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Institutional Characteristics and the Understandability of Financial Reporting of Selected Listed Deposit Money Banks in Nigeria

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ABSTRACT
Financial reporting of listed deposit money banks is important for monitoring and to enhance decision making. To be able to achieve these functions it needs to be comprehendible for the users of account to make meaning from it. Hence, this study is designed to examine the effect of institutional characteristics on the understandability of financial reporting of selected listed deposit money banks in Nigeria. This study is hinged on the stakeholders' theory which explains the interaction between the dependent and independent variables and the business environment. The expost facto research design is used in this study and the type of data used is the secondary data which was gathered from the various audited annual reports of the sample banks selected. The population of this study is made up of the twelve listed deposit money banks in Nigeria out of which a sample size of ten were purposively selected. Multiple regression was used in examining the effect of the independent variable (institutional characteristics) on the dependent variable (understandability). The result of the data analysis shows that institutional characteristics have a low effect on the understandability of financial reporting of listed deposit money banks. However, it is concluded that institutional characteristics has a significant effect on the understandability of financial reporting of listed deposit money banks in Nigeria. It is therefore recommended from the study that to enhance understandability, the users and potential users of financial users of such report need to equip themselves with the knowledge of understanding the report.

Keywords: Financial Literacy, Institutional Characteristics, Quality Financial Reporting, Stakeholders, Understandability

I. INTRODUCTION

In contemporary time, firms have experienced unexpected wind-up even after the recent publications of financial reports which showed burgoos profit(Ogungbade, Adekoya&Olugbodi, 2021). They further explained that it is disturbing that such financial reports were actually vetted by auditors who gave them a clean audit report thus leaving stakeholders with doubt as to the quality of financial reports. Down the line, in response to the global demand for the improvement in the quality of financial reporting, the International Accounting Standards Board promoted the creation of the International Financial Reporting Standard (IFRS) (Olaoye&Aguguom, 2017). They posited that in the adoption of the standard by countries, transparency and comparability will be enhanced which will boost cross-border investment amongst other benefits. This is evidenced with the requirement of making more disclosures in the financial reporting preparation process which aims at promoting transparency in financial reporting.

Thus, IFRS is aimed at improving the quality (understandability) of financialreporting. However, despite the adoption of IFRS, there are still traces of low quality reporting as institutional features in various economies still have an influence on the financial reporting quality (Akman, 2011). Low financial reporting quality has contributed to the wind-up of businesses which marks the loss of investors' funds, the loss of employment for employees of such businesses (Ogbenjuwa, 2016). In addition, Ogungbade, Adekoya and Olugbodi (2021) show evidence of smoothening in earnings as a financial reporting quality issue which if not properly managed can have adverse effect on a firm. The main purpose of this study is to assess the effect of institutional characteristics on theunderstandability of financial reporting of listed deposit money banks in Nigeria.

II. REVIEW OF LITERATURE

1.1. Conceptual Review

Understandability

Understandability is an enhancing qualitative feature of financial reporting which refers to providing more information to enable users to comprehend the information (Herath&Albarqi, 2017). Beest, Braam and Boelens (2009) posit understandability to mean a well-structured annual report that also contains additional information explaining accounting or technical jargons used in the financials which promotes the ease in which users of financial report comprehend the information relayed through it. In this regard, Cheung, Evans and Wright (2010) state that the more comprehensible information passed through the financial reporting enhances the quality of understandability. Yurisandi and Puspitasari (2015) revealed that the level of understandability of information presented in the financial reports was significantly impacted on positively after the adoption of IFRS.

In measuring understandability, Beast, Braam and Boelens (2009) developed a financial reporting quality questionnaire which contains eight questions which are used in evaluating the annual report to understand the level to which it is understandable by user. Bauer (2015) explains that the inclusion of descriptive information further enhances the understandability of the financial reports prepared. Furthermore, Bauer (2015) posits that the provision of the law and regulatory requirement also do have an impact on the understandability of financial reports used.

Studies carried out on understandability are either carried out in form of a qualitative literature review or in form of survey research design. Braam and Beest (2013) confirmed that this is due to the difficulty in measuring qualitative features of financial report. In an attempt to measure understandability of financial reports, Beest, Braam and Boelen (2009) developed five items to capture the measurement of understandability. These items range from the inclusion of a glossary to explain non-familiar terminologies, the use of graphs, the non-utilization of technical jargons, the organization of the financial reports and the inclusion of notes to theaccounts presented. Beest and Bram (2013) actually posits that understandability is the first of the enhancing qualities of financial reporting. They further state that understandability is enhanced when financial information is presented concisely, well presented, classified, and characterized. Olaoye and Aguguom (2017) posits that understandability of financial reports lowers the cost of capital for the reporting firms hence, making it easier to access funds to carryout investments by the firms which facilitates the growth of the firm.

Institutional Characteristics

Shehu and Bello (2013) describe firm characteristics to mean the structure of a company which is unique to the company. As shown by Farouk, Magaji and Egga (2019) institutional characteristics is broader and does not just include only internal features (such as ownership structure, the size of the firm, age of the firm, corporate governance structure, financial leverage, financial performance amongst others) but also external features (such as regulated market, influence of the political environment, macro-economic features amongst others).

The review of literature shows that studies set to identify factors that affect financial reporting quality either focuses on internal or external features of institutions. For instance, studies that focus on internal features include those that centered on board structure or corporate governance structure (Eriabie&Izedonmi, 2016; Gajevszky, 2016; Ibrahim & Jehu, 2018; Osarumwense&Aderemi, 2016; Siyanbolaet al, 2019), and others on firm characteristics (Soyemi&Olawale, 2019). While those that focused on external features examined factors such as culture (Naghshbandi, Ombati&Khosravi, 2016; Rotberg, 2016; Zare&Mohammedi, 2016), regulatory environment (Adeniran&Efuntade; Dargenidou. Jaafar&Mcleay, 2014; Njam&Jahfer, 2016).

1.2. Theoretical Framework

Legitimacy Theory

The development of the legitimacy is framed by Dowling and Pfeffer in 1975. Legitimacy theory assumes that organization tend to align their activities with the norms of their environment (Dowling &Pfeffer, 1975).

Critics against this theory state that the theory shifts attention from those that are to be held accountable for the affairs and actions of the organization to just the actions of the organization (Mobus, 2005; Owen, 2008).

2.

Proponents of legitimacy theory suggest that the level of disclosure in corporate reporting by organizations is a function of environmental factors (Deegan, 2002; Milne & Patten, 2002). They further explain that firms disclose more when faced with pressure. They also suppose that firms that have good performance are motivated to disclose more information to attract more stakeholders and promote a good image. In relations with performance, Mahmood, Ahmad, Ali and Ejaz (2017) state that low performing firms have the tendency to disclose fictitious information which cannot be verified.

This theory clearly explains the effect of the independent sub-variables (capital market development and monetary policy rate) in this study in a bid to explain how they affect the quality of information as presented in the financial report. Hence financial reporting is done to meet the need of stakeholders with the highest legitimate right over the organization (Ashrafi, Magnan, Adams & Walker, 2020).

2.3. Empirical Review

In respect to financial reporting quality, various studies have been carried out in this regard all with a view of contributing to financial reporting quality. These studies have cut across firm characteristics, corporate governance mechanisms and the external environment of organizations to better understand how these different facets of organizations affect financial reporting quality.

Exiting studies on institutional studies and the understandability of financial reporting shows that there is a plethora of exiting literature in Nigeria related to institutional characterics and the understandability of financial reporting in Nigeria. For instance, Ogbonna and Ebimobowei (2011) assessed the ethical compliance of accountants and its effect on financial reporting quality in Nigeria. The survey research design was used in the study and correlation was used in analyzing the data gotten. They pointed out from their study that the ethical compliance of accountants significantly affects financial reporting quality positively.

Similarly, Adeyemi and Okpala (2011) carried out a study in Nigeria to assess the effect of audit independence on financial reporting. The survey research design was used in obtaining data. It was revealed that there is a significant positive relationship between audit quality and financial reporting quality in Nigeria.

Hassan (2013) also carried out a study in Nigeria, were various monitoring features of firms were assessed to see how they impact on financial reporting quality among manufacturing companies listed on the Nigerian Stock Exchange. The ex post facto research design was used in carrying out the study and the extraction of secondary data was done from the audited annual reports. It was discovered from the study that there is a positive relationship between monitoring features such as leverage, independent directors, audit committee, institutional shareholding, block shareholding and managerial shareholding on the quality of financial reporting.

Also in Nigeria, Madawaki and Amran (2013) assessed to check if audit committees have an effect on the quality of reporting among listed companies in Nigeria. The quantitative research method was used with the regression analysis adopted in processing the secondary data that was gotten from the audited annual reports of the selected listed companies. They revealed that the independence of the audit committee chairman and expertise of members of the committee all have a positive influence on financial reporting quality.

Similarly, Enofe, Aronmwan and Abadua (2013) examined the effect of audit committee report on thy of financial reporting in Nigeria. The survey method was used in obtaining primary data from respondents. The study revealed that audit committee report does not have any significant effect on financial reportingquality.

Also in the same direction, Onuorah and Imene (2016) assessed the effect of corporate governance on financial reporting qualityamong selected listed companies in Nigeria. The study points out that there is a strong relationship between board size, board independence, audit committee size and board experience on financial reporting qualityin Nigeria.

Osarumwense and Aderemi (2016) examined how financial literacy of members of audit committee, frequency of audit committee meetings had a significant effect on financial reportingqualityof listed companies in Nigeria. The expost facto research design was used in the study and secondary data was collected from the annual reports of the sampled companies. The result from the study reveals that financial literacy of audit committee members and the frequency of the audit committee meetings do have a significant positive effect on financial reporting quality of in Nigeria.

Similarly, Eriabie and Izedonmi (2016) assessed the effect of internal audit features on the quality of listed companies in Nigeria. The quantitative research method was used in carrying out the study and secondary data was collected from the annual reports of the sampled companies. They revealed that audit committee size, independence and frequency of the audit committee's meeting all have a positive effect onfinancial reporting quality.

In the same vein, Adeyemo, Eriabe, Adetiloye and Ben-Caleb (2016) investigated audit committee attributes and financial reportingquality among quoted companies in Nigeria. The expost facto research design was used in the study. They concluded from the study that audit committee size, independence, frequency of meetings has a significant positive effect on financial reportingquality.

Also in Nigeria, Moses, Ofurum and Egbe (2016) examined audit committee features and financial reportingquality of listed banks. The study used a quantitative research method and secondary data was collected for the study. The results revealed a contrary position that audit committee's independence does not have any significant effect on financial reportingquality. Similarly, Adebiyi (2017) undertook a study in Nigeria where board composition was examined to determine if there is a relationship between it and the quality of financial reports produced. The expost facto research design was used in undertaking the research while secondary data was collected for the study. It was shown from the study that board size and independence both have a positive relationship with financial reporting while board meeting has aninverse relationship with financial reporting. Also in Nigeria, Umobong and Ibanichuka (2017) x-rayed audit committee features on financial reporting quality of beverage firms in Nigeria. The quantitative research method was utilized in their study and they confirmed that audit committee independence, financial expertise of audit committee members, firm age and meeting frequency of audit committee all have a positive significant effect on financial reportingquality. In addition, Ibrahim and Jehu (2018) examined the effect of board composition on the quality of financial reporting in Nigeria. The expost facto research design was used in the study and secondary data were gathered from the annual reports of the sampled firms. The pointed out that non-executive directors have a significant effect on the quality of financial reports while board size does not have a significant effect on financial reportingquality. Also, Aifuwa and Embele (2019) investigated the effect of board features on financial reporting qualityin Nigeria. A mixed research method was used in the study. They pointed out that board expertise has a significant positive relationship with financial reporting quality.

However, board independence and diversity does not have a significant relationship with financial reporting quality. Finally, Chukwu and Nwabochi (2019) examined the influence of audit committee on financial reporting qualityin Nigeria but with focus on the insurance industry. The expost facto research design was used in carrying out the study. It was revealed that audit meeting frequency has a significant inverse relationship with timeliness of financial reporting. In other climes, Abu-Risheh and Al-Sa'eed (2012) examined the impact of corporate governance practices on financial reporting qualityin Jordan. They used a field survey research design in obtaining data which was analyzed using multiple regression analysis to deduce that good corporate governance practice impacts financial reportingquality.

Also, in the United Kingdom, Ghafran (2013) assessed the effect of the audit committee on financial reporting qualityusing the quantitative research method to collect secondary data from audited annual reports of the selected firms. It was discovered from the study that the frequency of audit committee meetings and ownership stake of members all have a positive effect on financial reportingquality.

In Indonesia, Rahmatika (2014) examined the impact on internal audit function on financial reporting qualityof a selected local government. The survey method was used hence primary data were collected and analyzed which revealed that the internal audit function has a significant effect on financial reporting qualityand on the governance of the selected entity in the study.

Similarly,in Indonesia,Afiah and Rahmatika (2014) also conducted a study to examine the factors that are influencing financial reporting qualityin a sampled local government. The survey method was used thus; primary data was collected. The result of the study showed that competence of staff and internal control all have a significant effect on financial reportingquality in selected local government in Indonesia.

In Bangladesh, Hasan, Abdullah and Hossain (2014) assessed the perception of external users of financial reports qualitypublished at Bangladesh. The survey research design was used in obtaining primary data from respondents. The result of the study shows that external users of financial reports in Bangladesh have a negative perception about the quality of financial reports produced in Bangladesh. In Romania, Gajevszky (2016) conducted a study to identify specific corporate governance features and how they influencefinancial reportingquality. The expost facto research method was used and secondary data were obtained. The result of the study shows that

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board independence and firm size improves financial reportingquality.

Rotich (2017) conducted a study to evaluate the effect of the features of the board on financial reporting qualityof firms listed on the Nairobi securities exchange in Kenya. The study adopted a mixed research design. It was pointed out from the study that board size and audit committee both have a positive significant effect on financial reportingquality. It also showed that board independence and the frequency of board meetings have a negative effect on financial reportingquality.

Al-Shaer, Salama and Toms (2017) investigated audit committee and financial reporting qualityin the United Kingdom (UK). Their study was carried quantitatively. The findings from this study shows that audit committee has a significant positive influence on financial reportingquality. Also, in Indonesia, Tambingon, Yadiati and Kewo (2018) conducted a study to assess if internal audit had impact on financial reportingquality. The survey research design was used in obtaining primary data from respondents. It was found out from the study that internal audit has impact on financial reporting quality.

In Thailand, Tontiset and Kaiwint (2018) examined the effect of corporate governance on the reliability of financial reports. The survey research design was also used and primary data was gathered. They opined that corporate governance has an effect on the reliability of financial reports. Similarly, Once and Cavus (2019) evaluated the influence of corporate governance on financial reporting quality in Turkey. They employed the expost facto research design and collected secondary data from the annual reports of listed firms which formed the basis of their study. They opined that corporate governance has an effect on financial reportingquality.

III. METHODOLOGY

The research design used to carry out this study is the expost facto design. The study population consist of the 12 listed deposit money bank according to the Central Bank of Nigeria in 2020. A sample of ten selected listed deposit money banks was made. The sample banks were chosen using the purposive sampling technique. The selected listed deposit money banks consist of those that are not subsidiary of a parent company. Secondary data was used in this study and they were gathered from 2011 to 2020. The annual reports of the selected banks over a time from ranging from The multiple regression model was used to assess the influence of the independent variable (institutional characteristics) on the dependent variable (understandability). The model is shown below:

$UN = \beta_0 + \text{Log } \beta_1 FGB + \text{Log } \beta_2 BFL + \text{Log } \beta_3 EQU + \text{Log } \beta_4 \text{ } LEV + \text{Log } \beta_5 DA + \text{Log } \beta_6 FSZ + \text{Log } \beta_7 FAge + e_i$

Where

β_0 = Intercept where QFR is zero

β_1 FGB = Number of Female Gender on the Board (Independent Variable)

β_2BFL = Number of Board members that are Financially Literate (Independent Variable)

β_3EQU = Equity Market Size/ development (Independent Variable)

β_4 LEV = Leverage (Independent Variable)

β_5DA = Deposit to Asset (Independent Variable)

β_6FSZ = Firm Size (Independent Variable)

β_7FAge = Firm Age (Independent Variable)

UN = Understandability (Dependent Variable)

e_i = error term

S/N	Variable	Definition	Type	Measurement	Author
1	FGB	Female Gender on the Board	Independent Variable	Proportion of female board members to male board members	Ilaboya&Lodikero (2017)
2	BFL	Board members that are financially literate	Independent Variable	Formal training to read and understand financial reports = 1, Formal professional qualification = 2	CAMA (2020)
3	EQU	Equity Market	Independent Variable	International authorization = 3 National authorization = 2 Regional	CBN (2021)

				authorization = 1	
4	LEV	Leverage	Independent Variable	Debt to Equity ratio	Guan and Porjalali (2010)
5	DA	Deposit to Asset ratio	Independent Variable	Total deposit divided by total asset	Mihaela (2015)
6	FSZ	Firm Size	Independent Variable	Natural Logarithm of total assets	Miheala (2015)
7	Fage	Firm Age	Independent Variable	Number of years from date of establishment	Subrahmanyam and Titman (2001)
8	Understandability	UND	Dependent Variable	Standardized Scoring Scale	Van Beestet al., (2009); Ahmed (2020)

Source: Researchers Compilation (2022)

IV. DATA ANALYSIS AND DISCUSSION OF FINDINGS

Both the descriptive and inferential statistics results are discussed here:

Table 2. Descriptive Statistics

	MEAN	STD-DEV	MIN	MAX
UN	0.50	0.089	0.33	0.67
FGB	0.21	0.089	0	0.4
BFL	14.55	3.73	5	26
EQU	2.6	0.49	2	3
LEV	7.38	4.03	1.65	35.39
DA	0.723	0.170	0.47	1.89
FSZ	28.02	0.91	25.78	29.79
FAGE	39.5	25.94	5	103

Source: Researcher's Computation

UN: The result further shows that understandability of the financial reporting among listed banks is 50% on the average. This means that the financial reporting process is fairly presented in a non-technical way that a financial literate can read and infer meaning from. In addition, the standard deviation result is shown as 8.9% which shows that the deviation from the average is not too far off. The result also reveals that the minimum score gotten during the period of study is 33% which is low. Meanwhile, the highest score observed during the period is 67% which is a little bit above average. This shows that financial reporting process of listed deposit money banks needs to be improved upon to be more easily understandable by financial literates.

Test of Hypotheses

Research Hypothesis: Institutional characteristics do not significantly affect the understandability of financial reporting of deposit money banks in Nigeria.

Table3: Estimation Results for Model Five

Estimation Techniques	**Pooled OLS Regression**			
Dependent Variable: UN	**Coeff.**	**Std. Err**	**T-Stat**	**Prob.**
Constant	-.2512	.3682	-0.68	0.497
FGB	.1633	.0980	1.67	0.099
BFL	-.0045	.0024	-1.85	0.067
EQU	-.019	.0245	-0.80	0.425
LEV	.0047	.0022	2.17	0.032
DA	-.0230	.0599	-0.38	0.702
FSZ	.0312	.0139	2.23	0.028
FAGE	-.0012	.0003	-3.35	0.001
Adjusted R^2	0.179			
F-Stat	$F_{(7,92)}$= 4.09 (0.00)			
Hausman Test	$Chi^2_{(6)}$ = 2.83 (0.829)			
LM Test	$Chi^2_{(1)}$ = 32.35 (0.00)			
Heteroskedasticity Test	$Chi^2_{(1)}$ = 0.03 (0.872)			
Serial Correlation Test	$F_{(1,9)}$ = 2.142 (0.177)			
Cross-Sect Dep. Test	-0.790 (0.429)			

Source: Researcher's Work (2022) **@Chosen Significant level of 5%**

$UN = \beta_0 + Log\ \beta_1 FGB + Log\ \beta_2 BFL + Log\ \beta_3 EQU + Log\ \beta_4 LEV + Log\ \beta_5 DA + Log\ \beta_6 FSZ + Log\ \beta_7 FAge + e_i$

UN = -.2512+ .1633FGB + -.0045BFL + -.019EQU + .0047LEV+ -.0230DA + .0312FSZ + -.0012FAge

T-test = -0.68 1.67 -1.85 -0.80 2.17 -0.38 2.23 -3.35

Post Estimations Test Interpretation

In order to determine the most suitable method of estimating the regression for model five which examined the effect of institutional characteristics on the understandability of financial reporting of deposit money banks in Nigeria among pooled OLS, fixed effects and random effects results as presented in Table 3 , the Hausman test was carried out; and based on the result of the test with the p-value of 0.829, that is, 82.9 percent which is greater than the 5 percent level of significance chosen for the study reveals that random effects is the most appropriate estimator according to its null hypothesis which states that there is presence of systematic difference in the model coefficients; thus, the study reject the null hypothesis.

Although, the Hausman test result revealed the appropriateness of random effects; however, the confirmation of the result of the Hausman test was carried out using 'LM for random effect' as this test helps to decide the appropriate model between the random effects and Pooled OLS regression. The results of the LM with p-value of 0.00, which is greater than the significance level of 5 percent; reject the appropriateness of fixed effects and the suitability of random effect in estimating the model four.

The model was tested for heteroskedasticity, and serial correlation to examine the robustness of the model. Heteroskedasticity test helps to examine whether the variations in the residuals of the model are constant over time or not; the null hypothesis states that the standard errors of the model are constant over time. This test was carried out using Breusch-Pagan/Cook-Weisberg test and the result of the heteroskedasticity with p-value of 0.87 which is greater than the 5 percent level of significance selected for the study is an indication of the presence of heteroskedasticity; that is the residuals of the model are not constant over time, thus the model is heteroscedastic. Based on this, the Walden statistics will be used to correct this effect on the model.

Also, serial correlation test was carried out to determine the existence of autocorrelation among the residuals and the coefficients of the model. According to Baltagi, (2021), autocorrelation problem causes the standard errors of the coefficients to be smaller than their actual value and the coefficient of determination (R-squared) to be higher than normal. The null hypothesis of the test states that there is no serial correlation (no first order of autocorrelation). The test was carried out using Wooldridge test and the result with p-value of 0.18 (that is, 0.18 percent) which is less than the significance level of 5 percent is an indication that serial correlation problem does exist in the model.

Conclusively, the diagnostic tests revealed that the model is non-linear, evidenced from Ramsey RESET test and has serial correlation problem. As a result of this; Pooled OLS Regression was used to estimate the effect of institutional characteristics on the understandability of financial reporting of deposit money banks in Nigeria.

Regression Equation Results

UN = β_0 +Log β_1 FGB + Log β_2BFL + Log β_3 EQU + Log β_4 LEV+ Log β_5 DA + Log β_6 FSZ + Log β_7 FAge + e

Model five in Table 3 examined the effect of institutional characteristics on the understandability of financial reporting of deposit money banks in Nigeria. The regression estimates results revealed that: Leverage (LEV) has a positive and significant effect on Understandability of financial reporting (UN) (β = 0.0047, p = 0.032). This implies that a percent increase in LEV will lead to 0.0047 percent increase in UN. This situation is similar with Firm Size (FSZ) as FSZ has a positive and significant effect on understandability of financial reporting (UN) (β = .0312, p = 0.03). This implies that a percent increase in FSZ will lead to a significant 0.0312 percent increase in UN.

Table 3 also shows that Female Gender on the Board (FGB) has a positive but non-significant effect on understandability of financial reporting (UN) (β = 0.1633, p = 0.099). This implies that a percent increase in FGB will lead to 0.1633 percent increase in UN.

Furthermore, Table 3 shows that Firm Age (FAGE) has a negative and significant effect on understandability of financial reporting (UN) (β = -0.0012, p = 0.001). This implies that a percent increase in FAGE will lead to -0.0012 percent decrease in UN. This is also the same situation with Board Financial Literacy (BFL) as BFL has a negative and non-significant effect on timeliness of financial reporting (UN) (β = -0.0045, p = 0.067). This implies that a percent increase in BFL will lead to 0.0045 percent decrease in UN. In addition, Equity size of Market (EQU) as EQU has a negative and non-significant effect on understandability of financial reporting (UN) (β = -.019, p = 0.425). This implies that a percent increase in EQU will lead to -0.19 percent decrease in UN. Similarly, Deposit to Asset (DA) as DA has a negative and non-significant effect on understandability of financial reporting (TI) (β = -0.0230, p = 0.702). This implies that a percent increase in DA will lead to 0.023 percent decrease in UN. Finally, the adjusted r square is shown as 0.179. This means that institutional characteristics in this study explains 17.9% of the understandability level of financial reporting of deposit money banks in Nigeria and that 82.1% of the changes in understandability is explained by other variables not captured in this study.

V. DECISION

Based on the probability of F-Statistics of 0.00 being less than the 5% chosen significant level of the study, this study thus decide that the null hypothesis for model five which states that "institutional characteristics does not have a significant effect on understandability of financial reporting of deposit money banks in Nigeria" be rejected.

Discussion of Finding

The result reveals that leverage and firm size have a significant positive effect on the understandability of financial reporting of deposit money banks in Nigeria. In addition, the female gender on the board have a negative effect that is not significant on the understandability of financial reporting of deposit money banks in Nigeria.

On the other hand, firm age has a negative significant effect on the understandability of financial reporting of deposit money banks in Nigeria. While board financial literacy, equity market size, deposit to asset ratio have a negative non-significant effect on the understandability of financial reporting of deposit money banks in Nigeria.

Overall, the null hypothesis was rejected which implies that institutional characteristics have a significant effect on the understandability of financial reporting of deposit money banks in Nigeria.

This finding further strengthens the position of Adeniran and Efuntade (2020) who reported that MNC in Nigeria complied with IFRS in order to boost comparability, relevance, understandability and reliability of financial reporting. This position is also maintained by Osasere and Ilaboya (2018) who opined that IFRS adoption has a significant positive effect on the qualitative features of IFRS adoption. However, in addition to the result of the various studies, this study has gone further to show that beyond accounting standard, other factors influence the understandability of financial reporting.

VI. CONCLUSION AND RECOMMENDATION

This study was carried out with the main objective of examining the effect of institutional characteristics on the understandability of financial reporting of listed deposit money banks in Nigeria. The result shows that institutional characteristics has a low effect on the understandability of financial reporting of listed deposit money banks in Nigeria. In conclusion, this study points out that institutional characteristics has a significant effect on the understandability of financial reporting of listed deposit money banks in Nigeria. Hence, it is recommended that to enhance understandability, users and potential users of financial report should equip themselves to be able to better understand the financial reports as produced by management.

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