COMPANIES SPECIFIC VARIABLES AND FINANCIAL STATEMENT DISCLOSURE QUALITY OF NON FINANCIAL SECTOR IN NIGERIA

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JANUARY, 2022**Certification**

We the undersigned hereby certify that the project work was carried out by **Idahor Osabouhien Jeffery** with Matriculation Number **SBS/6011840184**under our supervision and that it is adequate in scope and quality in partial fulfillment of the requirements for the Award of Higher National Diploma (HND) in Accountancy.

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Dedication

This work is dedicated to God Almighty who is the source of all wisdom

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Abstract

This study sought to examine empirically company specific variables and financial statement disclosure quality of non financial sector in Nigeria. In order to arrive at a better conclusion about the study, the study made use of some variables such as, return on asset (ROA) as a proxy for firm performance, firm size, and leverage as proxy for company specific variables. The research design for this study was panel data (cross sectional/ longitudinal design) with time series properties. The data obtained from the secondary source through annual report were analyzed using E-View Computer software and multiple linear regression statistical tools. The result from the analysis at 5% level of significance revealed that; firm size has a significant effect on financial statements disclosure quality of non banks in Nigeria and that such relationship is positive, profitability has a significant positive effect on financial statements disclosure of non banks in Nigeria and financial leverage has no significant impact on financial statements disclosure quality of non banks in Nigeria. In view of the findings of the study, the study recommends a high consideration of increasing the company assets, measures should be taken that will increase the profit base of the firms and highly qualified employees should be in the account department as this will in turn would increase the firm's financial statement disclosure quality since leverage has no significant effect on financial statement disclosure.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Firm variables or attributes are factors that are mostly under the control of management. The firm specific variables include firm size, liquidity, leverage, sales growth and firm age. On the other hand, the macroeconomic indicators are those factors that are beyond the control of management. This includes interest rate, GDP, and industry size (Sumaira & Amjad, 2017).

This means that the profitability of consumer goods companies could be ascertained using firm specific attributes (internal attributes) and macroeconomics variables (external attributes) as major determinants of profitability of the companies.

It has been known from literature that the profitability of corporate organizations has been one of the major concerns of management experts, investors and as well as researchers. In view of this, profitability is the most important and reliable indicator of corporate growth as it gives a broad indicator of the ability of companies to raise their income level (Ahmed, Naveed, & Usman, 2018). This therefore makes profitability(performance) to become one of the most important objectives of financial management, because one of the goals of financial management is to maximize company owner’s wealth and profitability which in turn indicates better financial performance (Malik, 2018).

Three areas of firm attributes, namely, firm size, liquidity, and leverage have featured in the literature. However, as Wariboko (1994) explained, of these key areas, profitability analysis is the aspect that reveals the financial performance of a firm; while liquidity, assets quality and capital adequacy analysis reveal firm's risk and condition.

Financial statements are main means of communicating the affairs of the company to all the stakeholders. They carry vital information required by the creditors, shareholders, regulatory authorities and other interest groups such as the government and professionals. These stakeholders have various but different items of interest in the financial statement as they focus on items that protect their interest. For instance, while the creditors are concerned with earnings after interest and taxes among others. Despite these differences, all the various stakeholders are, however, concerned with the relevance and reliability of the financial state as a whole.

1.2 Statement of the Problem

The effect of firm specific variables on financial statement disclosure quality has received little consideration in the developing economy. Much attention has been given in the developed world. This study therefore intends to concentrate on the developing economy with a view of analyzing the effect of these firms attribute on firm performance using Nigeria data.

The empirical literature on the nexus between firm specific variables and financial statement disclosure have reported mixed result over the years. This study is aimed at doing an in-depth analysis of this divergent views with the aim of identifying the causes of the gap and possibly close these gaps by using Nigerian data.

Another problem that create knowledge that motivated this study is divergent view of researchers on criteria to analyze firm financial performance which some researches opine the use of multiple criterion to analyze firm financial performance, others do not agree to this.

Judging from the above, it is clear that this study has some fundamental problems to address which when dealt with will bring fore the effect of firm specific variable on financial statement disclosure.

1.3 Objectives of the Study

The main objective of this study is to determine the impact of company specific variables on financial statements disclosure quality of non financial sector in Nigeria, while the specific objectives are:

I. To examine the effect of firm size on financial statements disclosure quality of non banks in Nigeria.

II. To determine the impact of profitability on financial statements disclosure quality of non banks in Nigeria.

III. To examine the effect of financial leverage on financial statements disclosure quality of non banks in Nigeria.

1.4 Research Questions

The following questions which are raised will aid in carrying out this study:

I. To what extent does firm size affect financial statements disclosure quality of non banks in Nigeria.

II. To what extent does profitability affect financial statements disclosure quality of non banks in Nigeria.

III. What effect does financial leverage has on financial statements disclosure quality of non banks in Nigeria.

1.5 Research Hypotheses

The null hypotheses stated below will be tested in order to provide answers to the research questions raised above.

Hypotheses I

Firm size has no significant effect on financial statements disclosure quality of non banks in Nigeria.

Hypotheses II

Profitability has no significant positive effect on financial statements disclosure of non banks in Nigeria.

Hypotheses III

Financial leverage has no significant impact on financial statements disclosure quality of non banks in Nigeria.

1.6 Significance of the Study

The study aims at equipping financial managers with applied knowledge for determining firm specific variables that affect financial statement disclosure of some Nigeria listed firms as a result of their financial control, planning and decision making.

The study will also add to the body of knowledge in the finance discipline and form an foundation for developing the findings further and may act as a source of reference in the future for academicians and scholars.

The financial advisors can use the findings of the study to advice their clients on which companies to invest in other to meet their expectation.

1.7 Scope of the Study

The research focuses on the relationship between company specific variable and financial statement disclosure quality within the context of non financial sector in Nigeria, with special attention on manufacturing firms quoted on the Nigerian stock exchange. The study covered the period of Nine (9) years, (2012- 2020).

1.8 Limitations of the Study

This study is also limited to one sector basically because of certain factors. These factors include:

The research work was carried out in the face of various constrictions in the area of dearth of data as a result of the dynamic nature of manufacturing sector.

The study is also limited by the number of firms used. It should be noted that the Nigerian economy is one with very few manufacturing industries. A wider range of sectors and larger number of firms would have improved the result of this study.

Lastly weakness in term of generalisation of result is another constraint of the research work as the study employed data from the period of 2012-2020 which does not cover all the data as regards the subject matter under study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Financial Statement Disclosure and the Concept of Financial Reporting

financial reporting involves recording financial information according to relevant accounting standards. according to (Osaze, 2018), financial reporting includes the exposure of related financial information to the different stakeholders about an organisation over a predefined timeframe. these stakeholders include – investors, lenders, suppliers, and government organisations.

Financial reporting is considered as the final result of accounting. it comprises of various important statement which include - financial related explanations from statement of financial position, statement of comprehensive income, statement of cash flow, statement of changes in equity, notes to financial related explanations, quarterly and annual reports (if there should be an occurrence of quoted organizations),prospectus (if there should be an occurrence of

organizations going for initial public offers) and management discussion and analysis (if there should be an occurrence of open organizations).

2.1.2 Credibility of Published Financial Statements

Source credibility is the extent to which information is believed based on where it comes from. This work seeks to enhance the comprehension or understanding of the process by which published financial statement influences users' behavior particularly the investors in the Nigeria banking sector. (Malik, 2017). This depends on the extent of the users' appreciation and acceptance of the financial statement, which indirectly depends on the users' perception of the source. An individual's acceptance of information and ideas is based on who said it and those associated with it. Therefore, for any published financial statement to be credible for acceptance, it must be endorsed by a reputable audit firm. Source credibility is very important to investor's reception of the published financial statement because the authenticity of the financial statement is assumed therefore to be the reliance of the investors. (Sumaira & Amjad, 2016).

2.1.3 Firm Attributes

Firm attributes are factors that are mostly under the control of management. The firm characteristics include firm size, liquidity, leverage, sales growth and firm age. On the other hand, the macroeconomic indicators are those factors that are beyond the control of management. This includes interest rate, GDP, and industry size (Sumaira & Amjad, 2016).

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Three areas of firm attributes, namely, firm size, liquidity, and leverage have featured in the literature. However, as Wariboko (2019) explained, of these key areas, profitability analysis is the aspect that reveals the financial performance of a firm; while liquidity, assets quality and capital adequacy analysis reveal firm's risk and condition.

2.1.4 Firm Size

Firm Size refers to relative dimension of a company and it is measured by log of total assets as used by the firm.

For example, firm size is believed to influence risk disclosure in the sense that the bigger the company, the larger the investors who demand more information and the larger the absolute benefit from availability of the information such as lower relative cost (Muzahem, 2017).

Muzahem (2017) argued that as a company becomes bigger, the number of stakeholder’s increases and it is expected that the burden of disclosure becomes heavier to fulfill their need. Linsley and Shrives (2017) also state that stakeholders may have an expectation that larger firms should be providing more disclosures or the stakeholders may have varied needs for information and large firms may be responding to their expectations or needs.

In today’s world, the size of a firm is crucial to its success due to the phenomenon of economies of scale. Modern corporate firms look to increase their size so as to get a competitive edge over their competitors by reducing production costs and increasing their market share. Bigger firms can manufacture items at much lower costs than smaller firms can.

Leibenstein (2017) argues that firm size can lead to inferior performance due to formalized procedures and market inefficiencies. Larger firms can also attract exemplary human resources that will significantly contribute to the firm performance.

2.1.5 Firm Performance

Performance is the ability of a business to earn a profit and make progress. Performance is represented by return on assets (ROA), revenue growth. ROA assesses the efficiency of management to use assets in generating revenue. Revenue growth is the percentage increase in gross income or gross revenue overtime. Companies that are better at risk management have higher levels of relative profitability because efficient risk management systems help in identifying and managing such risks in their early stage which in turn help in avoiding such losses and increasing companies' performance and profitability. In addition, it could be assumed that, profitable companies have more resources available to invest in internal control and risk management systems. However, available evidence seems to suggest that firm performance has no significant impact on risk disclosure. This could mean that companies with high profitability may not bother to communicate risk information and tend to rely on their performance as major derive of their market value.

It also refers to the measurement of the results of a firm's strategies, policies and operations in monetary terms. These results are reflected in the firm's return on assets and return on investments.

2.1.6 Liquidity

Liquidity is a ratio between total current assets of the firm and the total current liabilities obligation within a period of one year or normal operating cycle of the firm whichever is greater. It is the ability of an entity to meet its short term financial obligation as at when due. Liquidity is also another performance indicator especially in banking industry as a bank survives for some time without making profit but certainly it cannot survive without liquidity (Ong, & Yeung, 2018).

Liquidity measures also the spontaneous financial resources available to conduct normal business operations. The physical resources as measured by the assets size is one of the tangible resources the firm can use to gain competitive advantage, whereas business experience of the firm gives the firm organizational capabilities that it can use to gain a competitive advantage over its competitors thus being able to earn an above average financial performance.

Liquidity has been agued over the years to a brain box for survival of a business, because businesses that are facing problem of liquidity may be heading towards crises and as such a reasonable part of asset is expected to be held in liquid form in order to meet day to day activities of the business. Any organization that is liquid may be willing to disclose that in their financial reports in order attract their creditors, increase their ability of raising fund externally to finance future projects. Also it is an indication to regulators, investors, potential investors and other stakeholders that the business the ability of existing for a foreseeable future without any financial hitches. Such firms will be willing to make public through disclosure their level of liquidity.

2.1.7 Leverage

Leverage is the degree of riskiness of a company. It measured in terms of various measurements of gearing such as debt to equity ratio, debt to total asset or long term loan to total assets (Sangosanya, 2017). Leverage being measure of risk it is not unusual to see that most of risk disclosure study used it as independent variable. It is argued that companies that are perceived to have higher levels of risk of the market have incentives to disclose more information in order to reduce monitoring costs that shareholders incur when investing in the company. Therefore, it could be assumed that companies with higher levels of risk disclose greater amounts of risk information as the directors have an incentive to explain the causes of these risks in order to reduce agency costs. Nevertheless, critics argue that such companies may be reluctant to disclose risk information voluntarily because they may not want to pay attention to their risk level where investors may consider them a risky business and decide not to invest in such risky companies.

2.2 Theoretical Review

2.2.1 Agency Theory

Agency theory was propounded by Jensen and Meckling (1976). The theory seems to be the dominant paradigm and has been used widely in different aspects of corporate finance and certainly in Corporate Governance studies and analyses (Davies, 2016; Dedman, 2019). The theory is rooted in the work of Berle and Means (2017) on the separation of firm ownership from management. It is also often credited to the landmark work of Jensen and Meckling (1976) and Fama and Jensen (1986). They suggested that Agency problems will arise in any circumstance where the Principal (owners, shareholders) employs the Agent (management) to undertake a number of duties on their behalf for a reward. Thus management acting as Agent to the Principals owe them a fiduciary duty of care to run the organisation in the best interests of the owners for a stipulated reward (Berle and Means, 2016; Jensen and Meckling, 2018; Pratt and Zeckhauser, However, Jensen and Meckling (1976) argue that conflicts of interest do inevitably exist between the management and owners of businesses in cases where owners are not managers. This is because the theory assumes a model of man (manager) that is self-serving, individualistic and opportunistic in nature, who prefers to maximise his own utility functions at the expense of the owners. As a result, the theory is built on the assumption that there is almost always a divergence of objectives between the goals of the management and those of the shareholders.

Furthermore, given that shareholders have different risk attitudes compared to management (Jensen and Meckling, 2016), the continuous existence of information asymmetry may impose on the principal the need to institute some forms of controls. These control mechanisms require the allocation of resource and have the tendency to increase the costs of operations, often referred to as the agency cost. Agency problems may exist in a number of instances within the organisation. They are known to exist in diversification and investing decisions and in decisions relating to mergers and acquisitions (Lane, 2018). This may relate to management's tendencies to prevent suitable offers in furtherance of their own interests at the expense of the shareholders‟ (Kosnik, 2017; Ribbens, 2018; Lane, 2017. The agency problem is not limited to the relationship between management and shareholders alone, although this seems to have enjoyed the most attention. It may also be exhibited in the relationship between management and debt-holders (Jensen and Meckling, 2016; Myers, 2017; Shleifer and Vishny, 2017; Stulz, 2017). Often the primary concern is how to reduce or minimize the agency cost of operations and thereby increase the returns available for sharing among the residual claimants. However, in the context of increasing separation of ownership from management, as the ownership base becomes more dispersed, management tend to become less accountable and their activities less observable, at least to the shareholders (Fama,2017). While management are involved in the operational decision making of businesses, owners are either so numerous that they cannot all be involved in the management of the firm or they do not possess the right type of skills to manage the enterprise successfully (Morck & Steier, 2017). However, management are more closely involved in the business and for a longer time than the owners and thus have more information about the business than its owners individually. This creates the classic case of information asymmetry (Aboody & Lev,2000). Differences in the nature and scope of information between the two parties exacerbate the agency problems. For reasons mentioned earlier, shareholders are often at a disadvantage: this gives management an unbridled opportunity to consume perks or take suboptimal decisions that affect the organisation (Murphy & Zimmerman, 2017), conflicting with shareholders wealth maximization objectives.

A number of mechanisms have been devised to reduce conflicts of interest and their impacts on organisations. These include incorporating in the contract between the contracting parties as many clauses as possible that simulate possible scenarios and attempt to provide for them in the contract. Other methods of control include incentivizing the management and linking management compensation to performance, reducing the free cash flow available within the organization through debt financing which reduces the possibilities of consumption of perquisites. Also increasing management's stake in the equity of the company has been suggested.

Jensen and Meckling (1976) have argued that increasing managements" share ownership should bring their interest more closely with those of other shareholders. However, the risks of management entrenchments have also been identified (Lane, 2018; Shleifer and Vishny, 2017). This refers to a situation where management's share ownership is so substantial that they can wield significant power and hence influence the composition of the board of directors. This may facilitate management shirking and excessive consumption of perks.

2.2.2 Stakeholder Theory

The stakeholder theory was propounded by Freeman (1984). One of the criticisms of Agency Theory is that it provides a short term perspective and explanation of the purpose of the firm (Freeman, 1999; Freeman, Wick & Parmar, 2019). Also, critics argue that its scope is narrow, since it projects the activities of the firm from the perspective of the shareholders only.

An alternative proposition known as the Stakeholder Theory suggests that a firm s activities should be projected on longer and broader perspectives (Freeman, 1999). The theory posits that the essence of corporate activity is not only for the benefit of the shareholders, but also for the benefit of all relevant stakeholders (including the shareholders) and it is all these relevant stakeholders who should be the main remit of the modern firm (Freeman, 1999; Cadbury, 1992; Jensen, 2017). It argues that firms should be managed in such a way that they coordinate the diverging interests of their numerous stakeholders including employees, shareholders, customers, suppliers, the government and society in general. This consideration should thus impact upon the formulation of the corporate strategy of the organisation as a whole (Marcoux, 2016).

The arguments for the stakeholder view of the corporation have often been premised on moral and business ethics (Phillips, 2018). However, as pointed out earlier in the discussion of Agency Theory, the perception of the interaction and the nature of the relationship between the firm and society are greatly influenced by our own points of view on what the main purpose of the firm is. One such view is that of the classical economist, summed up succinctly in Carr (2016). Although his views might not be totally representative of all classical economists, a good number of them share his notion of "pure-profit making" as the only objective of the firm. So much so that he suggested that businesses have a lower standard of ethics compared to society as a whole and therefore an abdication of all moral or ethical concern is consistent with the achievement of the firm's "pure profit making" goals. A modified classicalist view suggests that whilst businesses pursue the main objective of shareholder value maximisation, they should be aware of their responsibility to society by being obedient to the law and being ethical, this is the "constrained profit making" view of the firm (Friedman, 1998 in Branco and Rodrigues, 2017). However, even if the researcher assumes that businesses have a duty to protect the interests of all stakeholders, the researcher will still be confounded by the problem of tradeoffs involving the conflicting interests of all the stakeholders. Lack of measureable objectives with respect to each of the stakeholders still provides opportunity for management to be less accountable and to consume perquisites (Mallin 2019). Jensen (2017) has observed that proponents of the Stakeholder Theory have been unable to provide realistic resolutions of the numerous conflicting interests of stakeholders that businesses need to protect. He therefore suggested a strand of Stakeholder Theory which he referred to as the "enlightened Stakeholder Theory" or the "enlightened shareholders maximisation theory". The theory posits that in order to maximise stakeholders value, businesses should focus on maximising shareholders returns and this in itself would ensure the maximum return to all stakeholders. He further explains that a business would not be able to maximise shareholders value if any stakeholder is ignored or mistreated.

Stakeholder Theory is very important in the context of a spectrum of discussions on Corporate Governance, not least the form of the control mechanisms adopted, and the possibility of control mechanisms playing substituting and/or complementary roles (Fung, Rui & Firth, 2017). The continental European model of Corporate Governance is known to favour the stakeholder perspective of the firm (Moerland, 2018). This is evident in the structures and composition of the board of directors and in the roles played by other stakeholders. For example, it is normal for financial institutions to own substantial stakes in companies in Germany or France and it is also usual that they have a representative on the governing board of such companies, in addition to the earlier mentioned roles of the employees in the firm's management, (Goergen 2017). This governance arrangement has been argued to provide financial stability for these firms and also to ensure closer monitoring from the financial investors. The stakeholder model approach to Corporate Governance has been criticised for being inadequate as a complete theory of the firm, but rather no more than a logical presentation of a series of techniques (Key, 2018).

2.2.3 Resource Dependency Theory

This theory was propounded by Jeffrey and Gerald (1976). Whilst the stakeholder theory focuses on relationships with many groups for individual benefits, resource dependency theory concentrates on the role of board directors in providing access to resources needed by the firm (Abdullah & Valentine, 2016). According to this theory the primary function of the board of directors is to provide resources to the firm. Directors are viewed as an important resource to the firm. When directors are considered as resource providers, various dimensions of director diversity clearly become important such as gender, experience, qualification and the like.

According to Abdullah and Valentine, directors bring resources to the firm, such as information, skills, business expertise, access to key constituents such as suppliers, buyers, public policy makers, social groups as well as legitimacy. Boards of directors provide expertise, skills, information and potential linkage with environment for firms (Ayuso & Argandona, 2017).

The resource based approach notes that the board of directors could support the management in areas where in-firm knowledge is limited or lacking. The resource dependence model suggests that the board of directors could be used as a mechanism to form links with the external environment in order to support the management in the achievement of organizational goals (Wang, 2019).

The agency theory concentrated on the monitoring and controlling role board of directors whereas the resource dependency theory focus on the advisory and counseling role of directors to a firm management. Recently, both economists and management scholars tend to assign to boards the dual role of monitors and advisers of management. However, whether boards perform such functions effectively is still a controversial issue (Ferreira, 2018). Within a corporate governance framework, the composition of corporate boards is crucial to aligning the interest of management and shareholders, to providing information for monitoring and counseling, and to ensuring effective decision-making (Marinova, 2018). The dual role of boards is recognized. However, board structure has relied heavily on agency theory concepts, focusing on the control function of the board (Habbash, 2018).

Having examine agency theory, stakeholders theory and the resource dependency theory as it relate to the research work, this study is however anchored on the Agency theory. This is because this theory provides a short term perspective and explanation of the purpose of the firm as well as the impact of firms attributes on financial statement disclosure quality. The theory posits that the essence of financial statement disclosure is not only for the benefit of the shareholders, but also for the benefit of all relevant stakeholders (including the shareholders) and it is all these relevant stakeholders who should be the main remit of the modern firm.

2.3 Empirical Review

2.3.1 Firm Size and Performance

Majumdar (2019) investigated the impact that firm size has on firm profitability and productivity with a sample of 1020 Indian firms. While controlling for other variables that may affect firm performance, the study provided evidence that larger firms are less productive but more profitable.

Archarungroj and Hoshino (2018) explored the influence of corporate R&D investment on a firm's subsequent profitability and also examined the differences in

R&D efficiency among firms of different sizes. In addition, they attempted to determine the relationship between firm size and R&D investment. The study used regression analysis and data on 170 Japanese firms belonging to the chemical and pharmaceutical industry. Their results showed that R&D expenditure and R&D strength are positively and significantly related to profitability indicators such as return on assets (ROA), return on equity (ROE), gross profit margin (GPM), operating income margin and ordinary income margin. They also showed that larger firms proved more effective and efficient in their management of R&D for the abovementioned profitability variables. In addition, their findings revealed a significant positive relationship between firm size and R&D investment, where R&D investment was measured both as an absolute amount and as a ratio to sales.

Ramasamy, Ong and Yeung, (2018) analysed the effects of market structure components and other performance measures in order to better understand the dynamics and determinants of performance within the Malaysian palm oil sector, using data from 30 plantation-based public companies listed on the Bursa Malaysia from 2000 to 2003. The panel data were analysed using ordinary regression analysis. The authors observed effects of firm size and firm ownership on the level of profitability in this sector. Their findings showed that size is negatively related to performance, and that privately-owned plantation companies are more profitably managed.

Becker, Kaen, Etebari and Baumann (2018) examined the relation between firm size and profitability within 109 SIC four-digit manufacturing industries in the US. However, they found that in up to 47 industries profitability increases with size at a decreasing rate until it eventually starts to decline, and that there is no relationship between profitability and size in up to 52 industries. These two categories account for 97 of the 109 industries under study. On the contrary, in up to 11 industries profitability continues to increase as businesses become larger. The authors also revealed that profitability has a negative correlation with the number of employees for firms of a given size, when size is measured in terms of total assets and sales.

2.3.2 Leverage and Performance

Leverage is another key internal determinants of bank financial performance. This is because firm's business is all about leverage. Firms are highly leveraged institutions that are in the business of facilitating leverage for others through their financial intermediation role. Leverage refers to the extent to which an organisation, banking or non-banking, funds its assets with borrowings rather than equity. According to Ingves (2019), while the average leverage ratio across 10 of the world's largest listed non-financial companies is on the order of 50:50 for debt and equity. Though leverage has been theoretically demonstrated to be instrumental in explaining the financial performance of firms, its empirical effect is inconclusive. (Berger, 2018) documented negative association between leverage and financial performance. Contrarily, Bourke (1989); Molyneux and Thornton (2017) reported positive effect of leverage on profitability.

Burja (2017) stated that information about company performance, especially about its profitability, provides a useful support for managerial decisions regarding potential changes in the economic resources that the company will be able to control in the future. In her study of the Romanian chemical industry during the period between 1999 and 2016, she determined the factors that most affect firms' profitability. To this end, she used multiple regression analysis and the results revealed a strong connection between the profitability, represented by ROA, and the management of available resources.

Sangosanya (2017) examined the dynamics of manufacturing firms' growth in Nigeria using panel data analysis in a bid to evaluate factors that influence firm performance, including adequate finance, a business-friendly environment, effective management and operation structure, and growth-oriented government policies and regulations.

The panel regression model was based on 45 manufacturing firms listed on the Nigerian Stock Exchange (NSE) from 1989 to 2008. The estimated dynamic panel model revealed that firms' financing mix, utilization of assets to generate more sales, abundance of reserve funds and government intervention as indicated by

Tobin’s Q, operating efficiency, capital reserve and government policies are significant determinants of manufacturing firms’ growth dynamics in Nigeria.

Vithessonthi and Tongurai (2017) examined whether firm size affects the relationship between leverage and operating performance during the global financial crisis of 2007– 2016, using information corresponding to 170,013 firms in Thailand, most of which were private. The estimation of the panel regressions was carried out using fixed and random effects models. The results indicated that leverage has a negative effect on performance across firm-size subsamples; the year-by-year cross-sectional regression results revealed that the effect of leverage on performance is positive for small firms but negative for large firms. Their findings show that about 75% of Thai firms in their sample appear to have managed to get through the global financial crisis on the basis that they do not have to simultaneously deleverage and liquidate their assets.

Kouser, Bano, Azeem, and Hassan, (2017) carried out an in-depth evaluation of the relationships between firm size, growth, and profitability of 700 non-financial companies listed on the Karachi stock exchange, Pakistan, for the period 2001-2018. Panel data analysis was applied, using size (natural log of total assets), and growth (sustainable growth rate for firm) as independent variables and profitability (ROA) as the dependent variable. The results revealed that profitability has a significant positive relationship with the growth of the firm, while size has a significant negative impact on profitability.

Kartikasari and Merianti (2019) analysed the effect of leverage and the size of a company on its profitability using 100 qualified manufacturing companies listed on the Indonesia Stock Exchange in the period 2016-2019. To that end, they used panel data regression analysis, with the most suitable panel data regression model being the fixed effects model. Leverage was measured by the debt-to-equity ratio, while firm size was measured by total assets and total sales, and profitability by ROA. The study revealed that the debt ratio has a significant positive effect on profitability while total assets has a significant negative impact. Total sales, however, does not have a statistically significant effect on the profitability of the companies.

Firm-specific studies have concentrated on profitability (AL- Shubiri, 2018). Profitability is the principal goal of every firm as well as all other business organisations. Without profitability, a firm will not survive in the long run (Al-Shubiri, 2018).

Profitability measures include the rate of return on equity (ROE), rate of return on capital (ROC) and rate of return on assets (ROA). In most studies, emphasis is placed on measuring profitability in terms of ROC and ROA or ROA and ROE

(Atemnkeng & Joseph, 2017). Smirlock (2018) observed that the use of ROA has provided strongest evidence on the relationship between firm-specific variables and profitability much more than ROE in view of the fact that using the former provides opportunity of benchmarking a firm's output against its total assets. Keeton and Matsunaga (2019) asserted that ROA is especially useful in measuring changes in firm performance over time since firms' income and expense components are more closely related to assets. On the whole, ROA is considered the most important measure of firm profitability. It is defined as the firms' before tax profit over total assets. The choice of ROA rather than ROE as proxy for bank profitability is because, as Flamini, McDonald & Schumacher (2016) put it, an analysis of ROE disregards financial leverage and the risks associated with it. Though, ROA, on its part, is criticised of being biased due to off-balance-sheet activities, it is still believed that such activities are negligible in most developing nations relative to the risk associated with leverage.

On the whole however, using a firm-level panel dataset, Era and Holger (2017) examined the effect of a number of firm-specific variables on profitability of Armenian firms for the period 2002 – 2017. The study revealed that the explanatory variables have large potential to increase profitability.

With regard to market share, most studies found its relationship with financial performance of firms to be significant (Heggested, 2017; Smirlock, 2018). Using bank-level data for, Demirgüç-Kunt and Huizinga (1998) found significant relationship for 80 developed and developing countries for the period 1988 – 1995. Also, Bektas (2019), Chortareas, Garza-Garcia & Girardone (2018) documented similar results for North Cyprus and Latin American countries respectively. In addition, Genchev (2017) reported similarly reports. Contrary to the above findings, Barth, Nolle & Rice (2019) used cross-country data from 19 developed countries in 1993 to examine the effect of market share on profitability of firms. The study revealed that market share has no significant effect on the profitability of the selected firms.

Hayden, Porath and Westernhagen (2017), Berger, Hasan and Zhou (2018) investigated the effect of loan portfolio on financial performance of firms in the German and Chinese banking sector respectively. Similarly, Tabak, Fazio & Cajueiro (2018) tested whether diversification of loan portfolio is associated with better financial performance of the Brazilian banking system. They found that loan portfolio concentration increases returns and reduces default risk. The outcome of their study contradicted in part, earlier similar studies that use loan portfolio along other ban-specific variables. Langrin and Roach (2008) could not conclude on the nature and extent of relationship between these two variables.

2.3.3 Liquidity and performance

The control variables such as age of the firms and leverage rate showed a negative relation with ROA, while liquidity ratio and ROA displayed a positive relation.

Akinyomi and Olagunju (2019) used panel data analysis to estimate the effect of firm size on the performance of firms belonging to the Nigerian manufacturing sector for the period 2005-2017. ROA was used as a proxy for profitability while size was proxied by the log of total assets and the log of turnover. Inventory, liquidity and leverage were used as control variables. The results of the study showed that firm size, in terms of total assets and in terms of total sales, has a positive significant effect on the profitability of Nigerian manufacturing companies. As for the control variables, inventory has a negative relationship with profitability, while in the case of liquidity and leverage the relationship is negative.

Babalola (2019) examined the effect of firm size on the profitability of 60 manufacturing companies listed on the Nigerian Stock Exchange for the period 2000- 2016. The panel data model estimated showed that firm size, both in terms of total assets and in terms of total sales, has a positive relationship with the profitability of manufacturing companies in Nigeria.

Kumar and Kaur (2019) studied the relationship between size and profitability in the Indian automobile industry from 1998 to 2019. To analyse this relationship, they employed a linear regression model over the years 1998 to 2019, as well as a corresponding cross-sectional analysis. The study yielded mixed results; time-series analysis showed a positive relationship but cross-section analysis indicated that there is no relationship between firm size and profitability.

Despite the overwhelming evidence of significant positive relationship between capital adequacy and bank financial performance, the study of Eichengreen & Gibson (2017) indicated the need to be cautious because their results showed that capital would only have significant positive relationship with profitability to a certain limit, thereof.

The relationship between firm-specific attributes and financial performance has been widely studied using data from different countries (Genchev, 2017). The results revealed mixed findings.

Operational efficiency, which shows how well a bank streamlines its operations and manages its input-output relationship has also been studied. Ongore & Gemechu (2019) documented a significant positive association. Also, using a 15-year dataset from 1993 to 2007, Vong & Chan (2018) found significant association between efficiency and profitability for firms in Macacao. Also, Brock and Suarez (2000) found that operating expenses positively and significantly associated with profitability.

Operating expenses also referred to as overhead has also been found to play a significant role in determining financial performance of firms (Gremi, 2019). Empirically, findings on the association between operating expenses and financial performance are mixed. Bourke (1989), Molyneux and Thornton (2017), Molyneux (2019) found a positive association operating expenses and profits. On the contrary, Anthanasoglou and others (2019) found negative relationship.

Capital is also considered as an important determinant of bank profitability thus a positive relationship is expected to exist between capital management and bank profits. Theoretical literature has examined the effect of capital on the financial performance of firms. Most of the studies emphasise the role of capital and its management in reducing the probability of insolvency and consequent closure for firms on the one hand, and on the other hand, the probability of increasing profitability potentials of firms both during crisis and normal times. Empirically, good capital management has been demonstrated to be important in explaining the financial performance of financial institutions, though its effect on bank profitability is still inexplicit (Berger, 2018). Diamond and Rajan (2018), Mehran and Thakor (2017) also documented that higher capital leads to a survival tendency and higher profitability for firms.

Daniel and Tilahun (2017) examined the impact of firm level characteristics (firm size, leverage, tangibility, Loss ratio (risk), growth in written premium, liquidity and firm age) on performance of insurance companies in Ethiopia. Return on total assets (ROA) a key indicator of company's profitability was used as dependent variable while age of company, size of the company, growth in written premium, liquidity, leverage and loss ratio were independent variables. The sample included 9 insurance companies listed on the Ethiopian Stock Exchange within the period of 2005-2018. The results of regression analysis revealed that firm size, tangibility and leverage are statistically significant and positively related with return on total assets; however, loss ratio (risk) is statistically significant but negatively related with ROA.

Still in Ethiopia, Yuvaraj and Abate (2019) examined the effects of firm specific factors (age of company, size of company, volume of capital, leverage ratio, liquidity ratio, growth and tangibility of assets) on profitability measured by Return on Assets (ROA). The sample of the study included nine of the listed insurance companies over nine years (2003-2017). From the regression results; growth, leverage, volume of capital, company size, and liquidity were identified as most important determinants of profitability. Hence, growth, size, and volume of capital are positively related. In contrast, liquidity ratio and leverage ratio are negatively but significantly related with profitability. The age of companies and tangibility of assets were found not to be significantly related with profitability.

Dogan (2019) studied the effect of firm size on profitability of 200 companies listed at the Istanbul Stock Exchange using data from the year 2008 to 2017 by using multiple regressions model. He introduced other control variables in his study such as liquidity which was measured by total current assets over total current liabilities, leverage measured as total debt over total assets as well as firm age measured by number of years in operations. He found that firm size and liquidity are positively related to profitability as measured by ROA, while leverage and firm age were negatively related to profitability measured by ROA. Issa (2019) examined the effect of some selected firm characteristics on financial performance of firms listed in the agricultural sector of the Nairobi Securities Exchange. The study adopted a correlational research design and used multiple linear regressions as method of analysis. He found that of the variables used to represent firm attributes, only liquidity had statistically significant effect on financial performance of listed agricultural firms measured by ROA. The other variables; firm size, leverage, and firm age, though they had positive coefficients showed no significant effect on financial performance. The study recommends that management of firms should focus their effort on those firm specific variables that positively affect their long-term financial performance.

Sumaira and Amjad (2019) studied the determinants of profitability in insurance sector of Pakistan with a panel data set of 31 insurance firms (life insurance and non-life insurance sector) of Pakistan from 2017-2017. To examine the determinants of profitability, panel data techniques (fixed effects and random effects models) were employed and then Hausman specification test was applied to select the more effective model. The test proved that fixed effects model was the more appropriate model for the study. The outcome of the study showed that leverage, firm size, and age of the firm are significant determinants of profitability, while sales growth and liquidity were not significant.

Yazdanfar (2019) examined profitability determinants among micro firms using Swedish data of a sample of 12,530 micro firms from four different industries namely healthcare, transport, metal and retail trade industries having approximately 87,000 observations from data collected from the year 2017 to 2007. He found that there was a positive and significant relationship between firm growth, firm size, productivity and firm profitability measured by ROA. The study also revealed a significant and negative relationship between firm age and firm profitability explaining that younger firms were more profitable than older firms. The researcher employed the OLS multiple regression analysis and correlation in the analysis of the collected data. He went ahead and analyzed all the four industries separately by running another multiple regression to see whether the results will vary, but all the findings were similar as the combined regression. Alhassan, Bajaher, and Alsherhri (2018) carried out a study on the determinants of profitability of eleven (11) firms listed on the Saudi Stock Exchange from 2007-2017. Parts of their independent variables were firm size and leverage. Using multiple linear regressions, they found that, of all the independent variables used in the study only firm size calculated as the natural logarithm of total assets had a significant effect on the profitability of the listed firms measured by return on assets.

Idris and Bala (2018) carried out a study on the effect of firm specific attributes on profitability of listed Foods and Beverage companies in Nigeria. They studied 9 firms out of a population of 21 firms using OLS regression for a period of 7 years from 2007-2019.

Their finding revealed that firm specific characteristics have both positive and negative significant effects on profitability measured by stock market returns. They therefore, recommended that firms should pay more attention to those factors that are peculiar to their industry environment. Mohammed and Usman (2019) examined the impact of corporate attributes on the profitability of listed pharmaceutical firms in Nigeria using a panel data of five sampled firms for a period of ten years (2010-2019). They extracted data from the annual accounts of the selected firms. Multiple regression technique was employed to examine the influence of corporate attributes on the profitability of listed pharmaceutical firms in Nigeria. The study reveals that firm size, leverage, and growth have positive and significant relationship with profitability implying that they have impact in increasing share price. However, the relationship between liquidity and profitability was found to be insignificant and negative, indicating that liquidity has no influence in enhancing share price of listed pharmaceutical firms in Nigeria. The study therefore, recommended that firm size, leverage, and firm growth should be enhanced in view of their influence in increasing profitability, while liquidity should not be given any attention in an effort to raise profit.

Finally, Uwuigbe, Adeyemo, and Ogunbajo (2019) examined the effect of corporate attributes on the profitability of companies by employing the annual reports of thirty selected companies listed on the Nigerian Stock Exchange (NSE) for a period of 5 years (2007-2017). They used Ordinary Least Square (OLS) regression to test for the effects of the selected corporate attributes on profitability. They tested for the relationship between leverage, firm size, firm age and return on assets using Pearson's product moment correlation coefficient. Of the three corporate attributes employed in the study, only firm age showed a positive statistically significant relationship with profitability measured by return on assets (ROA). They therefore observed that older firms perform better than younger ones. They recommended that companies should pay adequate attention to financial leverage, because firms that are highly leveraged are at the risk of insolvency. Their finding supports the argument that, older firms are likely to perform better than younger firms because they are more experienced, have enjoyed the benefits of learning, are not prone to the liabilities of inventiveness, and can therefore enjoy superior profitability.

2.4 Summary of the Review

As can be observed from the review of empirical literature, the effect of different firm characteristics on profitability of firms have been studied, both abroad and in Nigeria, but to the best of the researchers' knowledge no empirical evidence has been provided from the consumer goods sector in Nigeria on the subject measuring profitability in terms of Return on sales. This therefore, necessitated for a study on the effect of firm attributes on profitability of listed consumer goods companies in Nigeria to be carried out.

This study is underpinned under the resource based theory which was propounded by Wernerfelt in the year 1984. Pearce and Robinson (2017) define the resource-based theory (RBT) as a method of analyzing and identifying a firm's strategic advantages based on examining its distinct combination of assets, skills, capabilities, and intangibles as an organization. This theory is concerned with internal firm characteristics and their effect on firm performance. It views the firm as a bundle of resources which are combined to create organizational capabilities which it can use to earn above average profitability (Grant, 2017). Each firm develops competencies from these resources, and when they are well developed, these become the source of the firm's competitive advantages. This theory will aide in explaining profitability variation of intra industry firms as it specifically addresses firm characteristics rather than industry factors. The financial resources are normally measured by leverage ratios which enable the firm to increase its project financing by borrowing from debt providers. Liquidity measures also the spontaneous financial resources available to conduct normal business operations. The physical resources as measured by the assets size is one of the tangible resources the firm can use to gain competitive advantage, whereas business experience of the firm gives the firm organizational capabilities that it can use to gain a competitive advantage over its competitors thus being able to earn an above average financial performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research design for this study is the survey design. In testing the research hypothesis, the study adopted the use of multiple linear regression for the listed sampled firms in the estimation of the regression equation under consideration.

3.2 Population of the Study

The study population consists of corporate firms quoted on the Nigeria stock exchange during the period 2012-2020, inclusive of the financial sector due to its unique treatment of liquidity and performance, as well as the fact that they are highly regulated. However, the researcher decided to use from two different sectors (Manufacturing, Construction and Oil & Gas) according to data availability. Five companies were selected from each of the sectors, this making a population of 90 ie 10 multiplied by 9 years

3.3 Sample Size

Samples are useful because they allow the researcher to examine the characteristics of the population. The Taro Yamani statistical formula was adopted for this research work. The formula is thus:

$$n = \frac{N}{1 + N(e)^2}$$

Where: N = population of study

n = sample size

e = level of significance or margin of error

Therefore,

N = 90

e = 0.05

n = ?

Note: The choice of 0.05 level of significance is purely an exclusive decision of the researcher.

$$n = \frac{90}{1 + 90\,(0.05)^2}$$

$$n = \frac{90}{1 + 90 \times 0.0025} = \frac{90}{1 + 0.225} = \frac{90}{1.225}$$

$$= 73.5$$

n = 74 sample size.

3.4 Sampling Techniques

This study used purposive sampling technique to select the subjects for the study. This method was reasonable for the purpose of the study as it consisted of specific firms with specific information.

3.5 Method of Data Collection

The researcher's tool that was adopted in obtaining relevant data for this study was the questionnaire which was sampled in a likert scale for facilitate easy data collection.

3.6 Method of Data Analysis

Data obtained from primary source were analyzed using E-View Computer Software. The study used regression analysis to investigate the impact of independent variables on dependent variable. A multiple linear regression model was used to establish the significance of the model. The results obtained from the model are presented in tables to aid and ease the analysis.

3.7 Model Specification

The regression model used is as shown below:

$$\mathbf{FSD = \beta_0 + \beta_1\,FRMSZ_{ij} + \beta_2\,ROA_{ij} + \beta_3\,FLEV_{ij} + \epsilon}$$

Where:

FSD= Financial Statement Disclosure

FRMSZ = Firm Size

ROA = Return on Assets

FLEV = Financial Leverage

β_0 = Intercept

$\beta_1 – \beta_3$ = Parameters

ε = Error term

i = i^{th} year

j = j^{th} year firm

The study used the E-View 9 Computer Software to determine the relationship between company specific variables and financial statement disclosure quality of the various corporate firms it studied. The level of significance adopted in testing the stated hypothesis of this study is 5%. This level is usually considered adequate for studies in management and other behavioral sciences.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Presentation and Analysis of Data

Table 4.1 below presents the summary of the descriptive statistics for the dependent and independent variables for 74 observations. For dependent variable, it was observed that financial statements disclosure quality has a mean value of 0.156506 and a standard deviation of 0.217288 among all variables. The maximum in financial statements disclosure quality is 1.246384 while the minimum is -0.281726. For the independent variables, the firm size, profitability and financial leverage. Profitability is measured by the return on assets. Firm size has a mean value of 31.78421 and a standard deviation of 2.823945. profitability has a mean value of 1.562364 and a standard deviation of 1.385516 while leverage has a mean value of 0.651965 and a standard deviation of 0.692562.

Table 4.1 Descriptive Statistics

	FSD	FRMSZ	ROA	LEV
Mean	0.156506	31.78421	1.562364	0.651965
Median	0.094510	32.09804	1.179320	0.585460
Maximum	1.246384	35.35181	13.73180	8.060153
Minimum	-0.281726	19.91139	0.058969	0.034195
Std. Dev.	0.217288	2.823945	1.385516	0.692562
Skewness	2.723434	-1.748766	4.481758	8.468091
Kurtosis	11.24116	6.477015	31.02702	82.64160
Jarque-Bera	1295.023	313.1505	11147.93	85356.33
Probability	0.000000	0.000000	0.000000	0.000000
Sum	48.36034	9821.320	482.7704	201.4573
Sum Sq. Dev.	14.54193	2456.197	591.2535	147.7300
Observations	74	74	74	74

Source: Researcher's Computation Using E-View (2022)

Table 4.2 Correlation Matrix

Correlation	FPERF	FRMSZ	LIQ	LEV
FSD	1.000000			
FRMSZ	0.139082	1.000000		
ROA	0.265487	0.085659	1.000000	
LEV	-0.012267	0.032158	-0.079892	1.000000

Source: Researcher's Computation Using E-View, 2022

Table 4.2 shows that the measure of financial statement disclosure has a mixed correlations with the various explanatory variables used in the study. The explanatory variable of firm size, ROA are positive. The coefficient of Firm Performance with other explanatory variables are relatively close except for Leverage with a coefficient of -0.012267. The table shows that no two of the explanatory variables are perfectly correlated or nearly so. Thus, the problem of multicolinearity is absent in this model.

Regression Results

	Expected sign	Fixed Effect	Random Effect
FSD		**2.2822** (5.7102) [0.0000]	**0.6496** (2.7199) [0.0069]
FRMSZ	+	**-0.0671** (-5.3746) [0.0000]	**-0.0161** (-2.1533) [0.0321]
ROA	+	**0.0097** (1.9425) [0.0532]	**0.0108** (2.1945) [0.0290]
LEV	+	**-0.0106** (-1.6910) [0.2467]	**-0.0013** (-0.1424) [0.8869]
R-Squared Adj-R-Squared		0.8477 0.8153	0.0260 0.0164
F-Statistics		26.1715 (0.000)	2.7145 (0.0450)
Durbin-Watson Stat		2.1829	1.7068
Hausman Test (Chi-Sq)		-	33.0323 (0.0000)
N(n) Unbalanced Observations		74	74

Source: (Computed Using E-Views)

Note: bold prints are regression coefficients ( ) are t-statistics while bracket [ ] are p-value

In testing for the relationship between the dependent and independent variables in the Return on Asset (ROA) – profitability model, the two widely used panel data regression estimation techniques (fixed effect and random effect) were adopted.

The results revealed differences in the magnitudes of the coefficients, signs and number of insignificant variables. The estimation of the fixed effect panel regression was based on the assumption of no correlation between the error term and explanatory variables, while that of the random effect, considers that the error term and explanatory variables are correlated. In selecting from the two panel regression estimation results, the Hausman test was conducted and the test is based on the hypothesis that if the p-value is less than 0.05, the random effect model is preferred to fixed effect model. A look at the p-value of the Hausman test (0.0000) implies that the researcher should accept the hypothesis at 5% (0.05) level of significance. This implies that the researcher should adopt the random effect panel regression results in drawing our conclusion and recommendations.

4.2 Hypothesis Testing

Test Statistic

The statistical tool used in testing the stated hypothesis is the regression test procedure which uses the individual significance test (t-Test) and the overall significance test (F-Test). The goodness of fit of the model is tested using the coefficient of determination. The estimation of these statistics is done using the E-View computer software.

Significant Level

The level of significance adopted in testing the stated hypothesis of this study is 5%. This level is usually considered adequate for studies in management and other behavioral sciences.

Decision Rule

The critical p-value used in these tests is 0.05. thus, the researcher accepts a given alternative hypothesis as being accepted if calculated p-value is less than or equal to 0.05, otherwise the researcher accepts the null hypothesis that there is no significant effect.

Hypothesis 1

Ho: Firm size has no significant effect on financial statements disclosure quality of non banks in Nigeria.

Hi: Firm size has a significant effect on financial statements disclosure quality of non banks in Nigeria.

Computation

The test statistic is computed by E-View software and the results are as shown in Table 4.3.

Table 4.3 Regression Results on Firm Size and Financial Statements Disclosure

Variable	Coefficient	t-test statistic	p-value
FRMSZ	0.016054	-2.153333	0.0321

Source: (E-View Computations, 2022)

Decision

With a coefficient of 0.016054 the results indicate that firm size negatively has impacts on financial statements disclosure, while the probability value of 0.0321 indicates that the positive impact is significant. This leads to the acceptance of the alternative hypothesis, thus rejecting of the null hypothesis. The researcher accepts that firm size has a significant effect on financial statements disclosure, and that such effect is positive.

Hypothesis II

Ho: Profitability has no significant positive effect on financial statements disclosure of non banks in Nigeria.

Hi: Profitability has a significant positive effect on financial statements disclosure of non banks in Nigeria.

Computations

The test statistic is computed by E-View software and the results are as shown in Table 4.4.

Table 4.4 Regression Results on Probability and financial statements disclosure

Variable	Coefficient	t-test statistic	p-value
ROA	0.010847	2.194480	0.0290

Source: (E-View Computations, 2022)

Decision

With a coefficient of 0.010847 the results indicate that profitability positively impacts financial statements disclosure, while the probability value of 0.0290 indicates that the positive impact is significant. This leads to the acceptance of the alternative hypothesis, thus rejecting the null hypothesis that profitability has no significant positive effect on financial statements disclosure of non banks in Nigeria.

Hypothesis III

Ho: Financial leverage has no significant impact on financial statements disclosure quality of non banks in Nigeria.

Hi: Financial leverage has a significant impact on financial statements disclosure quality of non banks in Nigeria.

Computations

The test statistic is computed by E-View software and the results are as shown in Table 4.5.

Table 4.5: Regression Results on Leverage and financial statements disclosure

Variable	Coefficient	t-test statistic	p-value

LEV	-0.001269	-0.142371	0.8869

Source: Extracted from Table showing Regression Results (E-View Computations, 2022).

Decision

With a coefficient of -0.001269 the results indicate that leverage negatively has impacts on financial statements disclosure, while the probability value of 0.8869 indicates that the negative impact is not significant. This leads to the acceptance of the null hypothesis, thus rejecting of the alternative hypothesis. The researcher accepts that financial leverage has no significant impact on financial statements disclosure quality of non banks in Nigeria, and that such impact is negative.

4.3 Discussion of Findings

This study sought to examine empirically company specific variables and financial statement disclosure quality. The study used seventy four (74) firms over a period of nine (9) years, from 2012 to 2020. The study adopted the panel least square regression analysis and adopted unbalanced panel data regression estimation technique. The explanatory variables used in the model employed are firm size (FRMSZ), Return on Asset (ROA), and leverage (LEV).

All the variables are significantly normally distributed at 5% level of significance. The correlation matrix indicates the explanatory variables have mixed relationships with dependent variable (firm performance). The results also indicate the absence of multi-colinearity.

Firm size (FRMSZ) variable, With a coefficient of 0.016054 the results indicate that firm size negatively has impacts on financial statements disclosure, while the probability value of 0.0321 indicates that the positive impact is significant. This leads to the acceptance of the alternative hypothesis, thus rejecting of the null hypothesis. The researcher accepts that firm size has a significant effect on financial statements disclosure, and that such effect is positive.

Return on Asset (ROA) variable, with a coefficient of 0.010847 the results indicate that profitability positively impacts financial statements disclosure, while the probability value of 0.0290 indicates that the positive impact is significant. This leads to the acceptance of the alternative hypothesis, thus rejecting the null hypothesis that profitability has no significant positive effect on financial statements disclosure of non banks in Nigeria.

Leverage (LEV) variable, with a coefficient of -0.001269 the results indicate that leverage negatively has impacts on financial statements disclosure, while the probability value of 0.8869 indicates that the negative impact is not significant. This leads to the acceptance of the null hypothesis, thus rejecting of the alternative hypothesis. The researcher accepts that financial leverage has no significant impact on financial statements disclosure quality of non banks in Nigeria, and that such impact is negative.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

Having reviewed this study, the following were revealed;

i. Firm size has a significant effect on financial statements disclosure quality of non banks in Nigeria and that such relationship is positive.

ii. Profitability has a significant positive effect on financial statements disclosure of non banks in Nigeria.

iii. Financial leverage has no significant impact on financial statements disclosure quality of non banks in Nigeria.

5.2 Conclusion

The findings showed the correlations between the independent variables considered in the regressions: firm size, leverage and return on Asset, as independent variables in the model and ROA as a measure of profitability of non banks in Nigeria. The significance of the coefficients was calculated at the level of 5%. The study findings indicate that Firm size has a significant effect on financial statements disclosure quality of non banks in Nigeria and that such relationship is positive, and that such relationship is negative, Profitability has a significant positive effect on financial statements disclosure of non banks in Nigeria, and financial leverage has no significant impact on financial statements disclosure quality of non banks in Nigeria. This implies that the independent variables, financial leverage cannot be relied upon as a factor for financial statement disclosure quality for non banks in Nigeria as shown by correlation coefficients of the independent variables in the analysis.

53 Recommendations

In line with the findings of this study the following recommendations were put forward;

i. Since firm size has a significant effect on financial statements disclosure quality of non banks in Nigeria and that such relationship is positive. The study recommends a high consideration of increasing the company assets.

ii. Measures should be taken that will increase the profit base of the firms .

iii. It is recommended that highly qualified employees should be in the account department as this will in turn would increase the firm's financial statement disclosure quality since leverage has no significant effect on financial statement disclosure.