Acta Universitatis Danubius
ŒCONOMICA

Financial Economics

Do CEO Characteristics affect Financial Reporting Quality? An Empirical Analysis

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Abstract: This research explores the effect of CEO characteristics on financial reporting quality of listed financial firms. This research, with a sample of 15 firms operating in Nigeria's financial institutions from 2008 - 2019, drew insights from the upper echelon theory to investigate the effect of CEO characteristics on the financial reporting quality. CEO characteristics was measured using variables such as CEO gender, CEO financial expertise and CEO tenure. We analysed the data using the panel regression analysis. Empirically, the results showed that there is a positive and insignificant relationship between the CEO gender and financial reporting quality. CEO financial expertise revealed a negative and significant relationship with financial reporting quality. While, CEO tenure revealed a positive and significant relationship with financial reporting quality. The study recommend that internal and external regulatory board should ensure that a maximum CEO tenure is fixed for all listed firms.

Keywords: Upper Echelon theory; CEO characteristics; CEO gender; CEO financial expertise; CEO tenure; Financial reporting quality

JEL Classification: B26

1. Introduction

Financial reporting quality is of extensive intrigue to all potential and existing investor and therefore it cannot be overemphasized (Akeju & Babatunde, 2017). Over the last decade till now, Financial reporting quality has been of major concern to researchers of accounting major and other affected discipline, and would still be of major concern to future researchers as the vibrant search for a more

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comprehensive understanding on producing an unbiased financial report which shows a true reflection of an organization's activities is indispensable, an ever-present problem (Rasha, 2017; Fung, 2014; Ivanova & Bikeeva 2016; Nyor, 2013; Mahboub, 2017). However, it is a must for firms to prepare and report financial information with high quality (Asegdew, 2016). Relatively, the information reported must be reliable and relevant to help users of the financial reports in making decisions (Fathi, 2013). This high-level reporting quality is a valuable practice for firms as it has the prospects for reducing the expense of debt and raising of stock price (Soheilyfar, Tamimi, Ahmadi & Takhtaei, 2014; Savina, 2016).

It is however not always true that the management would present a true reflection of the enterprises' financial standing. Owing to the financial scandals of Giant firms like Enron, Satyam, Lehman Bros, Beekes to AIG, Bernie Mardoff, HealthSouth, Panasonic, Parmalat, Gupta scandal in 2017, Samsung accounting scandal in 2018, Well Fargo and Co. in 2018 and Steinhoff corporate fraud in 2019. The issue of quality financial reports has been of growing interest to the entire economy not limiting it to final users as it infiltrates economic decisions which may have significant influence. (Markham, 2015).

Thus, the elongated failure in financial reporting has led to the demand by investors, regulators and other stakeholders to improve on the quality of financial information and to reinstate the control of managers by placing adequate government framework (Klai & Omri, 2011). Consequently, this gives room for the board of directors to assess management's effectiveness and to take immediate actions, where applicable, in tackling failure in the financial performance of firms (Fung, 2014). It is in this view that emphasis is placed on the CEOs of companies as they are persons of concerns that are closely associated with the disclosure of quality financial reports.

Moreover, the nature of the banking crisis in several Nigerian banks such as Intercontinental bank, Afribank, Fin bank, Union Bank, Oceanic bank, spring bank amongst others cannot be overlooked. Quite a number of investors and account holders suffered the loss of several billions of Naira due to the fraudulent activities of bank managers and directors which has led to distress in a number of banks and imposed provisions and reforms by the CBN (Olowokure, Tanko & Nyor, 2015). Thus, the banking sector, without a doubt, is a regulated and reformed sector. Major contributions to this problem, however, could be said to include poor corporate governance, weak investors' relations, poor disclosure, and transparency as well as ineffective regulatory bodies to enable enforcing of legislation (Uwuigbe, 2011). This has called to question, the integrity and the bearing attributes of the Chief Executive Officer.

In addition, based on existing literature, the quality of financial reporting has been measured using different methods or, a combination of methods, such as, discretionary accruals, conservatism, relevance and predictability of earnings.

However, in some occasions, a conflict between these methods and the degree of quality as defined by the international accounting standard board (IASB) Conceptual Framework can emerge. A typical example that highlights this conflict also concerns the measure of reliability. Literature supports that the degree of reliability is measured by the ability of current earnings to predict future earnings (Bandyopadhyay, Chen, Huang, & Jha 2010, Kirschenheiter 1997, Richardson, Sloan, Soliman & Tuna 2005). The problem arising out of this way of measurement is that it contradicts with the definition of reliability and faithful representation as defined by the conceptual framework. This conflict can be readily understood through the following example. This provides the motivation to embark on this study. The question is: do CEO characteristics impact on financial reporting quality in Nigeria?

2. Literature Review and Hypotheses Development

The study of CEO characteristics and financial reporting quality is mainly governed by considering the upper echelon theory. The upper echelons theory suggests that managerial personalities, background, and experience, such as age, socioeconomic background, formal education, and functional track can partially affect managers' interpretations of the situations and problems they have to deal with and, in turn, influence their decision-making (Hambrick, 2007; Hambrick & Mason, 1984). Prior empirical studies document the impact of several managerial characteristics on accounting decisions. Bamber, Jiang, and Wang (2010) argue that managers' idiosyncratic differences play a significant role in firms' voluntary financial disclosure choices.

Understand that an organization's senior management (the CEO and its selected team) is responsible for strategic formation and implementation. When it comes to strategy and interpreting strategic possibilities, members of the upper echelons of the organization inevitably do so through their personal experiences, values, personalities and other similar human factors. The theory in no doubt applies to this study as it suggests that the attributes of the CEO (gender, financial expertise, and tenure) could affect their implementation and decisions style to disclosure.

2.1. CEO Gender and Financial Reporting Quality

Gender differences have been extensively studied in psychology, management and many other fields. Nevertheless, in finance, the fundamental question of whether gender issues matter, remains open to debate among researchers in terms of decision-making.

Huang and Kisgen (2013) report that female executives conduct fewer mergers and

issues debts less often than the male executives and have higher returns. Krishnan and Parsons (2008) and Khan and Vieto (2013) suggest that women companies perform better in terms of quality of reporting earnings and returns on asset. Martin, Nishikawa and Williams, (2009) and Faccio, Marchica and Mura (2015) report that after the appointment of a female CEO, companies experience significant reductions in idiosyncratic risk. There are, however, no significant differences between male and female fund managers (Atkinson, Baird & Frye, 2003). Johnson and Powell (1994) argue that male and female managers exhibit a similar risk propensity and make equally good decisions.

The ethical differences between genders have been studied widely. Prior literature suggests that women and men differ in values and interests and in their propensity for unethical business conduct (Gilligan, 1982; Betz, O'Connell, & Shepard, 1989). Men are much more interested in potential benefits and career success and are more prone to breaking rules for competitive success, while women who are more focused on harmonious relationships and helping others, are more socialized into more common values and less unethical (Betz et al., 1989; Butz & Lewis, 1996; Mason & Mudrack, 1996). Empirical evidence regarding the effects of gender on ethical judgment is mixed. Collins (2000) studies show that women are more ethically sensitive than men, while 15 other studies suggest that sex has no effect on ethical attitudes and behaviours. Ford and Richardson (1994) studied the relationship between gender and ethics in fourteen studies. Out of the fourteen, seven of them document a high level of ethical awareness for women than men, whereas seven other studies do not identify differences in ethical attitudes and practices between men and women. Altogether, previous studies posit that the effect of gender on ethical behaviour is not always significant, but females appear to be more ethical than males when differences are identified. Inconsistent research findings also imply that gender differences can be context- specific.

The research scope has expanded from a single context to the comparison between countries (or areas) with the increasing number of studies in this field. Roxas and Stoneback (2004), for example found that moral judgments between genders differ in different cultural contexts, and Bernardi and Guptill (2008) studied 713 students from seven different countries and found that women are more ethically conscious than men in Canada and U.S.A. Despite a need for gender variation in the environment of business and research in emerging economies, studies on gender differences in underdeveloped countries such as Nigeria is still scarce. Hong and Xiao (2007) concluded that male or the female gender do not show any differences in environmental concerns after their environmental knowledge factor has been controlled.

H1: There is a positive relationship between CEO gender and financial reporting quality

2.3. CEO Financial Expertise and Financial Reporting Quality

CEOs can play an important role in determining the quality of financial reporting. The financial skills and experience acquired by CEOs during their careers provide them with a deeper understanding of financial and accounting issues, which can be used to make appropriate accounting decisions and improve the financial reporting process. In addition, extensive experience and interaction with the financial market make financial experts CEOs aware of the type of information requested by investors and appreciate the importance of accounting information in the assessment of companies by investors (Custódio & Metzger, 2014). Financial experts CEOs may therefore have more incentives to provide the market with high- quality financial reporting so that investors can properly measure the values of the companies. In addition, although CEOs do not directly supervise the accounting process, they can set the tone from the top and influence the decisions of Chief Financial Officers (CFOs) (Feng, Ge, Luo & Shevlin, 2011). The financial background enables CEOs and CFOs to communicate effectively in order to develop sound accounting policies. In addition, financial expert CEOs with professional qualifications must adhere to ethical codes of conduct and significantly influence their risk attitudes towards more conservative financial reporting. In addition, the detection of misrepresentations of financial reporting will adversely affect the reputation of CEOs with financial expertise. Consequently, reputational concerns may prevent CEOs from managing profits.

H2: There is a positive relationship between CEO financial expertise and financial reporting quality

2.4. CEO Tenure and Financial Reporting Quality

There are several points of view on the association between tenure management and earnings management according to previous studies. First, some researchers argue that earnings management is linked to executive changes (Pourciau 1993; Kalyta 2009; Dechow, Ge, & Schrand, 2010). Earnings can be managed downwards by CEOs in their first year of service because the new CEOs are likely to attribute the lower performance to the previous CEOs and then claim higher income credit in the following years (Pourciau 1993). In addition, CEOs use accounting options to overestimate earnings in their final year of service to raise the pension value (Kalyta, 2009).

Existing empirical evidence shows that the market cannot accurately assess a CEO's ability at the beginning of his tenure (Kim and Yang, 2014), especially if the CEO has no previous experience as CEO. Newly employed CEOs know that the market assesses their capabilities on the basis of past and current performance (Zhang,

2009). Therefore, CEOs are likely to have a strong incentive to report good performance in early tenure to build a reputation on the market and to avoid being labeled "low skill" managers. Furthermore, if the actual performance of certain periods is lower than expected, CEOs have strong incentives to generate an aggressive reporting of the company's income. Zhang (2009) concludes that long term CEOs are less likely to be aggressive in financial reporting than short term CEOs. CEOs with more tenure will try to keep their reputation, so that the CEOs are less aggressive. Kim and Yang (2014) provide empirical evidence that boards of directors with long tenures have a positive effect on the quality of financial reporting. In particular, these findings concluded that longer- tenured board of directors are associated with lower discretionary accruals.

In addition, Ali and Zhang (2015) found that CEOs overstate reported accounting earnings at the beginning of their tenure than at the end of their tenure. It is also asserted that at the beginning of their tenure, the new executives must prove to the stakeholders their performance in order to quickly obtain recognition and job security. They argue that the current performance of newly appointed CEOs would significantly affect the market's evaluation of their ability, as the market is uncertain about their ability in the early years of service (Gibbons & Murphy 1992). Axelson and Bond (2009) note that at the beginning of their service as CEOs there is sufficient adverse selection, which means that the new CEOs are labeled as "low capabilities" managers if their performance is poor at the time. In contrast, CEOs are less likely to increase their earnings after working with their companies for a longer period of time. Hermalin and Weisbach (2012) posit that the market would be less desirable to current earnings of longer tenured CEOs than short tenured CEOs. Furthermore, if their earnings management is detected, the reputation of CEOs that has long been established would be damaged.

Literatures in accounting shows the relationship between the tenure of decision makers and earnings management. Vafeas (2003) and other researchers propose a management- friendly hypothesis, which means that executives with long tenure may be less effective because seasoned executives are more likely to be cordial with managers and less likely to adequately monitor managers. Bedard et al. (2004) show that the audit committee's average board tenure has a positive relationship with earnings management. Managers with longer tenure, on the other hand, have more task knowledge and experience and improve monitoring effects. Liu and Sun (2010) imply that the share of long- term directors in the independent audit committee is negatively linked to earnings management using discretionary accruals.

H3: There is a positive relationship between CEO tenure and financial reporting quality

2.4. Empirical Review

The study of Alqatamin, Aribi, and Arun, (2017) investigates the effect of CEO personal characteristics on earnings management practice in Jordan. The author examines a sample of 201 non-financial Jordanian listed firms for the period of 2008-2013, totalling 1,206 firm-year observations. Financial reporting quality was measured by using absolute discretionary accruals rather than the signed discretionary accruals, as the study intends to capture the extent of earning management. CEO gender, CEO age and CEO degree of overconfidence were used as CEO personal characteristics. The study's findings indicate that the overconfidence level of the CEO has a positive and significant association with earnings management, thereby reporting high earnings management which is a determent to financial reporting quality. Other include an indication of no significant relationship between CEOs' gender, age and earnings management practices Similar to the study of Alqatamin, et al. (2017); Peni and Vähämaa, (2010), provided an empirical study of the relationship between the gender of firm executives and earnings management in the U.S. The study adopted a quantitative approach using a cross-sectional panel regression research design to examine S&P 500 firms for the periods 2003-2007 resulting to 1,955 company-year observations. The study focused on the gender of the CEO and CFO in a bid to examine whether and how these women executives affect the quality of financial reporting. The earnings management was however measured using discretionary accruals. The study employed descriptive statistics, panel regression and robustness checks to analyse the data set. The empirical result however found no significant relationship between Female CEOs and Earnings management, indicating that there is an influence in financial reporting quality if a woman took the position of a CEO.

Gounopoulos and Pham, (2018) investigates the relationship between financial expert CEOs and earnings management around initial public offerings. The study examines United States common-share IPOs with a final sample of 467 IPO firms (2003-2011), from the Securities Data Corporation (SDC) New Issues database. The study used two methods- accrual-based and real earnings management, for measuring earnings management. The accrual-based method made use of abnormal accruals as a proxy for measurement based on the accrual model by Dechow and Dichev (2002). The real based method measured as proxies, abnormal cash flow, abnormal discretionary expenses and abnormal production costs. The report however, explains that CEOs with financial expertise are less likely to manage earnings either through accruals and real earnings. Jiang, Zhu, and Huang, (2013) examined the influence of CEOs with financial expertise and earnings management on Chinese listed firms from both shanghai and Shenzhen stock exchanges. The study carried out their measurement in the same manner as Gounopoulos and Pham, (2018), except from the model adopted to measure for accrual-based earnings management. This time the model adopted was the Jones model instead of the default

use of Dechow and Dichev (2002). The study in contrast found no significant relationship between CEO financial expertise and accrual-based earnings management. However, the study found that earning is likely to be manipulated through real activities than accrual based.

Kim and Yang (2014) studied the relationship between director tenure and financial reporting quality in Korea. The study investigates listed non-financial firms in Korea with a sample size of 5,502 firm-year observations over the period 2002 – 2011. The study employed three proxies- absolute value of discretionary accruals using performance matched modified jones model, earnings persistence model and earnings response coefficient (ERC) model for measuring financial reporting quality amongst others identified by Dechow and Dichev (2010). Extant literatures (Ali and Zhang, 2012; Hermalin and weisbach, 2012; Bedard et al., 2004 and Lin and Sun, 2010) have shown that the tenure of policy makers such as CEOs and Audit Committee members affects the financial reporting quality, of which no study had been done on board directors' tenure and financial reporting quality. The study in view of this shortcomings carried out the research. The study also extended the research by using three measures of proxies to estimate financial reporting quality, as opposed to the one proxy used by Lin and Sun (2010). The findings show that the board of directors with longer tenure report lower discretionary accruals, which indicates a positive significant effect on financial reporting quality. The study suggests that a further research be done, considering other proxies to extend the result of this study. In the same vein, the study of Santoso (2014) investigates the relationship between CEO characteristics and earnings management among Indonesia public listed firms in 2012. The study used CEO characteristics such as tenure, age, gender, and founding family CEOs to determine its influence on earnings management. However, the study used absolute discretionary accruals as a proxy measurement of earning management. The findings reveal that longer tenured CEOs actually report higher discretionary accruals than CEOs with shorter tenure, which is an indication of a negative significant effect on financial reporting quality. This result is inconsistent with the findings of Kim and Yang (2014), which revealed that CEOs with longer tenures tend to report lower discretionary accruals.

3. Methodology

3.1. Sample Formation

The sample size for this study is 15 companies for the period of 2008 to 2019 for firms operating in the Nigerian banking sector. The rationale for selecting the finance sector with the selection of banks as the study is because they are subject to strict monitoring and regulation by the Central Bank of Nigeria which ensures greater ease of accessibility to information. As each of the banks have the same fiscal year end,

this promotes the uniformity of the sample. The justification for using the entire fifteen banks listed and not just a sample is that the whole population is no more than fifteen banks and the use of a census instead of a sample improves the robustness of the data.

3.2. Variable Measurement

3.2.1. Dependent Variables

Financial Reporting Quality: this is proxied by the reliability IASB qualitative characteristic and it is measured using the reliability model developed by White, in 2007. Although developed by White (2007), the model amongst others under the IASB qualitative Characteristics was identified as a proxy of financial reporting quality by kythreotis (2014). The model is distinct by its criticism against the calculation of accruals based on the traditional approach of changes in accounting items (Dechow and Dichev, 2002; McNichols, 2002; Kim and Kross, 2005). The model in rebuttal says that accruals should be seen as accounting item balances at the end of the period i.e. closing balances. In conjuncture, a distinction is made between the term 'accrual' and 'deferral', as it escapes the hitherto understanding of accruals as, a combination of both accruals and deferrals (Kythreotis, 2014).

White (2007) goes on further to examine the dexterity of these three variables in explaining cash flows at t+1 i.e. the higher the three variables in explaining cash flow at t+1, the higher the degree of reliability of financial statements. Therefore, if the Financial Reporting Quality is reliable, the cash flow at t+1 will reflect the residual amount, this provides a good quality of financial reporting.

The White model of reliability adopted in explaining Financial Reporting Quality emerges as follows:

$$CFO_{it+1} = \beta_0 + \beta_1 ACCR_{it} + \beta_2 CPCF_{it} + \beta_3 DEF_{it+1} + \varepsilon_{it+1}$$

Where,

CFO_{it+1} = Cash flows from operating activities in t + 1 / Total assets at t,

$ACCR_{it}$ = Net accounts receivables / Total assets at t-1, minus other current liabilities /

Total assets at t-1, minus inventory accruals / Total assets at t-1,

$CPCF_{it}$ = operating income before depreciation at time t minus $Accr_{it}$ plus Def_{it-1}.

DEF_{it+1} = other current assets / Total assets at t, plus inventory deferrals / Total assets at

t,

Subscripts:

β_0 *=intercept of the regression line, regarded as constant*

β_{1-3} *= coefficient or slope of the regression line or independent variables*

ε_{it+1} *= residuals*

i = firm and

t = the time period (i.e. 2008 - 2019)

ε *=error term that represents other independent variables that affect the model but not captured.*

3.2.2. Independent Variables

CEO Gender: Following prior research works that carried out the relationship between corporate/ board executives' gender and financial reporting quality (Thiruvadi and Huang 2011), CEO gender is captured using a dummy variable, which is 1 if the CEO is a female, and 0 if not.

CEO financial expertise: similar to Jeanjean and Stolowy (2009), this study measures CEO financial expertise using dummy variable coded 1 and 0. A firm will score 1 if the CEO has accounting or finance qualifications and 0 if otherwise. This is used to suggest whether CEO's with accounting and finance qualifications, improves the financial reporting quality of firms.

CEO Tenure: this is assessed based on the number of working years as a CEO in the company. This approach is popularly used in previous works (Hazarika, Karpoff and Nahata, 2012; Zhang and Wiersema, 2009) which is said to produce a more reliable result than that of the dichotomous approach used in older work (MacCallum, Zhang, Preacher and Rucker, 2002).

Table 3.1. Operationalization of Variables

Variables	*Definitions*	*Measurement*	*Used by*	*Apriori signs*
Dependent variable				
FRQ	*Financial Reporting Quality*	*Proxied using the reliability IASB qualitative characteristic and it is measured using the reliability model developed by white, in 2007.*	*Kythreotis (2014)*	
Independent variables				
CEOGEN	*CEO Gender*	*This is recorded by means of a dummy variable, which is 1 if the CEO is female, and 0 if not.*	*Thiruvadi and Huang (2011).*	+
CEOFE	*CEO Financial Expertise*	*This study measures CEO financial expertise using dummy variable coded 1 and 0. A firm will score 1 if the CEO has accounting or finance qualifications and 0 if otherwise.*	*Jeanjean and Stolowy (2009)*	+
CEOTE	*CEO Tenure*	*This is evaluated according to the number of working years as a CEO in the firm*	*Hazarika, Karpoff and Nahata, (2012)*	-/+
Control variables				
FIRSIZE	*Firm size*	*The natural book value logarithm of total assets.*	*Duc and Thuy (2013)*	+
LEV	*Leverage*	*The total debt ratio divided by equity.*	*Bansal and Sharma (2016)*	+
PROFIT	*Profitability*	*This is measured as the profit after tax ratio to the company's total asset.*	*Dibia and Onwuchekwa (2015)*	+

3.3. Model Specification and Data Analysis Method

Financial reporting quality is posited to be a function of CEO characteristics. Similar to Baatwah, Salleh, and Ahmad (2015), the following model was developed and expressed in an explicit linear form.

Financial Reporting Quality = f (CEO Characteristics, Control Variable). (1)

This linear form is then expressed in codes as:

FRQ = *f* (CEOGEN, CEOFE, CEOTE, FIRSIZE, LEV, PROFIT). (2)

Which is further expressed as:

$FRQ_{it} = \beta_{0it} + \beta_1 CEOGEN_{it} + \beta_2 CEOFE_{it} + \beta_3 CEOTE_{it} + \beta_4 FIRSIZE_{it} + \beta_5 LEV_{it} +$

$\beta_6 PROFIT_{it} + \varepsilon_{it}$ (3)

Where,

FRQ = Financial Reporting Quality.

CEOGEN = CEO Gender

CEOFE = CEO Financial Expertise

CEOTE = CEO Tenure

FIRSIZE = Firm size

LEV = Leverage

PROFIT = Profitability

β_0 = *intercept of the regression line, regarded as constant*

β_{1-6} *= coefficient or slope of the regression line or independent variables*

i = firm and

t = the time period (i.e. 2008 - 2019)

ε = *error term that represents other independent variables that affect the model but not captured.*

Specifically, this study used the panel regression technique to clarify the effect of CEO characteristics on the financial reporting quality. Our choice of this analysis technique is that our data set cuts across different companies over a number of years. The unique feature of this data analysis method is that it takes care of all the assumptions of ordinary least square (OLS) and there is no need for other diagnostic tests except for the Hausman test and correlation matrix test.

4. Results

Table 2. Descriptive Statistics

	FRQ	CEOGENDER	CEOTEN	CEOFE	FSIZE	LEV	PROFIT
Mean	2.24E-18	0.052941	3.4	0.911765	11.95965	0.858434	0.019766
Median	-0.02084	0	3	1	12.0313	0.856029	0.013658
Maximum	1.00815	1	12	1	12.9356	8.699645	0.281263
Minimum	-1.10162	0	1	0	10.59739	0.00089	-0.31064
Std. Dev.	0.203451	0.224578	2.354399	0.284475	0.465782	0.684603	0.052586
Skewness	0.744784	3.993093	1.233666	-2.90347	-0.40297	8.931883	0.4864
Kurtosis	13.0926	16.94479	4.215079	9.430108	2.920788	103.0322	18.55028
Jarque-Bera	737.2294	1829.174	53.57935	531.7225	4.64527	73139.3	1719.533
Probability	0.000000	0.000000	0.000000	0.000000	0.098015	0.000000	0.000000
Sum	4.16E-16	9	578	155	2033.141	145.9338	3.360161
Sum Sq. Dev.	6.995278	8.523529	936.8	13.67647	36.66505	79.20706	0.467342
Observations	170	170	170	170	170	170	170

The findings in table 2 shows the range, minimum, maximum, mid values, spread

and normality of the variables. The result revealed that Financial Reporting Quality (FRQ) (based on white model) is 0.00000000000000000224. It has a maximum and minimum value of 1.00815 and -1.10162 respectively. This implies that sampled banks that are above the mean value of about 1% are considered to have quality financial reports for the sample period. The Statistical value of CEO gender (CEOGENDER) reveals a mean of 0.052941 which has a maximum and minimum value of 1 and 0 respectively. This implies that on an average 5% of the sample financial firms have female as their CEOs. The descriptive statistics produced a mean CEO financial expertise (CEOFE) of 0.911765 which implies that with approximately 91%, CEOs of the sample firms have accounting and finance educational background. It had a maximum and minimum value of 1 and 0 respectively. The Statistical value of CEO tenure (CEOTEN) reported a mean of 3.4, with a maximum and minimum value of 12 and 1 respectively for the sample firms. This means that on average the number of years that CEOs of the sample firms spent in the position for the sample period is approximately 3 years and the maximum number of years spent overall is 12 years with the minimum at 1 year.

The descriptive statistics reported a mean Leverage (LEV) of 0.858434, which implies that on average with 86% approximately, the sample banks are highly geared. It has a maximum and minimum value of 8.699645 and 0.00089 respectively for the sample firms. Firm size (FSIZE) measured using natural log of assets reported a mean of 11.95965, which implies that on average, firms above the mean value are considered larger firms. It has a maximum and minimum of 12.9356 and 10.59739 respectively. The Statistical value of profitability (PAT) shows a mean of 0.019766, a maximum and minimum value of 0.281263 and -0.31064 respectively. This implies that on average sample firms can earn a profit of about 1%.

Table 3. Correlation Matrix

Correlation t-Statistic Probability	FRQ	CEOGENDER	CEOTEN	CEOFE	FSIZE	LEV	PROFIT
FRQ	1.000000 ----- -----						
CEOGENDER	0.019522 0.253088 0.8005	1.000000 ----- -----					
CEOTEN	0.086758 1.128770 0.2606	-0.085051 -1.106398 0.2701	1.000000 ----- -----				
CEOFE	0.043200 0.560464 0.5759	0.073551 0.955918 0.3405	0.026504 0.343651 0.7315	1.000000 ----- -----			
FSIZE	-0.190619 -2.516847 0.0128	-0.264597 -3.556314 0.0005	0.050217 0.651707 0.5155	-0.024753 -0.320930 0.7487	1.000000 ----- -----		
LEV	0.229533 3.056704 0.0026	0.029161 0.378129 0.7058	-0.096508 -1.256756 0.2106	0.012952 0.167897 0.8669	-0.078470 -1.020233 0.3091	1.000000 ----- -----	
PROFIT	-0.113558 -1.481469 0.1404	-0.083389 -1.084619 0.2796	0.009502 0.123163 0.9021	0.044525 0.577679 0.5643	-0.081386 -1.058400 0.2914	-0.010399 -0.134790 0.8929	1.000000 ----- -----

Table 3 shows that the coefficient of correlation of a variable with respect to itself is 1.000. This indicates that there exists a perfect Correlation between a variable with respect to itself. The table above shows the correlation coefficients of the variables are examined for CEO characteristics used in the study. We are primarily interested in the correlation between the Financial Reporting Quality (FRQ) and CEO characteristics. As observed FRQ is positively correlated with CEOGENDER (r= 0.019522), CEOTEN (r= 0.086758) and CEOFE (r=0.043200). In terms of the control variables, the result revealed that FRQ is positively correlated with LEV

(r=0.229533). The result showed that FRQ was negatively correlated with FSIZE (r= -0.190619), and PROFIT (r= -0.113558). However, the result showed a weak relationship with the timeliness of financial reporting. The inter-correlations between the explanatory variables do not seem to indicate the presence of multicollinearity threats for most of the variables.

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.641265	6	0.0491

The table shows that the probability value (0.0491) of the correlated random-effect Hausman test is less than 5% (0.05). We therefore accept the fixed effect model as the basis for discussing the findings.

Table 5. Panel Fixed Effect Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CEOGENDER	0.030053	0.044507	0.675238	0.5006
CEOTEN	0.009065	0.002872	3.155804	0.0019
CEOFE	-0.071825	0.020365	-3.526965	0.0006
FSIZE	-0.097618	0.027517	-3.547577	0.0005
LEV	0.083395	0.018976	4.394692	0.0000
PROFIT	-0.404064	0.315288	-1.281568	0.2020
C	1.136949	0.344821	3.297213	0.0012
	Effects Specification			
Cross-section fixed (dummy variables)				
	Weighted Statistics			
R-squared	0.184075	Mean dependent var		-0.004021
Adjusted R-squared	0.074555	S.D. dependent var		0.194869
S.E. of regression	0.187405	Sum squared resid		5.232949
F-statistic	1.680743	Durbin-Watson stat		2.129485
Prob(F-statistic)	0.042347			
	Unweighted Statistics			
R-squared	0.198390	Mean dependent var		2.45E-18
Sum squared resid	5.607488	Durbin-Watson stat		2.225210

Table 5 shows the relationship between the independent variables and Financial

Reporting Quality using panel square regression method. The R-squared value of 0.184075 shows that about 18% systematic cross-sectional variations in Financial Reporting Quality are explained by the independent and control variables of CEO gender, CEO financial expertise, CEO tenure, Leverage, Firm size and Profitability leaving 82% unaccounted for. On the overall significance level of the model, the robust F-statistic of 1.680743 and the associated probability value of 0.042347 indicates a significant linear relationship between the dependent variable and the explanatory variables.

Based on the individual significance level of the variables as shown by the t-statistics and the direction (via coefficient values) of their relationships with the dependent variable (FRQ), the result shows that CEO gender (CEOGENDER) reported an insignificant positive relationship with financial reporting quality. This is because the t-Statistics value of 0.675238 and probability value of 0.5006 is less than the critical Z-value of 1.96 at 5% level of significance. This implies that a percentage increase in CEO gender will lead to about 3% increase in Financial Reporting Quality but not significantly. CEO tenure (CEOTEN) showed a showed a significant positive relationship with financial reporting quality (FRQ) having a t-value of 3.155804 at a p-value (0.0019<0.05). This implies that a percentage increase in CEO tenure will lead to 1% increase in Financial Reporting Quality of sample firms. However, CEO financial expertise (CEOFE) reported a significant but negative relationship with financial reporting quality having a t-value of -3.526965 at a p-value (0.0006<0.05). This implies that a percentage increase in CEO financial expertise will lead to a 7% decrease in Financial Reporting Quality (FRQ).

Firm size (FSIZE) showed a significant negative relationship with financial reporting quality having a t-value of -3.547577 at a p-value (0.0005<0.05). This means that a percentage increase in Firm size leads to about 10% decrease in Financial Reporting Quality of selected firms. Profitability (PROFIT) showed an insignificant negative relationship with financial reporting quality having a t-value of -1.281568 at a p-value (0.2020>0.05). This suggested that a percentage increase in profitability leads to a 40% decrease in Financial Reporting Quality of selected firms but not significantly. Leverage (LEV) showed a significant positive relationship with Financial Reporting Quality having a t-value of 4.394692 at a p-value (0.0000<0.05). This means that a percentage increase in leverage leads to a 8% increase in Financial Reporting Quality of selected firms.

4. Discussion

In order to draw a conclusion on the hypotheses testing, there is a need to evaluate the explanatory variables of the model and present a reasonable assessment. Looking at the fixed effect regression analysis (Table 5). Considering the CEO characteristics

variables, the result of the CEO GENDER is insignificant (0.5006>0.05) at 5% significance level. Also, the result shows that CEO gender (CEOGENDER) has a positive relationship with financial reporting quality (FRQ). This is because it reported a coefficient of 0.030053 and a t-statistics value of 0.675238. This suggests that an increase in CEOGENDER will cause FRQ to increase by 3%. This result is in tandem with prior studies which argued that female executive is more accountable than male executive. This result is contradict with the studies of Alqatamin, et al. (2017) & Peni and Vähämaa, (2010) which revealed a significant relationship between CEO gender and financial reporting quality.

Furthermore, the result of CEO financial expertise (CEOFE) showed a negative significant relationship with financial reporting quality (FRQ) having a t-value of -3.526965 at a p-value (0.0006<0.05). This implies that an increase in CEO financial expertise will result in 7% decrease in financial reporting quality. Quite a number of studies argued that board with financial expertise strengthen board quality which invariably have positive impact on financial reporting timeliness. This implies that the financial education of the board matters when disclosing relevant information regarding financial reports. This finding corroborates with the findings of Gounopoulous and Pham (2018), that the CEO with financial expertise significantly improves financial reporting quality as it decreases the level of earnings management.

Another important CEO characteristic variable is CEO tenure (CEOTEN); the finding shows that CEO tenure maintained a positive significant relationship with financial reporting quality with a t-value of 3.155804 at a p-value (0.0019<0.05). This signifies that an increase in the CEO tenure will lead to 1% increase in financial reporting quality. Studies on CEO tenure have argued that earnings management is linked to executive changes (Pourciau 1993; Kalyta 2009; Dechow et al., 2010). They argued that earnings can be managed downwards by CEOs in their first year of service because the new CEOs are likely to attribute the lower performance to the previous CEOs and then claim higher income credit in the following years (Pourciau 1993). This study was consistent with extant studies (Bedard et al., 2004; Hermalin and weisbach, 2012; Ali and Zhang, 2012 and Lin and Sun, 2010) which have shown that the tenure of decision (policy) makers such as the chief executive officer and audit committee members affects the financial reporting quality.

5. Conclusion

This study examines the relationship between CEO characteristics and financial reporting quality of listed firms in Nigeria. In achieving the objectives of this study, data were obtained from the annual reports, Nigerian Stock Exchange Factbook and corporate websites of fifteen (15) quoted companies in the Nigerian financial sector

from 2008 - 2019. Based on the forgone research work, presentation, analysis and interpretation, the following conclusions were made;

It was observed that CEO gender revealed an insignificant positive relationship with Financial Reporting Quality. While, CEO financial expertise exhibited a significant negative relationship with Financial Reporting Quality. However, there exist a significant positive relationship between CEO tenure and financial reporting quality. Similarly, financial leverage exhibits a positive relationship with Financial Reporting Quality. The control variable of Firm size showed a negative and significant relationship with financial reporting quality. While profitability had a positive and insignificant relationship with financial reporting quality. Finally, the variable of leverage had a positive and significant relationship with financial reporting quality. The study recommend that internal and external regulatory board should ensure that a maximum CEO tenure is fixed for all listed firms. A fixed tenure of between 7 to 10 years will help maximize the experience of the CEO. Also, law on female inclusion and appointment in top management should be enacted for all firms listed on the Stock Exchange.

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