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ACCOUNTING SYSTEM AND FINANCIAL REPORTING QUALITY OF MICROFINANCE BANKS IN KWARA STATE, NIGERIA

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ABSTRACT

The continuous reported cases of closure of microfinance banks in various States of Nigeria by the regulatory authority has raised serious concerns on the quality of information in the financial reports of microfinance institutions. This may not be unconnected to the nature of accounting system put in place to track the economic reality that constitutes the content of financial reports. Expectedly, optimal accounting system is to guarantee the quality of financial reports but going by the rate of scandal among microfinance banks which should have been revealed in their financial reports, the level at which optimal accounting system is been deployed among microfinance banks need to be empirically investigated. Therefore, this study examined the effect of accounting system on the quality of financial reports of microfinance banks in Kwara State, Nigeria. The study employed a cross-sectional survey research design. The primary data collected through the questionnaire administered to four hundred and seven (407) respondents from all micro-finance banks in Kwara State were analysed using ordinary least square (OLS) regression. The study found that accounting staff competence, Information Technology and internal control system have positive and significant effect on the quality of financial reports of microfinance banks in Kwara state. These findings imply that the extent to which management of microfinance banks deploy competent accounting staff, maintain effective internal control and information technology utilization explain variations in their financial reports. In view of these findings, this study recommends that management of microfinance banks should pay attention to the level of investment deployed to various components of accounting system in order to be consistently producing reliable and relevant financial reports.

Keywords: Accounting system, accounting staff competence, information technology, internal control system, Financial Reporting Quality

1. INTRODUCTION

Financial reporting is the disclosure of financial results and related information to both internal and external stakeholders (for instance, investors, prospective investors, customers, regulators, creditors and other stakeholders) on how the reporting entity performed over a specific period of time and financial position at the reporting date. Financial reporting is a two party transaction in which the issuers of the financial reports provide them to the users, who use them with expectation that theses will help them to enhance their financial and other decisions (Erliza,Erwin & Murni 2019). Provision of relevant and reliable financial information assist various stakeholders such as the investors, management, employees, government and other stakeholders who use the financial report to make effective investment and other decisions (Donelson, Ege & McInnis, 2015; Bentley-Goode, Newton & Thompson, 2016).

However, the persistent reported cases of failure and collapse of firms around the globe has raised questions on the faithful representation and relevance of the published financial report. This can be evidenced from the series of corporate accounting scandals such as the case of Xerox in 2000, Enron in 2001, Adelphia in 2002, WorldCom in 2002, Global Crossing in the United States in 2002, Ahold and Tyco in 2002, Parmalat in 2003, and Adeco in 2008 in Europe among others around the globe. In the case of Enron, profits were overstated by five hundred and eighty-six ($586) million dollars for four years. In the case of WorldCom fraud in 2002, operating expenses of 3.8 billion dollars were capitalized thus overstating its profit. In Italy, Parmalat failed in 2003 when it engaged in accounting scandals worth eight billion Euros (€8 billion) among others (Demaki, 2011; Egbunike, Ezelibe & Aroh, 2015).

Nigerian corporate industries have also experienced these problems of accounting scandals which have led to loss of investment and closure of firms such as the case of Cadbury Nigeria Plc., Unilever Nigeria Plc. Lever Brothers Plc. amongst others. However, the banking industry has been more hit with these problems of accounting scandals. For instance, the case of Afribank Plc.; Savannah Bank Plc.; Main Street Bank Plc.; Oceanic Bank Plc.; Intercontinental Bank Plc.; Skye Bank Plc. (Shargari, Abudullah & Saat, 2017; Sanni, Mustapha & Isiaka, 2019).

The microfinance institution (hereafter, MFIs) of the Nigerian banking industry which was established in 2005 for the aim of addressing the prolonged non-performance of many existing community banks by making funds available to people at grass root level, had also been dented with seizure of license and closure of some microfinance banks in Nigeria. For example, the licenses of two hundred and twenty-four (224) microfinance banks were revoked by the Nigerian Deposit Insurance Corporation in 2010 for poor accounting system, incompetent management, weak internal controls system, high cost of transaction, lack of well-designed operations, low compliance with regulatory framework and poor corporate governance (Kanu & Isu, 2015). Recently, in December 2020, the NDIC reported that it had seized the operating license of forty-two (42) microfinance banks in Nigeria and immediate closure of the microfinance banks with effect from 12th November, 2020. However, some of these were reporting better financial performance and claiming to be having good financial status (ndic.gov.ng/failure-resolution/closed-financial-institutions). Some microfinance banks in Kwara State were not left out (Ajase ipo Microfinance Bank in 2010).

To reduce the menace of collapsing of microfinance banks, various reforms had been done to the regulations of microfinance banks like the Regulatory and Supervisory Framework for Microfinance Banks in Nigeria by the Central Bank of Nigeria (CBN) in 2012 as a response to the revocation of licenses of two hundred and twenty-four (224) MFIs in 2010. Despite these revisions, the collapse of MFIs still continues on issues that should have been revealed earlier enough through financial reports. This has been attributed to poor accounting system put in place by the microfinance banks in Nigeria (NDIC, 2020). Accounting system is a system that comprises of human resources, principles, procedures, technologies, regulations and controls that worked together to develop accounting information of the organization and communicate the information to users for decision-making. This implies that accounting system is a collection of elements that record transactions and manage the recording into accounting information useful for the users of the information (Williams, Haka, Bettner & Carcello, 2010). As a result of these calamities, this study examined the effect of accounting system on the financial reporting quality of microfinance banks in Kwara State, Nigeria.

Objectives of the Study

The general objective of this study is to determine the impact of accounting system on the financial reporting quality of microfinance banks in Kwara State, Nigeria. The study has the following specific objectives which are to:

i. examine the influence of accounting staff competence on financial reporting quality of microfinance banks in Kwara State;

ii. assess the effect of information technology utilisation on financial reporting quality of microfinance banks in Kwara State and;

iii. investigate the effect of internal control system on financial report of microfinance banks in Kwara State.

2. LITERATURE REVIEW

Conceptual Review

Accounting System

Mancini (2013) argued that accounting system is a complex system consisting of a mixture of elements that work together closely (such as data, information, human resources, IT equipment, accounting models and procedures) and in general involved in collecting, classifying, uniting and recording accounting data. This means that accounting system is a system that comprises of data, people, hardware, software, network communications, rules and procedures, facilities and infrastructure that work together with the aim of producing accounting information to users.

According to debitor's accounting dictionary, accounting system is the system used to manage income, expenses, and other financial activities of a business; it allows a business to keep track of all types of financial transactions, including purchase (expenses), sales (invoice and income), liabilities (funding and accounts payable) etc. and is capable of generating comprehensive statistical report that provide management or interested parties with a clear set of data to aid in decision making process.

Williams et al. (2010) opined that accounting system is a system that comprises of people, procedures, technologies and records used by organisations to develop accounting information and communicate the information to users for decision-making. This implies that accounting system is a collection of elements that record transactions and manage the recording into accounting information useful for the users of the information. Susanto (2009) defines accounting system as a collection (integration) of sub-systems/components of both physical and non-physical, which are interconnected and cooperate with one another in harmony to process transaction data related to financial issues into financial information. It can be deduced from this definition that accounting system is a collection of integrated systems that record, classify, summarises, and manage financial transaction data into financial statements

Accounting Staff Competence

Arzech (2009) defines competence as a series of knowledge, abilities, skills, experience and behaviour which lead to the effective performance of individuals on activities or jobs. Competence is measurable and can be developed through training. It can be concluded from this definition that competence comprises of knowledge, abilities, skills, experience and behaviour possessed by an individual which makes such an individual to be able to perform his/her job as expected. Ennis (2008) describes competence as the quality or state of having sufficient knowledge, judgment, skill or strength as for a particular duty or in a particular respect. From this definition, it can be concluded that there is competency when an individual has adequate knowledge, skill or strength required for a particular job. Competence is the ability of applying or using knowledge, skills, abilities, behaviours and personal characteristics to successfully perform critical work tasks, specific functions or operate in a given role or position. In the opinion of Rudianto (2012) he defines competence as the main characteristics of an individual to produce performance superior in carrying out work. In the opinion of Rudana (2008), competence can be interpreted as the fundamental characteristic of a person who directly influences, or is able to predict, very good performance. In other words, competence is what the outstanding performer does more often in more situations with better results than what the average performer does

Information Technology

Amidu, Effah and Abor (2011) define information technology as the combination of computer and telecommunication technologies such as hardware, software, databases, network technology and other telecommunications equipment used to store data, process data, retrieve data and disseminate information. Sutabri (2014) defines information technology as any technology used to process data, including processing, obtaining, compiling, storing, manipulating data in various ways to produce quality information, namely relevant, accurate and precise, which is used for personal, business and government purposes for decision making. To Indrajit (2000), information technology is a technology that deals with processing data into information and the process of channeling data / information within the limits of time and space to improve work efficiently. From this definition, information technology includes a combination of the use and maintenance of computer technology and telecommunications technology. Computers as hardware with software that function for processing facilities and data storage are integrated and sent via communication channels.

Wilkinson (2000) states that information technology includes computers (mainframes, mini, and micro), software, databases, networks (internet, intranet), electronic commerce, and other types related to technology. In the opinion of Stephen (2020), information technology is the use of any computer, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data.

Internal Control System

Hardy (2015) defines internal control as an integral component of organizational management that provides reasonable assurance that the following objectives are achieved: (a) effective and efficient operations; (b) reliability of financial reporting; and (c) compliance with laws and regulations applicable. Elder, Beasley, Arens and Joseph (2009) define internal control as a process that is influenced by the board of directors, management, and employees, which are designed to provide reasonable assurance of the achievement of the goal of effective and efficient operations, reliable financial reporting and adherence to the rule of law and regulations. It is concluded based on the above that internal control is a process that is influenced by the internal management to provide reasonable assurance of the effectiveness and efficiency of the company operations, including assurance that the financial statements are prepared in accordance with the applicable rules and regulations. COSO, 2013 defines internal control as a process effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. Herath and Albarqi (2017) opine those internal controls encompass a set of rules, policies and procedures an organisation implements to provide reasonable assurance so that its financial reports are reliable. Effective internal control always lowers information risk and enhances the completeness and accuracy of planned information. For the purpose of producing reliable financial statements and achieving financial reporting objectives, strong internal control is highly needed.

Financial Reporting Quality

Tang, Chen and Zhijun (2008) define financial reporting quality as the degree at which financial statements provide the users with information that is fair and authentic about the financial position and performance of the reporting enterprise. It can be ascertained from this definition that for a set of financial statements to be regarded as a statement that possess quality attribute, such statements must contain authentic and genuine information about the performance within the reporting period and worth of the reporting entity at the reporting date. In the opinion of Hribar, Kravet and Wilson (2011), financial reporting quality is the extent to which accounting information accurately reflects the company's current operating performance, is useful in predicting future performance, and helps assess firm value.

In this study, financial reporting quality was assessed directly by operationalizing qualitative characteristics of financial report which is also known as International Accounting Standard Board (IASB) qualitative model consistent with numerous previous studies {for example, Mubaraq, Abdulrasaq and Saidu (2019); Kristina and Marin (2019); Mahboub (2017); Ogbonna and Ebimobowei (2011); Beest, Braam and Boelens (2009); Erlynda (2015)).

Kythreotic (2014) observed that qualitative characteristic of financial reports is divided into two: fundamental characteristics and enhancing characteristics. The fundamental qualitative characteristics (i.e., relevance and faithful representation) are the most important and determine the decision usefulness of content of financial reports while the enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness) improve decision usefulness when the fundamental qualitative characteristics are established but they cannot determine financial reporting quality on their own (IASB, 2008).

Relevance is referred to as the capability of making a difference in the decisions made by users in their capacity as capital providers (IASB, 2008). In the opinion of Nyor (2013) defines relevance as a quality of accounting information expressed as being capable of making a difference in a decision by helping users to form predictions about the outcome of past, present and future events, or to confirm or correct expectations. Susilari (2018) argued that relevance as a quality of accounting information has two elements: feedback value and predictive value. Financial report is regarded as being having feedback value if it contains information that can allows users to assert tools to correct their expectation in the past. Financial report is regarded as being having predictive value if it contains information that can be used to predict future about the reporting economic entity.

Faithful representation as defined by Willekens (2008) is the concept of reflecting and representing the real economic position of the financial information that has been reported. This concept has the value of explaining how well the obligations and economic resources, including transactions and events are fully represented in the financial reporting. In the opinion of Susilari (2018) defines faithful representation as when information describes honestly, transactions as well as other events that should be presented or reasonably expected to be presented. Ogbonna and Ebimobowei (2012) define faithful representation as the second fundamental qualitative characteristic which is possessed by financial report if faithfully represent economic phenomenon and information contains is complete, neutral and free from material errors.

Understandability is one of the enhancing qualitative characteristics that will increase when information is presented and classified clearly and sufficiently. When annual reports are well organised, users can comprehend what their needs are. Usage of graphs and tables helps to present information clearly, and the usage of language and technical jargon can be followed easily (Beest, Braam, & Boelens, 2009). Understandability as a quality of financial report means that the information presented in the financial report can be understood by the user and expressed in terms and terms tailored to the limits of the user's understanding (Anggriawan & Yudianto 2018).

Cheung, Evans and Wright (2010) explain that comparability is the concept of allowing users to compare financial statements to determine the financial position, cash flow, and performance of an entity. This comparison allows users to compare across time and between companies in the same period. Comparability demands that identical events in two situations will be reflected by identical accounting facts and figures while different events will be reflected by different accounting facts and figures in a way which quantitatively reflects those differences in a comparable and easily interpretable manner. Ogbonna and Ebimobowei (2012) define comparability as the characteristic of financial reports that explains the quality of information that enables users to identify similarities and differences between two sets of economic phenomena.

Timeliness is one of the enhancing qualitative characteristics of financial report which implies that information must be available to decision makers before losing its powerful and good influences. When assessing the timeliness of information in an annual report, timeliness is evaluated using the period between the year-end and the issuing date of the auditor 's report, the period of days it took the auditor to sign the report after the financial year-end (Beest, Braam, & Boelens, 2009).

Empirical Review

Human resource competence and financial reporting quality

Tarus, Muturi and Kwasira (2015) concluded that staff competence affects financial reporting accuracy of listed commercial banks in Kenya. Hartono, Erlina & Abdullah (2019) found that human resource competence has positive and significant influence on the quality of financial statement of Langkat district Administration, Indonesia. Idward,Majid and Mediyati (2018) discovered that competence of human resources have a positive effect on the quality of local government financial statement in Indonesia. Naz (2015) found that amil competence influence financial reporting quality of Zakat Management institutions in Indonesia. Ratmono and Sutrisn (2019) discovered that human resource s quality has positive effects on the financial statement quality of central government entities in Indonesia.

Synthia (2017) found that the competence of human resources has a significant positive effect on the quality of the financial statements of public schools in India. Susilatri (2018) discovered that human resource affects the quality of financial statement of Bengkalis Regency. Indonesia, Iskandar & Setiyawati (2015) established that the Internal Accountants' Competence has significant effects on the Quality Bogor City and District Local Government, Indonesia, Labitsta, Muhammad and Agung (2018) found that human resources affect the Quality of Financial Report of public hospital in Indonesia, Erlynda (2015) discovered that the government accountant competency have significant effect on financial reporting quality of district city of Bandung in Indonesia. Fakhri & Ivan (2018) revealed that quality of human resource affects the information quality of West Bandung District Financial Statements Indonesia. Setiyawati (2013) found that internal Accountants' competence has significant effects on the quality of financial reporting of local government in Indonesia. Atrina, Arifuddin and Madris (2019) found that human resource competencies have significant effect on the quality of financial reporting public enterprise in Malaysia, Mardinan, Dahlan and Fitriyah (2018) established that the competence of human resources affects the quality of financial statements of tertiary institutions in Iraq.

In contrary, Iskandar,Deni, Erlina, Azhar, Ade, Rina and Erwin (2017)found that Human Resources Competency has negative and significant influence on the quality of local government financial report of Labuhanbatu regency. Indonesia. Yadiati (2017) discovered that human resources competence has no effect on the quality of Local Government financial reporting, in Indonesia.

Information technology and financial reporting quality

Mehdi, Bishak, Rahimipoor and Sahabi (2012) established that Information technology has a positive effect on financial reports and accounting systems' data of firms listed Iranian companies. Mohammad, Amin & Hamid (2015) found that information technology and its dimensions (timeliness, relevance, accuracy, adequacy, and the actual transfer rate) affect the quality of accounting information of listed companies in Tehran Stock Exchange. Salehi and Torabi (2012) established that the information technology enhances the relevance and reduces the reliability of accounting information of Iranian listed companies. Tarus,Muturi and Kwasira (2015) revealed that information technology financial reporting accuracy of listed commercial banks in Kenya. Erlina & Abdullah (2019) found that information technology has positive and significant influence on the quality of financial statement of Langkat District Administration, Indonesia. Idward et al. (2018) discovered that information technology utilization have a positive effect on the quality of local government financial statement in Indonesia. Aswar (2020) found that information technology has significant effect on the quality of financial statement in Indonesia local governments. Ratmono and Sutrisn (2019) discovered that information technology has positive effects on the financial statement quality of central government entities in Indonesia

In contrary, Yadiati (2017) discovered that effectiveness of information technology has no effect on the quality of Local Government financial reporting, in Indonesia. Susilatri (2018) discovered that utilization of technology affects the quality of financial statement of Bengkalis Regency. Indonesia. Labitsta, Muhammad & Agung (2018) found that information technology affects the Quality of Financial Report of public hospital in Indonesia. Fakhri & Ivan (2018) revealed that utilization of information technology affects the information quality of West Bandung District Financial Statements, Indonesia. Atrina, Arifuddin & Madris (2019) found that information technology has significant effect on the quality of financial reporting of public enterprise in Malaysia, Mardinan, Dahlan and Fitriyah (2018) established that the information technology utilization Affects the quality of financial statements of tertiary institutions in Iraq.

Dewi and Simon (2018) found that information technology has a positive and significant effect on the quality of financial report of village owned enterprises in indonesia. Dandago & Rufai (2014) discovered that information technology is relevant in simplifying issues and in the provision of quality information in the

Nigerian banking industry. Imeokparia (2013) found that information technology makes financial reporting more accurate, useable and of better quality and that information technology does not hinder compliance with international financial reporting standards in Nigerian banking sector. Akinyomi & Enahoro (2013) discovered that information technology is critical in ensuring the credibility of corporate financial reports in the Nigerian banking sector.

Internal control system and financial reporting quality

Various studies had been conducted to determine the relationship between internal control system and financial reporting quality. Lari, Salehi & Safdel (2020) established that weakness in internal controls has a significant negative relationship with financial reporting quality, therefore it is concluded that internal control system has a significant positive relationship with financial reporting quality of listed family firms in Iran. Amalida & Rosidi (2018) found that effectiveness of internal control increases the quality of financial report, that is the higher the effectiveness of internal control, the higher the quality of financial report of government entities in east java province, Indonesia. Mahmoud,Mahdi & Toktam (2019) discovered that internal controls weakness decreases financial reporting quality of Iranian listed firms. Salameh (2019) discovered that internal control system has a positive effect on the quality of financial reporting in Jordanian banks. Kewo & Afiah (2017 revealed that implementation of system of internal control and internal audit have a positive effect on the quality of financial statements of local government in Indonesia. Erlina & Abdullah (2019) found that internal control system has positive and significant influence on the quality of financial statement of Langkat District Administration, Indonesia Ramdany (2015) found internal control has a significant effect on financial reporting quality of companies listed on Indonesia stock exchange. Naz (2015) found that internal control system influences financial reporting quality of Zakat Management institution in Indonesia. Aswar (2020) found that internal control system has significant effect on the quality of financial statement in Indonesia local governments.

Ratmono and Sutrisn (2019) discovered that internal control system has positive effects on the financial statement quality of central government entities in Indonesia. Susilatri (2018) discovered that internal control affects the quality of financial statement of Bengkalis Regency. Indonesia. Erlynda (2015) discovered that internal control system has significant effect on financial reporting quality of distric city of Bandung in Indonesia. Fakhri & Ivan (2018) revealed that internal control affects the information quality of West Bandung District Financial Statements Indonesia. Onyulo (2017) found that internal control influence quality of financial report of public entities in Kenya. Mardinan, Dahlan & Fitriyah (2018) established that the internal control Affect the quality of financial statements of tertiary institutions in Iraq. Lawal & Abdullahi (2020) found significant and positive relationship between control environment, control activities and financial reporting quality of microfinance banks in Kaduna State but a significant and negative relationship between monitoring, risk assessment and financial reporting quality of microfinance banks in Kaduna State Altamoro and Beatty (2010) found that through continuous monitoring and internal check there is improvement of financial reporting in the banking industry.

Mahmud (2007) also found out that in order to produce reliable financial reports for local governments, the quality of internal control must be very high. Whereas internal controls play an important role in defining order, direction and consistency of organizations, their application is dynamic and must be frequently reviewed to make them more effective otherwise they may not bring the desired results for the organization. Wattayapoom (2012) stated that good implementation of internal control significantly increases the capacity to meet the financial statements and the quality of financial information they produce Chabungwen and Kwarisa (2014) stated that good implementation of internal control significantly increases the capacity to meet the financial statements and the quality of financial information they produce evidence commercial banks in Ghana. Mansur & Muhammed (2019) discovered that the internal control system significantly relates to financial reporting quality of Nigerian stock exchange lotus Islamic index companies.

In contrary, Agbenyo, Jiang and Prince (2018) found that contrary to a priori expectation sign monitoring as an element of internal control system has a negative impact on the financial quality reporting but was however statistically significant in Ghana revenue Authority. Ratmono and Sutrisn 2019) discovered that internal control system has positive effects on the financial statement quality of central government entities in Indonesia Nurlis and Yadiati (2017) discovered that effectiveness of internal control has no effect on the quality of Local Government financial reporting, in Indonesia. Setiyawati (2013) found that internal control does not affect on the quality of financial reporting of local government in Indonesia.

Summary of Literature and Gap Identified

Based on the studies reviewed in both local (Nigeria) and international (developed and other developing) countries, it was observed that there were some gaps left unfilled in the literature.

For instance, it was observed that a very large number of the studies conducted in Nigeria focused on other sectors of the country such as deposit money banks (see Akinyomi & Enahoro, 2013; Imeokparia, 2013; Oladejo, et al., 2020; Oladejo & Yinus, 2020); other non-financial listed firms (Abdulmalik & Ahmad, 2019; Mansur, 2020). This study is different as it centers on microfinance banks due to its importance in making fund available for people at grass root level. The only study that was conducted on microfinance bank is the study of Lawal and Abdullahi (2020). The study of Lawal and Abdullahi (2020) collected its data using secondary which may not be reliable enough to bring out the actual effect of internal control systems on financial reporting quality.

Geographically, it was observed that there is little or no study that had been conducted in Kwara State as the previous studies were conducted in other states such as Kaduna State (see Lawal and Abdullahi, 2020). This study focused on the registered microfinance banks in Kwara State.

Theoretically, it was discovered that there is theoretical gap in the studies conducted in Nigeria context. For instance, Oladejo, et al. (2020) used refined technology acceptance model; Mansur (2020) employed the assumption of prerequisite accounting theory to examine the relationships between the dependent and independent variables of their studies. Other studies failed to use theory to explain the relationship between the variables of their studies (see Imeokparia, 2013; Abdulmalik & Ahmad, 2019; Lawal & Abdullahi, 2020). Therefore, this study is unique as it employs the assumptions of both resource-based view theory to explain the relationship between the independent variables and the dependent variables.

Theoretical Framework

The study relies on the assumptions of resource-based view theory to explain the relationship between the dependent and independent variables. Resource-based view theory posits that for a firm to create a competitive advantage over its competitors in the market as well as to establish strategies to improve the overall efficiency and performance of the organisation, there is need to put some resources (internal and external resources) in place. These resources include human resources (competent employee) and structural resources through provision of information technology and effective internal control system.

Resource based view theory assumes that an organisation with competent staff that have the required qualification to discharge their duties, who are non-imitable and rare to find would know the items to be included in the financial statement, thereby has the ability of preparing and presenting a financial report that is complete, relevant and is of faithful representation. The theory further opined those human resources cannot work in isolation without the support of some other structural facilities like information technology and internal control systems. The use of computer system to capture accounting information at the right time would not only make accounting information to be relevant but also timeliness of financial reporting. More so, internal control system would assist in ensuring effective risk management, improve firm's corporate governance and monitoring system, hence high financial reporting quality prepared and presented by the management of the firm (Kilbourne, Beckmann & Thelen, 2002).

3. METHODOLOGY

This study employed a cross sectional survey research design. This design is deemed to be appropriate for the study as it involves collection of data across microfinance banks in Kwara state at a point in time through administration of questionnaire to the sample respondents. Given the above research design, the population of the study is divided into three categories: category one known as supply side, this comprises of Management of microfinance banks in Kwara State which include Managing Directors, Heads of Operations, Heads of internal controls, Heads of risk management & Heads of Marketing (CBN guidelines 2005). Category two known as demand side comprises of shareholders of microfinance banks in Kwara State. Category three known as regulatory side comprises of officials of regulatory bodies (CBN & NDIC). According to the Central Bank of Nigeria (2020), there are twenty-nine (29) microfinance banks in Kwara State. Out of these, there are no national microfinance banks, fifteen (15) Tier 1 microfinance banks, twelve (12) Tier 2 microfinance banks and two (2) State microfinance banks (www.cbn.gov.ng) (see APPENDIX I).

4. DATA ANALYSIS AND DISCUSSION

Thus, the population for category one & two is as follows

Table 1

Population of Management of Microfinance Banks

No. of Microfinance banks in Kwara State	No. of Management per banks	Total No. of Management in all microfinance banks in Kwara State
29	5	145

Source: Authors' Computation, 2021

Table 2

Population of Shareholders of Microfinance Banks

No. of Microfinance banks in Kwara State	Average No. of Shareholders per banks	Total average shareholders in all microfinance banks in Kwara State
29	26	754

Source: Authors' Computation, 2021

The average number of shareholders per bank is arrived at by finding the average of the minimum and maximum number of shareholders which a private limited liability company can have in accordance with CAC requirement.

Out of this population, 106 management staff of MBFI and 261 shareholders were selected as determined by Taro Yamane's (1967) size formula. Sample size for the third category of population is Twenty (20) from each regulatory body, totaling Forty (40) using judgmental sampling. Therefore, the sample size for this study is four hundred and seven (407) respondents, drawn from the three categories of the study population, whom the designed questionnaires were administered to. The sample was selected using random sampling technique in order to ensure that all respondents have equal chance of being selected.

Data for the study were resources collected from the Management of Microfinance banks, Shareholders of microfinance banks and officials of regulatory bodies (CBN & NDIC) through using questionnaire administered. The questionnaire was structured in 5-point likert scale with close-ended questions which elicit information from the respondents by allowing them to choose an answer from list of alternatives (see APPENDIX II).

The study employed both the descriptive and inferential analysis, the descriptive analysis entails mean, median and standard deviation which were employed to give summary information on respondents' profile and measurement questions. For inferential analysis, multiple regression technique (Ordinary Least Square) was used to estimate the influence of the independent variables on the dependent variable. Meanwhile, before running the regression model, preliminary tests were conducted as follows: Cronbach's Alpha was adopted to determine the reliability of research instrument while tolerance and VIF techniques were adopted to test for collinearity while normality test was carried out using Kolmogorov Simonov technique with the aids of SPSS.

Model Specification

The empirical model for this study based on the relationship between the dependent and independent variables was explicitly stated as in equation (ii) by adopting the model of Hartono et al. (2019) stated in equation (i)

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$ ………………….. (i)

Where:

Y is Financial Statements quality

β_0 is the constant term

$\beta_1 - \beta_3$ is the regression coefficient of factors affecting financial statements quality

X_1 is the human resource competence

X_2 is the information technology utilisation

X_3 is the implementation of internal control system

ε is the error term

The model is therefore adopted for this study. The model of this study is stated thus:

$FRQ = \beta_0 + \beta_1 ASC_i + \beta_2 IT_i + \beta_3 ICS_i + \varepsilon$ ………………….(ii)

Where:

FRQ is financial reporting quality of microfinance banks

β_0 is the constant term

$\beta_1 - \beta_3$ is the regression coefficient of factors influencing financial reporting quality

ASC is the accounting staff competence

IT is the information technology

ICS is the internal control system

ε is the error term at 5% level of significance

4. RESULTS AND DISCUSSION OF FINDINGS

Table 3
Descriptive Analysis of the Response Rate

Target for Questionnaire	Number circulated	Number returned	Invalid	Number of Valid & useful
Regulators	40	35		35
Management of MFBs	106	102	1	101
Shareholders of MFBs	261	234	2	232
Total	**407**	**371**	**3**	**368**

Source: Authors' Computation, 2021

The result in table 3 shows the response rate of the questionnaire administered. The results in table 3 shows that out of four hundred and seven (407) questionnaires administered to the selected respondents based on the sample size as discussed under methodology, the researcher was able to collect three hundred and seventy-one (371) questionnaires which represent 91% response rate. However, out of the three hundred and seventy-one questionnaires filled and returned, three of the questionnaires were wrongly filled and were thrashed out. This implies that three hundred and sixty-eight questionnaires were valid, hence constitute the basis of analysis for this study.

Preliminary Analyses

Before running the regression model, it is necessary to ensure that data collected are reliable, certify that the assumptions of the model are valid and avoid spurious results. Therefore, this study conducted some diagnostic analyses such as reliability test, normality test and multi-collinearity test in order to ensure that conclusions to be made from inferential analysis are valid.

Reliability Test

Table 4
Reliability Test

Variables	No. of items	Cronbach's Alpha
Accounting staff competence	24	0.907
Information technology	13	0.804
Internal control system	33	0.870
Financial reporting quality	21	0.982

Source: Authors' Computation, 2021

The data collected was subjected to reliability test. The reliability of the research measurement was tested to ascertain the level of accuracy, precision and consistency of the measurement instrument using Cronbach's Alpha technique. Reliability has largely been measured using Cronbach Alpha. The assumption of Cronbach alpha is that any value greater than 0.7 is acceptable and makes the data to be reliable and the instrument is unreliable if otherwise. Based on the results in table 4, it showed that the statements raised in the questionnaire are reliable and measured what they ought to measure as the variables showed values greater than the benchmark of 0.7 (0.0.907; 0.804; 0.870 and 0.982) for accounting staff competency, information technology, internal control systems and financial reporting quality. This indicates that the data collected are reliable and consistent with acceptable research standards (Lee Cronbach, 1951).

Multicollinearity Test
The result in table 5 below was used to test the level of multicollinearity among the independent variables. This is to ensure that two (2) independent variables are not measuring the same thing at the same time. The rule of thumb is that if the variance inflation factor is greater than 5, it shows multicollinearity problem and should be dropped (Hair *et al.*, 2014).

Table 5
Multicollinearity Result

Variables	**Tolerance**	**VIF**
Accounting staff competence	0.885	1.130
Information Technology	0.870	1.150
Internal Control System	0.961	1.040
Mean VIF		1.106

Source: Authors' Computation, 2021

Based on the results shown the table 5, it can be concluded that the data collected for the study do not suffer from multicollinearity problem as shown by variance inflation factor (VIF) less than 5 (as the highest VIF is 1.150) and tolerance level lees than 1.0 overall, the mean VIF is 1.106 which is far from the value of 5. Hence, there is absence of multicollinearity problem in this study.

Normality test

The study conducted a normality distribution test through the use of Kolmogorov Smirnov test. The rule of thumb is that null hypothesis should be rejected if p-value is less than 5% level of significance a normality distribution problem arises (Tabachnick & Fidell, 2007).

Table 6
Normality Distribution Test

	Df	Sig
Accounting staff competence	368	0.88
Information technology	368	0.94
Internal control system	368	0.91
Financial reporting quality	368	0.99

Source: Authors' Computation, 2021

Based on the result shown in table 6, it is ascertained that the results of normality analysis with Kolmogorov Smirnov test are 0.88, 0.94, 0.91 and 0.99 respectively. Each of the value is greater than 0.05 which implies of all the variables are normally distributed**.**

Table 7
Ordinary Least Square Regression Result

Variable	Coefficient	Standard Errors	T-value	P-value
Intercept	-2.356	0.436	-5.404	0.000
Accounting Staff Competence	0.431	0.056	7.696	0.006
Information Technology	0.264	0.068	3.882	0.017
Internal control System	0.287	0.072	4.004	0.010
F-statistic P-value R-square Adjusted R-square	44.806 0.000 0.531 0.523			

Source: Authors' Computation, 2021

From the empirical result in table 7, it can be deduced that the coefficient of determination (R^2) is 0.531 which indicates how much of variation in the financial reporting quality was accounted for by the independent variables (accounting staff competence, information technology and internal control system) used in the study. This implies that 53.1% variation in financial reporting quality was explained by the independent variables aforementioned while the remaining 46.9% was explained by other variables not included in the model of this study.

In addition, the result in table 7 shows that the model of the study is fitted as depicted by F-statistic of 44.806 with p-value of 0.000. This implies that the model of the study fitted and reliable. Following the fitness of the model, the hypotheses of the study were conducted.

Discussion of findings

From the empirical analysis and the hypothesis tested, the result showed that accounting system (proxy with accounting staff competence, utilisation of information technology and internal control system) has significant positive effect on the financial reporting quality of microfinance banks in Kwara State. Individually, the empirical result of the study revealed that accounting staff competence, utilisation of information technology and internal control system have significant positive effect on financial reporting quality of microfinance banks in Kwara State.

Specifically, the study found that accounting staff competency has a significant positive effect on the financial reporting quality of microfinance banks in Kwara State. This implies that a microfinance bank that possesses accounting staff who have the required accounting qualification and experience as well as updated knowledge of accounting standards related to preparation of microfinance banks financial statement would know the required information to be included in the financial statement. The accounting staff would ensure that the information provided in the financial statement is relevant, understandable to readers and faithful representation which could assist in making judicious investment decision.

The result also corroborates the assumption of resource-based view theory which posits that an organisation that manages its staff effectively, possesses human resources that cannot be imitated or copied would have competitive edge over its competitors through disclosing the true picture of its financial performance and financial position of the microfinance bank.

The result also corroborates the *a-priori* expectation as the researcher expected that microfinance bank that possesses competent staff in its accounting department has the tendency of presenting financial statement that is of true and fair view. The outcome of this study is in line with the findings of Synthia (2017); Idward, et al. (2018); Fakhri and Ivan (2018); Mardinan, et al. (2018); Mabil (2019); Atrina, et al. (2019); Hartono, et al. (2019); Rashi (2020) as they reported in their studies that competent accounting staff leads to better financial reporting of their sample areas.

The study also revealed that the use of information technology has a positive and significant effect on financial reporting quality of sample microfinance banks in Kwara State. This indicates that a microfinance bank that has an integrated system which can facilitate effective coordination among various departments of the bank; possess strong database that can be used to recoup lost data and keep the current data safely and has stable network service would go a long way in assisting the preparation of the financial statement that is reliable, comparable and relevant for the usage of the various stakeholders. The outcome of this study corroborates the a-priori expectation that sound and modern information technology would enhance financial reporting quality of the sampled microfinance banks.

The finding is in line with the results of Dewi and Simon (2018); Fakhri and Ivan (2018); Ratmono and Sustrino (2019); Atrina, et al. (2019); Aswar (2020); Oladejo, et al. (2020) who reported that the ease of use of information technology by the staff and customers of the bank would reduce material error(s) thereby improving the relevance and faithful representation of the financial statement. The outcome supports the argument of the resourced based view theory which postulates that provision of structural facilities that would assist human resources to work effectively would not only lead to better competitive edge but also lead to quality financial statement preparation. This is because human resource (staff) cannot work in isolation.

In addition, the empirical result of the study also found that internal control systems have a positive and significant effect on the financial reporting quality of microfinance banks in Kwara State. This implies that an effective internal control system would reduce fraudulent activities through competent audit committee (control environment), takes corrective actions to address weakness and there are constant check on the transactions and entries of the bank; adequate risk assessment; sound monitoring of rules and regulations and sound information and communication

among the departments would reduce any form of material error(s) and financial irregularities, hence quality financial statement.
The outcome conformed to the assumption of the resource-based view theory that an organisation with an effective and efficient internal control system would prepare and present quality financial report as internal control system ensure effective risk management, improve firm's corporate governance and monitoring system.

The outcome of this study corroborates the a-priori expectation as the researcher assumed that one of the ways to reduce material error and fraudulent activities is to have an effective internal control system and consequently, better financial reporting quality. The result concurs with the findings of Azzali and Mazza (2013); Amalida and Rosidi (2018); Salameh (2019); Ratmono and Sustrino (2019); Lawal and Abdullahi (2020); Aswar (2020) as they reported that sound internal control system reduces accounting manipulations and increase financial reporting quality. However, the study contradicts the findings of Setiyawati (2013); Agbenyo, et al. (2018); Mahmoud, et al. (2019); Lari, et al. (2020); Mansur (2020) where they revealed in their studies that internal control system did not have effect on financial reporting quality.

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the empirical findings of the study, it is concluded that accounting system plays vital roles in the preparation and presentation of financial reports that possess the quality of relevance, faithful representations and other enhancing qualitative characteristics with accounting staff competence contributing the highest percentage, followed by internal control system and information technology respectively. The study therefore concluded that:

i. Competent accounting staff with required knowledge, experience and qualifications that can be applied in the preparation of financial statement that is relevant, reliable and useful for effective decision-making process by microfinance bank and the stakeholders of the bank would be a key factor in producing quality financial report;

ii. The use of information technology would assist the microfinance banks to have adequate and reliable information that can be used in the preparation of financial statement that is of faithful representation and allow comparability through sound backup data system;

iii. Effective internal control system would improve the financial reporting quality of microfinance banks in Kwara State due to sound monitoring, control and risk management put in place.

Recommendations

Relying on the findings of the study and the conclusions drawn from this study, the following recommendations are offered in order to ensure that the financial statement of microfinance banks is of high quality:

i. The study revealed that accounting staff competence improves the financial reporting quality of the sample microfinance bank. Therefore, this study recommends that the management of the microfinance banks should continue to ensure that the accounting staff that would be employed should have the required qualification(s) and experience in accounting. It is also recommended that the bank should sponsor them for training and re-training so as to expose them to current issues in the area of accounting standards.

ii. The study also found that the use of information technology enhances the quality of financial report of microfinance banks in Kwara State. Hence, this study recommends that microfinance banks should invest more in modern computer and information technology in order to ensure that lost relevant data can be retrieved through adequate backup system which would enhance reliability of data in the financial statement.

iii. The study revealed that effective internal control system would increase the quality of financial report of microfinance banks in Kwara State. This study recommends that microfinance should improve internal control system in order to reduce fraudulent or irregularities by the management and staff of the bank through hidden of vital information that can lead to material error in the financial statement.

Limitations of the study

The followings are the limitations identified in this study which can be supplemented in future studies:

1. The analysis carried out in this study is limited to microfinance banks in Kwara state, so there is possibility that the expected research results are not maximised
2. Data collection technique adopted in this study is questionnaire which was designed with close-ended questions that allowed the respondents to choose

from a list of alternatives, this method didn't accommodate respondents' other opinions which are not captured in the questionnaire.

3. This study only focused on three (3) factors: accounting staff competence, information technology and internal control system while other factors were ignored.

However, this did not affect the findings of this study due to the fact that adequate empirical supportive evidence is available in the study as the results is reliable, and fit for policy formulation and implementation.

Suggestion for Further Studies

The followings are the suggestions which future researchers in the determinants of financial reporting quality can adopt in order to supplement the limitations identified above:

1. Future researchers can expand the geographical scope of the study beyond Kwara state so that the results obtained would be more robust.
2. Future researchers can adopt mixed method in the collection of data by using both questionnaire and interview to collect data, so that opinion of the respondents can be fully obtained for analysis.
3. Future studies can increase factors studied beyond the three studied by the present study as it is empirically confirmed that factors other than those studied in this study influence financial reporting quality.

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APPENDICES

APPENDIX I: List of Microfinance Banks in Kwara State

S/N	Name of MFB	Address	Town	Status
1.	Ajikobi MFB	13, Ajikobi Street, Ilorin, Kwara State	Ilorin	Tier 1
2.	Apeks MFB	Ghalib House 24, Wahab Folawiyo (Unity) Road Ilorin	Ilorin	Tier 1
3.	Azabe Zinariya MFB	Phase 2, Ultra-Modern Market, Western Reservoir Road, Ilorin Kwara State	Ilorin	Tier 1
4.	Balogun Fulani MFB	9 Balogun Fulani Rd. Ilorin, Kwara State	Ilorin	Tier 1
5.	Balogun Gambari MFB	1 Ojagboro Junction Bologun Gambari Road, Ilorin	Ilorin	Tier 1
6.	Blucon MFB	Ahmadu Bello Way, Opposite Kwara Hotel P.M.B. 1508, Ilorin, Kwara State	Ilorin	Tier 1
7.	Brightway MFB	17, New Market Road, Baboko, Ilorin, Kwara State	Ilorin	Tier 1
8.	Citizen Trust MFB	No. 52, Olofa Way, Beside Gtbank Plc., Offa, Kwara State	Offa	Tier 2
9.	Confidence MFB	156, Ibrahim Taiwo Road, Ilorin, Kwara State	Ilorin	Tier 1
10.	Crescent MFB	Ilorin, Kwara State	Ilorin	Tier 2
11.	First Heritage MFB	Opposite C.C.C., Oro-Ago, Ifelodun LGA, Kwara State	Ifelodun	State
12.	Gaa-Akanbi MFB	Bola Saadu House, 10, Ahmadu Bello Way, GRA, Ilorin, Kwara State	Ilorin	State
13.	Ibolo MFB	86 Olofa Way, Offa, Kwara State	Offa	Tier 2
14.	Iloffa MFB	Ilorin/Lokoja Federal Highway, Iloffa, Oke-Ero LGA, Kwara State	Iloffa	Tier 2
15.	Ilorin MFB	Exit Gate Of Baboko Market, Along Kuntu Street, Oppo. Hiwanu LGEA School, Ilorin, Kwara State	Ilorin	Tier 1
16.	Iludun - Oro MFB	Iludun Oro, Irepodun Local Govt. Area, Kwara State	Iludun Oro	Tier 2
17.	Iyeru Okin MFB	Olofa Way/Oshogbo Road, Offa , Kwara State	Offa	Tier 2
18.	Janmaa MFB	12, Sulu Gambari Road, Ilorin, Kwara State	Ilorin	Tier 1
19.	Kcmb MFB	159, Ibrahim Taiwo Road, Ilorin, Kwara State	Ilorin	Tier 1
20.	Kwacofocus MFB	Kilometre 4, Old Jebba Road, Sango, Ilorin	Ilorin	Tier 1

21.	Kwasu MFB	Behind Administrative Complex, Kwara State University, Malete, Moro Lga, Kwara State	Malete	Tier 2
22.	Magajin-Gari MFB	Ago Market, Behind Emir's Palace, Ilorin, Kwara State	Ilorin	Tier 1
23.	Omu-Aran MFB	93, Aperan Road, P.M.B. 1037, Omu-Aran, Kwara State.	Omu-Aran	Tier 2
24.	Osi MFB	Egbe Road, Osi, Ekiti LGA, Kwara State	Osi	Tier 2
25.	Ours MFB	23/25 Olofa Way, Offa, Kwara State	Offa	Tier 2
26.	Sincere MFB	246 Olofa Way Offa, Kwara-State	Offa	Tier 2
27.	Stockcorp MFB	95, Olofa Way, Offa, Kwara State	Offa	Tier 2
28.	Unilorin MFB	Permanent Site Of University of Ilorin, Kwara State	Ilorin	Tier 1
29.	Welfare MFB	159, Abdul Azeez Attah Road, Surulere, Ilorin, Kwara State	Ilorin	Tier 1

Source: Central Bank of Nigeria (CBN), 2020

APPENDIX II

Survey Questionnaire

Section A: Questions i-iv are related to your background. Please mark (√) only one option.

i. Gender: Male ( ) Female ( )

ii. Kindly indicate your age bracket:

18-30 Years ( ) 31-40 Years ( )

41-50 Years ( ) Above 50 Years ( )

iii. Highest level of formal education:

Diploma/Certificate ( ) Bachelor Degree ( )

Master Degree ( ) Doctoral Degree ( )

Professional Certificate/other ( )

iv Work experience

1-7 Years ( ) 8 - 13 Years ( )

14-25 Years ( ) Above 25 Years ( )

Section B: Dimensions 1-24 relate to accounting staff competence **Please rate your accounting staff in each of the dimension with mark (X) in the appropriate box**						
S/N	ITEMS	(81-100) %	(61-80) %	(41-60) %	(21-40) %	(1-20) %
		5	4	3	2	1
	KNOWLEDGE					
1	Creativity					
2	Independence					
3	Self-confidence					
4	Accuracy					
5	Experience in leadership					
6	Time flexibility					
7	System thinking					
8	Process oriented					
9	Dynamic person with a proactive approach					
	SKILL					
10	Communication Skill					
11	Decision making skill					
12	Negotiation skill					
13	Analytical skill					
14	Organisational skill					
15	Presentation skill					
16	Project management skill					
	ATTITUDE					
17	Willingness to learn					
18	Presentable behaviour					

19	Reliability and responsibility					
20	Hardworking					
21	Goal oriented					
22	Loyalty					
23	Sense of purpose					
24	Stress resistance					
Section C: Statements 1-13 relate to information technology utilisation **Please rate the extent to which you agree with each of the statements with mark (X) in the appropriate box**						
SA= Strongly Agreed, A= Agreed, U= Undecided, D= Disagreed, SD= Strongly Disagreed						
S/N	ITEMS	SA	A	UD	D	SD
		5	4	3	2	1
	INTEGRATIVE SYSTEMS					
1	The use of information technology leads to coordination and integration between various activities					
2	Information technology helps banks to develop integrated activities					
3	The use of information technology enables banks to integrate several operations in a single operation					
4	The use of information technology in the bank facilitates the coordination between operations in different departments					
5	The use of information technology leads to increase in bank's ability to coordinate between the various tasks of the operations					
	NETWORKING CAPABILITIES					
6	Networks in place in the bank contain new services and applications at high speed					
7	The bank uses different communication devices in the completion of its various operations					

8	Flow of information between different administrative levels in the organisation easily and as needed					
9	The bank works on the use of the internet as a as a way of communication to facilitate the exchange of information and data between users and the bank					
	DATABASES					
10	Database are protected, so that it difficult to manipulate					
11	The necessary data can be retrieved from database when needed					
12	Common database allows the bank's reporting capabilities and the capacity to ask questions and receive answer					
13	Availability of data, information and files with the mutual relationship and stored on computer media					

Section D: Statements 1-33 relate to internal control system

Please rate the extent to which you agree with each of the statements with mark (X) in the appropriate box

SA= Strongly Agreed, A= Agreed, U= Undecided, D= Disagreed, SD= Strongly Disagreed

S/N	ITEMS	SA	A	UD	D	SD
		5	4	3	2	1
	CONTROL ENVIRONMENT					
1	Your bank closely monitors the implementation of internal controls					
2	Your bank provides feedback to the junior officers about the operation of the internal controls					
3	Your bank has a code of conduct to guide behaviour, activities and decision- making					
4	Your bank has an accounting and financial system					

5	Your bank has an independent and active audit committee					
6	The Board Of Directors And Its Committee Are Independent Of Management					
7	Ethical values are upheld in all the bank's decisions					
8	The Board, the Management and Employees are all committed to competence					
9	There is an atmosphere of mutual trust in your Bank					
10	Roles and responsibilities are clearly stated for employees					
	CONTROL ACTIVITIES					
11	Your bank has clear separation of roles					
12	Every employee's work checks on the others					
13	The staff is trained to implement the accounting and financial management systems					
14	Corrective action is taken to address weakness					
15	Your bank has a well-organised chart of accounts					
16	It is impossible for one staff to have access to all valuable information without consent from the senior staff.					
17	Controls are in place to check on incurring expenditure in excess of allocated fund					
18	Departments undertake budget reviews and variance from budgeted expenditure are explained					
19	Your security system identifies and safeguards the bank's assets					
20	Your bank's financial statements are regularly audited externally					
	RISK ASSESSMENT					
21	Your bank has defined appropriate objectives for the organisation					

22	Your bank identifies risks that affect achievement of the objectives in a timely manner					
23	Your bank has a criteria for ascertainment of the risks that are most critical to the organisation					
24	Your Bank has in place mechanisms of mitigating critical risks that may arise during the course of doing business					
	MONITORING					
25	Your bank has assigned responsibilities for the timely reviews of the audit reports and resolution of any non-compliance items noted in the audit reports					
26	There are independent processes, checks and evaluation of control activities on an on-going basis					
27	An internal review of implementation of the internal control system in departments is conducted periodically to ascertain its effectiveness.					
28	Management is closely monitoring the implementation of the internal control system in our bank.					
	INFORMATION AND COMMUNICATION					
29	Your bank has identified individuals who are responsible for coordinating the various activities within the bank					
30	All the employees understand the concept and importance of internal control including the division of responsibilities					
31	Communication helps to evaluate how well the guidelines and policies of the bank are working and are implemented					
32	The reporting system on the organisational structure spells out all the responsibilities of each department in the bank					
33	Sufficient information is identified and communicated in a timely manner to enable people perform their responsibilities					

Section E: Statements 1-21 relate to Financial reporting quality **Please rate the extent to which you agree with each of the statements with mark (X) in the appropriate box**						
SA= Strongly Agreed, A= Agreed, U= Undecided, D= Disagreed, SD= Strongly Disagreed						
		SA	A	UD	D	SD
	RELEVANCE	5	4	3	2	1
1	The annual report discloses forward-looking information that help forming expectations and predictions concerning the future of the banks					
2	The annual report discloses information in terms of business opportunities and risks					
3	Banks use fair value as measurement basis					
4	The annual report provides feedback information on how various market events and significant transactions affected the Bank					
	FAITHFUL REPRESENTATION					
5	The annual report explains the assumptions and estimates made clearly					
6	The annual report explains the choice of accounting principles clearly					
7	The annual report highlights the positive and negative events in a balanced way when discussing the annual results					
8	The annual report includes an unqualified auditor's report					
9	The annual report extensively discloses information on corporate governance issues					
	UNDERSTANDABILITY					
10	The annual report is well organised					
11	The notes to the balance sheet and the income statement are clear					

12	Graphs and tables clarify the information presented					
13	The use of language and technical jargon is easy to follow in the annual report					
14	The annual report included a comprehensive glossary					
	COMPARABILITY					
15	The notes to changes in accounting policies explain the implications of the change					
16	The notes to revisions in accounting estimates and judgments explain the implications of the revision					
17	The company's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates					
18	The results of current accounting period are compared with results in previous accounting periods					
19	Information in the annual report is comparable to information provided by other Banks					
20	The annual report presents financial index numbers and ratios					
	TIMELINESS	**1-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-150 days**
21	Number of days it took the auditor to sign the auditors' report after book-year end					

APPENDIX III

Measurement of Variables

Variables	Symbol	Definition and Measurement	Scale	Previous Studies & Source
Dependent variable				
Financial reporting quality	FRQ	Measured with Relevance, Faithful representation, understandability, comparability & timeliness with a total of Twenty(21) question items	Likert	Ogbona & Ebimobowei (2012); Agwor & Okafor (2018); Ratmono & Sustrisno (2019)
Independent Variables				
Accounting staff competence	ASC	Measured with three dimensions: Knowledge, skills & attitude with a total of (24) twenty four measurement questions	Likert	Königová, Urbancová & Fejfar (2012); Purwohartono (2015); Panasa (2015); Ratmono & Sustrisno (2019); Tarus, Muturi & Kwasira (2015)
Information technology	IT	Measured with Integrative Systems, Networking capabilities & Database with thirteen (13) measurement questions	Likert	Basman, Wahid & Ahmad (2013)
Internal control system	ICS	Measured with risk assessment, control environment, control activities, Monitoring, Information and Communication with a total of Thirty-three (33) measurement questions	Likert	Asiligwa (2017); Ratmono & Sustrisno (2019); Lawal & Abdullahi (2020).

Source: Authors' compilation, 2021