	4
Cal Bank Plc	F1	3	3	3	3	3
Cal Bank Plc	F2	3	3	3	3	3
Cal Bank Plc	F3	4	5	5	5	5
Cal Bank Plc	F4	5	5	5	5	5
Cal Bank Plc	F5	2	4	5	5	5
Cal Bank Plc	FRQ	14.5000	16.0000	18.0000	18.0000	18.0000
Cal Bank Plc	BoardSize	10	10	10	10	10
Cal Bank Plc	ForeignDir	0.3000	0.3000	0.2000	0.2000	0.1000
Cal Bank Plc	BoardInde	0.8000	0.7000	0.8330	0.8000	0.8000
Cal Bank Plc	BoardDiv	0.1000	0.1000	0.2000	0.2000	0.2000
Cal Bank Plc	AC Ind	0.3000	0.5000	0.5000	0.4000	0.5000
Cal Bank Plc	FirmSize	15.0288	15.1017	15.2561	15.5055	15.7683
Cal Bank Plc	BigFour	1	1	1	1	1
Ecobank Ghana Ltd	R1	2	2	4	4	5
Ecobank Ghana Ltd	R2	3	3	4	4	4
Ecobank Ghana Ltd	R3	2	2	1	1	1
Ecobank Ghana Ltd	R4	4	4	4	5	5
Ecobank Ghana Ltd	F1	3	3	3	4	4
Ecobank Ghana Ltd	F2	4	4	4	4	4
Ecobank Ghana Ltd	F3	5	5	5	5	5
Ecobank Ghana Ltd	F4	5	5	5	5	5
Ecobank Ghana Ltd	F5	4	4	4	5	5
Ecobank Ghana Ltd	FRQ	16.0000	16.0000	17.0000	18.5000	19.0000
Ecobank Ghana Ltd	BoardSize	10	9	11	11	10
Ecobank Ghana Ltd	ForeignDir	0.3000	0.1110	0.0910	0.0000	0.0000
Ecobank Ghana Ltd	BoardInde	0.5000	0.4440	0.7270	0.5450	0.8000
Ecobank Ghana Ltd	BoardDiv	0.3000	0.2220	0.1818	0.1818	0.3000
Ecobank Ghana Ltd	AC Ind	0.4000	0.4440	0.3636	0.2727	0.4000
Ecobank Ghana Ltd	FirmSize	15.7007	15.8981	16.0236	16.1628	16.3955
Ecobank Ghana Ltd	BigFour	1	1	1	1	1
Ghana Commercial Bank	R1	3	3	3	3	3
Ghana Commercial Bank	R2	3	3	3	4	4
Ghana Commercial Bank	R3	2	2	2	2	2
Ghana Commercial Bank	R4	4	4	4	4	4
Ghana Commercial Bank	F1	3	3	3	3	3
Ghana Commercial Bank	F2	4	4	4	4	4
Ghana Commercial Bank	F3	4	4	4	4	5
Ghana Commercial Bank	F4	5	5	5	5	5

Ghana Commercial Bank	F5	4	4	4	5	5
Ghana Commercial Bank	FRQ	16.0000	16.0000	16.0000	17.0000	17.5000
Ghana Commercial Bank	BoardSize	11	11	11	11	12
Ghana Commercial Bank	ForeignDir	0	0	0	0	0
Ghana Commercial Bank	BoardInde	0.8180	0.8180	0.7270	0.7270	0.7500
Ghana Commercial Bank	BoardDiv	0.2727	0.3636	0.1818	0.1818	0.1666
Ghana Commercial Bank	AC Ind	0.4545	0.4545	0.3636	0.4545	0.3333
Ghana Commercial Bank	FirmSize	15.3505	15.6155	16.0729	16.1797	16.3346
Ghana Commercial Bank	BigFour	1	1	1	1	1
Republic Bank Ltd	R1	3	3	3	3	4
Republic Bank Ltd	R2	3	4	3	3	4
Republic Bank Ltd	R3	2	2	2	2	2
Republic Bank Ltd	R4	3	3	3	3	4
Republic Bank Ltd	F1	3	3	3	3	3
Republic Bank Ltd	F2	3	3	3	3	4
Republic Bank Ltd	F3	5	5	2	2	5
Republic Bank Ltd	F4	5	5	5	5	5
Republic Bank Ltd	F5	4	4	4	4	4
Republic Bank Ltd	F5	4	4	4	4	4
Republic Bank Ltd	FRQ	15.5000	16.0000	14.0000	14.0000	17.5000
Republic Bank Ltd	BoardSize	10	8	7	8	9
Republic Bank Ltd	ForeignDir	0.3000	0.5000	0.5000	0.5000	0.4440
Republic Bank Ltd	BoardInde	0.6000	0.7500	0.8750	0.8750	0.8890
Republic Bank Ltd	BoardDiv	0.1000	0.1250	0.1429	0.0000	0.0000
Republic Bank Ltd	AC Ind	0.3000	0.3750	0.5714	0.3750	0.3330
Republic Bank Ltd	FirmSize	14.2643	14.4340	14.5474	14.8656	15.0174
Republic Bank Ltd	BigFour	1	1	1	1	1
Standard Chartered Bank	R1	3	3	3	3	3
Standard Chartered Bank	R2	4	4	4	4	5
Standard Chartered Bank	R3	2	2	2	2	2
Standard Chartered Bank	R4	4	4	4	4	4
Standard Chartered Bank	F1	4	4	4	4	4
Standard Chartered Bank	F2	3	3	3	3	3
Standard Chartered Bank	F3	5	5	5	5	5
Standard Chartered Bank	F4	5	5	5	5	5
Standard Chartered Bank	F5	3	4	4	4	4
Standard Chartered Bank	FRQ	16.5000	17.0000	17.0000	17.0000	17.5000
Standard Chartered Bank	BoardSize	8	7	8	8	8
Standard Chartered Bank	ForeignDir	0.1250	0.1430	0.1250	0.2500	0.2500
Standard Chartered Bank	BoardInde	0.6250	0.5710	0.3750	0.3750	0.5000
Standard Chartered Bank	BoardDiv	0.2500	0.2857	0.2500	0.3750	0.3750

Standard Chartered Bank	AC Ind	0.3750	0.4286	0.3750	0.2500	0.3750
Standard Chartered Bank	FirmSize	15.0303	15.2911	15.3793	15.6008	15.8461
Standard Chartered Bank	BigFour	1	1	1	1	1
Société Générale Ghana	R1	3	3	3	3	3
Société Générale Ghana	R2	4	4	4	4	4
Société Générale Ghana	R3	2	2	2	2	2
Société Générale Ghana	R4	4	4	4	4	5
Société Générale Ghana	F1	3	3	4	4	4
Société Générale Ghana	F2	4	4	4	4	4
Société Générale Ghana	F3	4	4	4	4	5
Société Générale Ghana	F4	5	5	5	5	5
Société Générale Ghana	F5	3	3	3	3	3
Société Générale Ghana	FRQ	16.0000	16.0000	16.5000	16.5000	17.5000
Société Générale Ghana	BoardSize	11	11	11	8	11
Société Générale Ghana	ForeignDir	0.6360	0.6360	0.6360	0.5000	0.5450
Société Générale Ghana	BoardInde	0.5450	0.4550	0.4550	0.6250	0.6360
Société Générale Ghana	BoardDiv	0.0909	0.0909	0.1818	0.3750	0.4545
Société Générale Ghana	AC Ind	0.3636	0.2727	0.2727	0.5000	0.3636
Société Générale Ghana	FirmSize	21.4178	21.6189	21.7492	21.9562	22.2148
Société Générale Ghana	BigFour	1	1	1	1	1

NB:

- Access Bank and Agricultural Development Bank were not listed on the Ghana Stock Exchange in 2015.
- Refer to Appendix I for the definition of R1, R2, R3, R4, F1, F2, F3, F4 and F5.

APPENDIX II

Overview of the measures used to operationalize the fundamental qualitative characteristic (including the measurement scales)

Relevance				
Question no.	**Question**	**Operationalization**	**Concept**	**Literature**
R1	To what extent does the presence of the forward-looking statement help forming expectations and predictions concerning the future of the company?	1 = No forward-looking information 2 = Forward-looking information not an apart subsection 3 = Apart subsection 4 = Extensive predictions 5 = Extensive predictions useful for making expectation	Predictive value	e.g. McDaniel *et al.*, 2002; Jonas and Blanchet, 2000; Bartov and Mohanram, 2004
R2	To what extent does the presence of non-financial information in terms of business opportunities and risks complement the financial information?	1 = No non-financial information 2 = Little non-financial information, no useful for forming expectations 3 = Useful non-financial information 4 = Useful non-financial information, helpful for developing expectations 5 = Non-financial information presents additional information which helps developing expectations	Predictive value	e.g. Jonas and Blanchet, 2000; Nichols and Wahlen, 2004
R3	To what extent does the company use fair value instead of historical cost	1 = Only HC 2 = Most HC 3 = Balance FV/HC 4 = Most FV 5 = Only FV	Predictive value	e.g. Schipper and Vincent, 2003; McDaniel *et al.*, 2002; Barth *et al.*, 2001; Schipper, 2003
R4	To what extent do the reported results provide feedback to users of the annual report as to how various market events and significant transactions affected the company?	1 = No feedback 2 = Little feedback on the past 3 = Feedback is present 4 = Feedback helps understanding how events and transactions influenced the company 5 = Comprehensive feedback	Confirmatory value	e.g. Jonas and Blanchet, 2000

Faithful representation

Question no.	Question	Operationalization	Concept	Literature
F1	To what extent are valid arguments provided to support the decision for certain assumptions and estimates in the annual report?	1 = Only described estimations 2 = General explanation 3 = Specific explanation of estimations 4 = Specific explanation, formulas explained etc. 5 = Comprehensive argumentation	Verifiability	e.g. Jonas and Blanchet, 2000; Maines and Wahlen, 2004
F2	To what extent does the company base its choice for certain accounting principles on valid arguments?	1 = Changes not explained 2 = Minimum explanation 3 = Explained why 4 = Explained why + consequences 5 = No changes or comprehensive explanation	Verification	e.g. Jonas and Blanchet, 2000; Maines and Wahlen, 2004
F3	To what extent does the company, in the discussion of the annual results, highlight the positive events as well as the negative events?	1 = Negative events only mentioned in footnotes 2 = Emphasize on positive events 3 = Emphasize on positive events, but negative events are mentioned; no negative events occurred 4 = Balance pos/neg events 5 = Impact of pos/neg events is also explained	Neutrality	e.g. Dechow *et al.*, 1996; McMullen, 1996; Beasley, 1996; Razaee, 2003; Cohen *et al.*, 2004; Sloan, 2001
F4	Which type of auditors' report is included in the annual report?	1 = Adverse opinion 2 = Disclaimer of opinion 3 = Qualified opinion 4 = Unqualified opinion: Financial figures 5 = Unqualified opinion: Financial figures + internal control	Free from material error, verification, neutrality, and completeness	e.g. Maines and Wahlen, 2006; Gaeremynck and Willekens, 2003; Kim *et al.*, 2007; Willekens, 2008
F5	To what extent does the company provide information on corporate governance?	1 = No description CG 2 = Information on CG limited, not in apart subsection 3 = Apart subsection 4 = Extra attention paid to information concerning CG 5 = Comprehensive description of CG	Completeness, verifiability, and free from material error	e.g. Jonas and Blanchet, 2000