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Human Capital Diversity and Financial Reporting Quality of Quoted Manufacturing Companies in Nigeria

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Abstract:
Financial reporting quality has been beset with the major problem of non-compliance to company's corporate governance, ethics, and a regulatory standard which is prevalent in the quoted manufacturing companies in Nigeria which incidentally affect their performance and also have a major impact on various human capital diversity. On the other hand, most financial statements do not reflect many factors that affect financial condition and the components of human capital diversity. It is based on this premise that the study investigated the effect of human capital diversity on financial reporting quality of quoted manufacturing companies in Nigeria.
The study employed survey research design. The population of the study was all the 66 manufacturing companies quoted on the Nigerian Stock Exchange (NSE). Stratified and purposive sampling technique was used and a total of six hundred and seventy (670) were distributed out of which 600 copies were properly filled and returned representing 89.55% success rate. The reliability test using the Cronbach Alpha is greater than 0.70. The data were analysed using descriptive and inferential statistics by employing the ordinary least square regression.
The study discovered that human capital diversity has significant effect on the financial reporting quality ($F_{4,\ 449)}$ = 118.4, $p < 0.05$).
The study concluded that human capital diversity has significant effect on the financial reporting quality of manufacturing companies in Nigeria. The study recommended that political influence, religious influence, social influence, and intellectual influence of human capital diversity should be taken seriously because it affects the relevance, faithful representation, comparability, verifiability, timeliness and understandability of financial information.

Keywords: *Financial information, financial reporting quality, human capital diversity, manufacturing companies, and non-financial information*

1. Introduction

Accounting information is paramount to business to the extent that it is capable of helping stakeholders to arrive at reasonable and reliable judgment on economic decision. Such decision will help to make qualitative investments decision (Soyemi & Olawale, 2019). For accounting information to be appropriate, it must be on time, have predictive value or feedback value or both (Farouk, Magaji & Egga, 2019). Financial reporting is synonymous with provision of quality accounting information to the stakeholders (Olowokure, Tanko & Nyor, 2016).

Financial statements should always provide reliable information to assist users in decision making. The statement should contain relevant, reliable, comparable, comprehensive, timely and understandable information (Farouk, Magaji & Eega, 2019). Reliability suggests that accounting information is free from error and faithfully represents what is intended (Soyemi& Olawale, 2019). However, Johnson and Zhang (2018) argued that annual reports can never be completely free from bias, because financial information is prone to human mistakes and difficult to separate from error which may be unintentionally included in the report.

Extreme lapses in accounting reports have given rise to high profile scandals that resulted not only in investor's losses but also in the loss of the reputation of the business which poses a problem for the entity (Soyemi& Olawale, 2019). The quality of financial reporting is affected by factors such as recognition of revenue and expenses on the income statement of cash flows, classification and measurement of assets and liabilities on the balance sheet (Ogbonnaya, 2020). According to Islak, Amiran and Abdul Manef (2018), financial reports lack comparative data and same companies may produce only sample column reports which are less informative and multi column reports due to the absence of comparative data. Ladegaard and Casten (2015) posited that poor quality reporting is caused by inaccurate, misleading and incomplete information.

The problems of poor reporting are: un-informed judgments, over stocking, loss of company credibility, and other inherent problems which may result to low cash flow in the organisation (Youseff, 2017). According to Ladegaard and Casten (2015), investors and stakeholders rely on financial statement to assess a company's worth, while management relies on internal financial report for sound decision making. Poor reports may result to making bad decisions or making investors lose money. These issues can also lead to legal hot water. An investor is interested in ascertaining that the net income reported accurately represented the company's activities for the period. In a situation of false reporting, the investors will make wrong investment decision (Nwaiwu & Aliyu, 2018).

Poor financial reporting will lead to missed business profitable opportunities. Such poor financial reporting can occur due to inefficiency of the management, low productivity, low profitability, lack of competition, high debt profit, increase of legal issues against the company and high cost of capital (Nworgu, 2018). Poor financial reporting has negative effects on the economy because it may raise significance problems in public management of economic resources. Economic resources are inputs to production of goods and services which could be land, labour, capital and technology (Alkali & Asma, 2015).

According to Bhovi (2016), business entity's success or failure depends on the human assets, like employee's caliber, skills, efficiency, creativity, ability and dedication of their resources towards success in the organization. On the treatment of human assets, the contribution is not adequately appreciated due to the non-recognition in the financial statements. Recent acceptance of fair value measurement for both tangible and intangible assets by both standards (IFRS and US GAAP) suggests a need for the recognition of HRA in future external financial reporting (Bullen &Eyler, 2013).

Accounting information is reliable to the extent that users can depend on the economic conditions or events that they claim to represent (Mahmoud, 2017). Verifiability depicts the provision of information without error or bias through the various books of account. This verification has three key elements which are; opinion of third party, assurance of economic events by the accountant/auditor, and confirmation by the managers (Youssef, 2017). This will make financial statements to be clearly presented by the managers and understood by the stakeholders (International Accounting Standard Board, IASB, 2008).

According to Soyemi and Olawale (2019), accounting information should be clearly presented for it to have meaningful impact to the stakeholders. This is because financial reporting has been a reliable document to outside users. Financial report itself is used in assessing the firm's economic performance and condition in the quest to monitor management's actions and assist in making economic decisions (Ogbonnaya, 2020). The broad aim of modern accounting is to provide information for informed financial decisions and judgments. To this end, information for this purpose is usually presented in financial statements such as the income statement and the balance sheet (Mahmoud, 2017). More so, it is paramount that all listed manufacturing companies should use statements of accounts prepared for media of communicating with shareholders and stakeholders as well (Ogbonnaya, 2020).

The problem of financial reporting quality could be attributed to non-compliance to company's corporate governance, ethics, and a regulatory standard which is prevalent in the manufacturing companies quoted in Nigeria (Dilek, Ozglir, Rutkay & Ceren, 2019). Also, financial statements do not reflect many factors that affect financial condition because they cannot be stated in monetary terms such as business model, competitive advantage, reputation and prestige of manufacturing with the public and manufacturing companies. It was observed that the roles of human capital diversity on financial reporting quality of manufacturing companies quoted in Nigeria have some problems to management (Nyor, 2016).

Accounting information in Nigeria seems to be weak compared to many developed countries and this has hampered growth of efficient equity markets (Mustapha & Erald, 2017). Analysts following the Nigerian market are far fewer than those in the developed markets (Siriyama & Norah, 2017). The regulatory scrutiny of the Nigerian market, thus, is argued to be lower than that of developed markets. Also, the Nigerian setting in terms of advancement and compliance, accounting standards, institutional structure, and corporate governance is different from those in the developed countries (Atkins, 2018).

As a result of available data from developed economy from the year 2000, high profile cases of firms' failure have been reported and connected to the negative earnings management of the directors through the use of accounting number manipulation to their own advantages to the detriment of the entity's interest (Sadiq & Othman, 2017). These notable cases include: Equitable Life Assurance Society (United Kingdom) case reported in 2000 that concerned directors misusing financial resources (Asma, 2015), Pacific Gas and Electric Company (United State of America – USA) in 2001 was closed due to mismanagement of the firm (CNN, 2001), Worldcom (USA) in 2001 where the directors used fraudulent accounting practices; Enron (USA) was reported in 2001 to be involved in fraud and accounting manipulation of number; Chiquita Brands Int. (USA) could not pay back its loans while its financial statements were showing a positive and robust image of financial health (Power, 2010).

In Nigeria, firm's financial reporting issues and different degrees of scandals were prominent in different sectors of the economy. In the year 2012, it was reported that 45 banks were involved in unethical practices which led to their liquidation between 1994 and 2012 (Egbo, 2012). Among the companies affected are Savannah Bank; Cadbury Nigeria Plc and Lever Brothers. In Nigeria, the corruption in Cadbury led to loss of confidence of the public and investors which affected the reputation of the company. As a result, the reputation of the company was severely damaged to the extent that most investors withdrew their investments. Also, in 2002, the license of Savannah bank was withdrawn due to fraudulent activities, mismanagement, corruption and other unethical practices by the bank officials, and poor liquidity and unavailability of adequate credits to deserving customers.

The major issue that stimulated the motivation for this study is the tendency for unethical and opportunistic behaviours leading to the flexibilities within the accounting standards for preparers of accounting information to choose accounting methods, policies and estimates of their choice to reflect future anticipation of manufacturing companies. However, they sometimes use this flexibility to distort financial information for self-serving purposes that do not show the firm's economic reality (Farouk, Magaji & Eega, 2019). Company's characteristics have been identified to have substantial role in explaining quality of financial reporting. A firm characteristic refers to those variables of motivations which are moderately sticky to manufacturing companies at various levels and across time (Nwaiwu& Aliyu, 2018). Therefore, the study examined human capital diversity and financial reporting quality of quoted manufacturing companies in Nigeria.

The main objective of this research was to evaluate the effect of Human Capital Diversity on the Financial Reporting Quality in quoted manufacturing companies in Nigeria.

Based on the research objectives, the following research questions were formulated and answered in this study.

To what extent does the Human Capital Diversity affect financial reporting quality of quoted manufacturing companies in Nigeria?

The hypothesis was tested.

- H_0: Human Capital Diversity does not have significant effect on the financial reporting quality of quoted manufacturing companies in Nigeria

2. Review of Literature

2.1. Conceptual Review

2.1.1. Financial Reporting

Today across the world, the provision and presentation of high quality financial reporting information is paramount because of its positive influence on capital providers and other stakeholders for economic and investment decisions (Ogbonnaya, 2020). Financial reporting involved recording financial information according to relevant accounting standards. According to Abubakar (2015), financial reporting quality included performance of an organization over a predefined timeframe. These Stakeholders included – investors, lenders, suppliers, and government organizations. According to Ogbonnaya (2020), as cited in Mehdi and Mohammed-Ali (2009), financial reporting is considered as the final result of accounting and should be an occurrence of openness and reliability document of organizations.

2.1.2. Financial Reporting Quality

Financial reporting is a qualitative statement that includes relevance, faithful representation, understandability, comparability, verifiability, and timeliness (Ogbonnaya, 2020). The analysis of this definition shows that the core value of accounting process is the providing of relevance and reliability of financial information (Brandt & Konstantinos, 2016). This shows that information provided must help investors and other stakeholders at all times (Francis, Olsson & Schipper, 2006)

Relevance, faithful representation, comparability, verifiability, timeliness, verifiability and understandability are considered as important factors that allow economic and financial decisions to be taken effectively and that professional accountants attach more attention to these qualities while preparing financial statements as required by IASB framework (Mbobo & Ekpo, 2016).

2.1.2.1. Relevance

Relevance of information in the financial report has its capacity and capability of influencing the decision making process of the stakeholders (De-meyere, Banwhede& Van-canwenberg, 2018). This simply means that information on the financial report must have the tenacity of influencing decision towards predicting value, and confirmation of specific item. This is to say that reports should reflect position and performance of the entity (Power, 2010).

2.1.2.2. Faithful Representation

Faithful representation means that the financial information is reliable and free from errors either material or immaterial. This implies that the financial report must be free from human manipulations and intentional mistakes that may lead to the wrong decision making process on the side of stakeholders, and such information will remain as it is for all the future use especially in trends analysis and financial statements comparison analysis (Ogachi, Chuma & Onsiro, 2013).

2.1.2.3. Comparability of Financial Information

Comparability of financial accounting information helps in making choices between many alternatives and substitutable cases in the decision making process by users. Users must be able to compare the financial statements of an enterprise through time in order to identify trends in its financial position and performance.

An important implication of comparability is that users will be informed of the accounting policies employed in the preparation of the financial statements, any changes in those policies and the effects of such changes. Users need to be able to identify differences between the accounting policies for transactions and other events used by the same enterprise from period to period and by different enterprises (Nyor, 2016). Compliance with Accounting standard, including disclosure of the accounting methods and policies used by the enterprise, helps to achieve comparability.

2.1.2.4. Timeliness of Financial Information

Timeliness indicates the availability of the report on time for the users to make informed and economic decisions before the core value of such information is lost (Alrshah, 2015). Accountants and management know that financial information is useful to the users for a specific and timely purpose before the reporting date (Amaoko, 2012).

2.1.2.5. Understandability of Financial Information

The understandability of financial information means that the users are able to read, interpret and make decisions from the financial reports prepared and presented to them (Akeju & Babatunde, 2017). Hence, accountants need to prepare and present financial report in a recognized language and provide comprehensive information about business activities of their entity which must be in compliance with the local GAAPs (Shahwan, 2008; Geoffrey, Holmes & Sugden, 2009).

The understandability of financial reports becomes pertinent if information is well-classified, clearly presented and consistency in presentation (Siriyama & Norah, 2017). Allen and Ramanna (2013), Jurij Renkas, Goncharenko and Lukianents (2016) showed that financial information is effective and useful when users of financial statements can comprehend and use the information to make informed and economic decisions (IASB, 2008).

2.1.3.6. Verifiability of Financial Information

This refers to the credibility of the information in the financial statements which aims at providing assurance in terms of the nature and in a legal form (Akeju & Babatunde, 2017). This means that the information can be verified and tested by the users to analyze the true position of the business and performance of the management as expressed in the report (Siriyama & Norah, 2017).

The verification can be done by carrying out a thorough physical evidence of assets and items recorded in the financial statement. The verification must be done in accordance with accounting measurement and recognition of events that had taken place in a given period of accounting (Ernest & Young, 2010; Gadau, 2012; Watson, 2012).

2.2. Theoretical Review

2.2.1. Human Capital Theory

This study was based on the Human Capital Theory proposed by Schultz (1961) and extensively developed by Becker (1964). The theory has its root from labour economics which is a branch of economics that focuses on general work force in quantitative term. The human Capital Diversity approach is used to explain or support occupational wage differential. However, it is viewed that education or training and development will not only increase employees' personal income, but it will also achieve corporate competitive advantage which reflects ultimately in organizational performance (Givoly & Hayn, 2000).

Human Capital Diversity is substitutable, but not transferable like land, labour or fixed capital. The relevance of the theory to this study was that it considered the cost of education, training, development and even workers' medical treatment as investments towards improved productivity of individual workers and also created a sort of competitive advantage which ultimately resulted in improved organizations performance. Thus, investments like other physical assets were reflected on the balance sheet to reflect such value of Human Capital Diversity on the balance sheet (Thankgod, 2015).

2.2.1.1. Signaling Theory

This theory indicates that companies with better performance usually have intentions of providing voluntary disclosures and this creates significant differences between good managers and bad ones. This theory enhances quality and makes it fundamental in provision of company's organizational performance and quality of relationship with other stakeholders (Unegbu, 2014).

This shows the managers should be willingly providing full information (signal), and that users must be able to interpret such information (financial information knowledge) in order to understand what the management has reported to them. Supporters of this theory (Aubert, 2010; Connelly, Certo, Ireland & Reutzel, 2011) also showed that financial reporting challenges can be overcome if this theory is significantly applied and that financial challenge of lack of capital can be minimized when the financial information is voluntarily disclosed. Again signaling theory application helps in information provision that reduces information asymmetry and provides capital market participant capacity in making financial and economic decision.

2.3. Empirical Review

Sani and Usman (2018) stated that financial reporting is not only a final output; the quality of this process depends on each part, including disclosure of the company's transactions, information about the selection and application of accounting policies and knowledge of the judgments made. Financial information issued by a company has become an essential resource for any market participant, since it provides a reduced amount of information asymmetries between managers, investors, regulatory agencies, society and other stakeholders. Therefore, one of the main questions that arise about the financial reporting is its effect on subsequent performance of a company (Siriyama & Norah, 2017).

A study carried out by Nyor (2016) titled 'regulation of financial reporting for accountability in public companies in Nigeria', sought to correlate the non-compliance with the financial standards and governance code in 20 selected public quoted companies on the Nigerian stock exchange (NSE) in the Delta State. The population of the study was made up of 20 public companies quoted on NSE. The instrument for data collection was questionnaire. Data collected was analyzed using percentages and chi - square.

Another study carried out by Shipper and Vincent (2018) titled 'The role of behavioral accounting for effective service delivery in corporate accounts of public companies' sought to ascertain the effect of corruption on corporate accounts and behavioral accounting as a measure to achieving public objective. It was found that behavioral accounting recognized the extent to which internal and external influences in the course of operating the system of accounting changed corporate objectives of the organization. A study titled 'Human Capital Diversity quality, Earning and the financial, non-earning performance' was conducted by Jarostia (2016) using time series regression analysis.

It was concluded that the performance of Human Capital Diversity was based on the value and influence they received within and outside the organization. Eniola and Akinselure (2016), in a study of an empirical analysis of the relationship between Board of Director's contributions, are part of the value and influence of the Human Capital Diversity within and outside the organization.

Efobi and Okougbo (2015) posited that financial statements should have significant measurement of company's performance. The findings in the study revealed the timeliness of manufacturing companies' age (Akeju & Babatunde, 2017). Leventis and Weetman (2012) posited that listed companies in Greece meet the financial reports publication deadline even if there is a variation in terms of their period of ending the financial year. This shows that timeliness is well understood in the reporting entities, and this is significantly affecting information disclosure, decision making, and saving costs of information (Atkins, 2018).

In a study carried out by Frank and Baderu, it was revealed that there is difference in financial reporting timeliness in industry sectors and country regulations and that banking industry is the best industry that reports on timely basis (Iyoha, Ojeka & Ajayi, 2014; Iyoha, 2012). Luypaert, Van-Caneghem and Van-Uytbergen (2016) posited that small and medium enterprises in Belgian report late and do not meet the legal reporting time and this affects their performance due to monetary sanctions which are used to improve their level of timely reporting deadlines.

3. Methodology

The study adopted survey research design through primary data to accomplish its objective. Questionnaire was used to collect data from respondents. The questionnaire was centred on the statements that measure human capital diversity and financial reporting quality from different stake holders and helped in collating the opinions of respondents in a logical and orderly manner.

The models specified in this study were in line with the specific objectives achieved. The study measured the effect of human capital diversity and financial reporting quality of quoted manufacturing companies in Nigeria. This was done by considering the effect of all explanatory variables on each of dependent variables and were for quantitative measures

Y = Financial Reporting Quality = FRQ (dependent variable)
X = Human Capital Diversity = HCD (independent variable)
$Y = f(x)$
$Y = f(x_1, x_2, x_3, x_4)$
Where,
y_1 = Relevance (REL)
y_2 = Faithful Representation (FAR)
y_3 = Comparability (COM)
y_4 = Timeliness (TIM)
y_5 = Understandability (UND)
y_6 = Verifiability (VER)
Where;
x_1 = Political Influence (POI)
x_2 = Religious Influence (REI)
x_3 = Social Influence (SOI)
x_4 = Intellectual Influence (ITI)

Functional Relationship

REL = f(POI, REI, SOI, ITI) Equation I
FAR = f(POI, REI, SOI, ITI) Equation II
COM = f(POI, REI, SOI, ITI) Equation III
TIM = f(POI, REI, SOI, ITI) Equation IV
UND = f(POI, REI, SOI, ITI) Equation V
VER = f(POI, REI, SOI, ITI) Equation VI

Functional Models

$REL = \beta_0 + \beta_1 POI + \beta_2 REI + \beta_3 SOI + \beta_4 ITI + \varepsilon$ .... Model 1
$FAR = \beta_0 + \beta_1 POI + \beta_2 REI + \beta_3 SOI + \beta_4 ITI + \varepsilon$ .... Model 2
$COM = \beta_0 + \beta_1 POI + \beta_2 REI + \beta_3 SOI + \beta_4 ITII + \varepsilon$ .... Model 3
$TIM = \beta_0 + \beta_1 POI + \beta_2 REI + \beta_3 SOI + \beta_4 ITI + \varepsilon$ .... Model 4
$UND = \beta_0 + \beta_1 POI + \beta_2 REI + \beta_3 SOI + \beta_4 ITI + \varepsilon$ .... Model 5
$VER = \beta_0 + \beta_1 POI + \beta_2 REI + \beta_3 SOI + \beta_4 ITI + \varepsilon$ .... Model 6

4. Data Analysis, Results and Discussion of Findings

4.1. Descriptive Statistics

The target respondents in the study are the employees of quoted manufacturing companies in Nigeria. The number of copies of questionnaire that were administered to the selected quoted manufacturing companies was six hundred and seventy (670). A total of 600 copies of questionnaire were properly filled and returned. This represented an overall successful response rate of 89.55% as shown on Table 4.1. The remaining 70 questionnaires were not returned and not useful for the purpose of this study. Bryman and Bell (2015) ascribed that a response rate of ≥50% is adequate for a descriptive study and inferential analysis. Therefore, 89.23% is adequate for the study.

Category	Frequency	Percentage (%)
Number of Questionnaires Distributed	670	100%
Numbers Retrieved and Fit for Analysis	600	89.55
Numbers Not Retrieved	70	10.45

Table 1: Response Rate of the Study
Source: Author's Computation (2021)

Respondents Characteristics	Frequency	Cumulative Frequency	Percentage (%)	Cumulative Percentage (%)
Gender				
Male	284	284	47.3	47.3
Female	316	600	52.7	100
Age:				
25-35 Years	300	300	50	50
36-45 Years	119	419	19.8	69.8
46-55 Years	85	504	14.2	84
56-65 Years	64	568	10.7	94.7
65 Years and above	32	600	5.3	100
Educational Qualification:				
HND/BSc	365	365	60.83	60.83
Master's Degree	157	522	26.17	87
PhD	68	590	11.33	98.33
Others	10	600	1.67	100
Years of Experience				
2-5 Years	300	300	50	50
6-10 Years	170	470	28.33	78.33
11-15 Years	66	536	11	89.33
16-20 Years	40	576	6.67	96
20 Years and above	24	600	4	100

Table 2: Descriptive Statistics of Respondents
Source: Author's Computation (2022)

4.1.1. Interpretation

Table 2 shows that 284 respondents representing 47.3% were males, while 316 respondents representing 52.7% were females. This indicates that both males and females participated in the survey. In addition, the results show that 300 respondents representing 50% were between the ages of 25 and 35 years; 119 respondents representing 19.80% were between the ages of 36 and 45 years, the age group 46-55 years was composed of 85 respondents representing 14.2%; the age group 56-65 years consisted of 64 respondents representing 10.7%, while respondents of 65 years and above were made up of 32 respondents which accounted for 5.3% of the population. In summary, majority of the respondents (84%) had ages ranging between 25 years and 55 years. It is in tandem with the expectation of this study that mature adults, who are occupying positions of authority among the stakeholders of the Nigerian capital market, would participate in the study.

Furthermore, there is evidence that 365 respondents representing 60.83% possess HND/B.Sc. as their academic qualifications, while 157 respondents representing 26.17% had Master's Degree. In the same vein, 68 respondents representing 11.33% possess Doctor of Philosophy Degree (PhD), while 10 respondents representing 1.67% did not indicate their education level. In summary, majority of the respondents (98.33%) had educational qualifications ranging from first degrees to doctorate degree. This high level of education on the part of the respondents would add credibility to the opinions supplied by them and this will accord with the a-priori expectation of this study that target respondents would be educated individuals occupying positions of authority and who would be capable of being entrusted to take vital investment decisions on behalf of their companies listed on the Nigerian Stock Exchange (NSE).

The table also indicates that 300 respondents representing 50% had related working experience ranging between 2 years and 5 years; 170 respondents representing 28.33% had related working experience ranging between 6 years and 10 years; 66 respondents representing 11% had working experience ranging between 11 years and 15 years; 40 respondents representing 6.67% had working experience ranging between 16 years and 20 years, while 24 respondents representing 4% had working experience of 20 years and above. Years of working experience by the target respondents was regarded by the researcher as a key factor in selecting those respondents who would express their views on the desirability or otherwise of the adoption of financial reporting in Nigeria among entities listed in Nigeria. Consequently, this study, as revealed on Table 4.2 showed that working experiences of majority of the respondents on whom the instruments were administered (89.33%) ranged between 2 years and 15 years. These years of cognate experience on the concept of financial and other forms of corporate reporting would add credibility to views expressed by them.

4.2. Hypothesis

- Research Objective: Evaluate the effect of human capital diversity on financial reporting quality in manufacturing companies quoted in Nigeria
- Research Question: What is the effect of human capital diversity on financial reporting quality of manufacturing companies quoted in Nigeria?
- Research Hypothesis: There is no significant effect of human capital diversity on financial reporting quality of manufacturing companies quoted in Nigeria

Dependent Variable: frq						
Variable	**Coefficient**	**SE**	**T- Test**	**Prob**	**Tolerance**	**VIF**
POI	.378	.038	8.191	.000	.628	1.858
REI	.260	.027	4.219	.000	.459	1.488
SOI	.234	.034	6.894	.000	.358	1.425
ITI	.235	.028	4.914	.000	.792	1.490
F-Statistics	118.4			0.00		
Adjusted R Square	0.69					

Table 3: Human Capital Diversity and Financial Reporting Quality

Notes: The dependent variable is Financial Reporting Quality (FRQ); the independent variables are Political Influence (POI), Religious Influence (REI), Social Influence (SOI) and Intellectual Influence (ITI). ** And *** indicates statistical significance at 5 and 1 per cent respectively.

4.2.1. Interpretation

FRQ = $\beta_0 + \beta_1$POI + β_2 REI + β_3SOI + β_4ITI + ε .... Model 7

FRQ = β_0 + 0.378POI + 0.260REI + 0.234SOI + 0.235ITI + ε .... Model 7

The regression estimate of the model above shows that political influence, religious influence, social influence and intellectual influence have positive effect on financial reporting. This is indicated by the signs of the coefficients, which are 0.378, 0.260, 0.234 and 0.285 for POI, REI, SOI and ITI. The coefficients with positive effect are consistent with a-priori expectations.

From Table 3, the sign of the coefficient of the independent variables shows that political influence has a positive effect on financial reporting quality, with a coefficient of 0.378, this positive effect is statistically significant as the t-statistic significance level shows 0.000 which is less than 0.05 the chosen level of significance for this study.

Table 3 also shows that religious influence has a positive effect on financial reporting quality, with a coefficient of 0.260; this positive effect is statistically significant as the t-statistic significance level shows 0.000 which is less than 0.05. Finally intellectual influence has a positive effect on financial reporting quality also, with a coefficient of 0.285; this positive effect is statistically significant as the t-statistic significance level shows 0.000 which is less than 0.05 the chosen level of significance for this study. Social influence has a positive effect on comparability of financial reporting quality also, with a coefficient of 0.234; this positive effect is significant as the t-statistic significance level shows 0.00 which is less than 0.05. Finally intellectual influence has a positive effect on financial reporting quality. Also, with a coefficient of 0.285, this positive effect is statistically significant as the t-statistics significance level shows 0.000 which is less than 0.05 the chosen level of significance for the study.

The Adjusted R-square of the model is 69%. This suggests that variations in financial reporting quality of the sampled population can be attributed to all our independent variables put together (human capital diversity), while the remaining 31% variations in comparability of financial reporting quality are caused by other factors not included in this model.

However, the F-test showed a probability value of 0.00 which indicates that the effect of all explanatory variables on financial reporting quality is statistically significant because the probability value (0.00) is less than 5%, the level of significance adopted for this study. Therefore, the model is statistically significant. Thus, the null hypothesis that human capital diversity has no significant effect on comparability of financial reporting quality is rejected.

The variance inflation factor (VIF), which shows the collinearity of the model for each exogenous variable, shows that the variables have no multi-collinearity problem; this is because the VIF for all the variables are below a statistical value of 10.

Decision: At a level of significance 0.05, the F-statistics is 118.4, while the p-value of the F-statistics is 0.00 which is less than 0.05 level of significance adopted. Therefore, the study rejected the null hypothesis which means that Human Capital Diversity has significant effect on financial reporting quality in quoted manufacturing companies in Nigeria.

4.3. Discussion of Findings

4.3.1. Discussion of Findings on Human Capital Diversity and Financial Reporting Quality

The hypothesis of the study was on the effect of human capital diversity on financial reporting quality among Nigerian listed firms. The regression estimate of the model shows that political influence and social influence has a positive effect on financial reporting quality, while religious influence and intellectual influence has a negative effect on financial reporting quality. This is indicated by the signs of the coefficients, which are 0.378, 0.260, 0.234 and 0.285 for POI, SOI and ITI. The coefficients with positive effect are consistent with a-priori expectations.These findings correspond to the results reported by Olaoye, Nwaobia and Oshadiya (2016) that corporate governance has significant effect on the price earnings ratio of manufacturing companies in Nigeria. Pointing out that corporate governance by using Corporate Social Responsibility (CSR), as proxy, has a significant effect on the earning per share of manufacturing companies in Nigeria. The result also corroborates with the findings of Ogundana, Ojeka, Ojua and Nwaze (2017) which states that there is a significant relationship between the internal audit characteristics and the quality of accounting information of Big Four representative of the accounting firms in Nigeria.

4.4. Implication of Findings

The findings of this study can be beneficial to different participants in the organization (the board, management, shareholders, and other stakeholders), corporate leaders and accountants, policymakers (SEC, FRCN, ICAN, ANAN and government agencies), and researchers as the study provides empirical evidence on the impact of human capital diversity on financial reporting quality of quoted manufacturing companies in Nigeria. The implications are as stated below:

4.4.1. Implication for Policymakers/Regulatory Bodies and Researchers

The findings of this study are relevant to regulatory bodies (like FRCN, SEC and CBN) as well as professional bodies (like ICAN and ANAN). The result of the study shows that the extent of quality of the current corporate disclosures in Nigeria is slightly above 100% as shown in Table 4.2, and this could be improved with inclusion of human asset in financial reporting in Nigeria. Financial reporting quality is another concern that regulators must look at to promote stakeholder interest, as manufacturing companies do not strive to report for the sake of it but to encourage high quality reporting through the diversity of human capital which significantly and positively influenced the decision of the stakeholders.

Also, the finding serves as a basis and helps to appreciate the need for the inclusion and appreciation of the human assets through disclosures and regulations because there is evidence that the diversity of the human assets positively influenced the quality of reporting. The low Adjusted R^2 of 0.49 for human capital diversity on quality of financial report combined under study implies that all hands must be on deck by all (regulators, practitioners, and academics) to capture more variables that could ensure quality reporting. Thus specifically, the study presents credible evidence to researchers to investigate more on human capital diversity on financial reporting quality in Nigeria.

4.4.2. Implication for the Board and Management of Quoted Companies

The empirical evidence of the study suggested that the measures of human capital diversity (relevance, faithful representation, comparability, timeliness, understandability and verifiability) have significant influence on the quality of financial report of quoted manufacturing companies in Nigeria. This implies that the board of the manufacturing association of Nigeria (MAN) should identify with the importance of human capital diversity and adopt it as primary objective of the organization's leadership that can contribute significantly to the sustainability of the business.

The result also supports the fact that there is a significant difference between the values created by human asset through diversity on financial report and report prepared without proper treatment of the human asset. The implication of the findings to the management of these firms is that the treatment of human assets by the management could ensure effective and efficient management of human resources at their disposal to maximize stakeholders' wealth.

4.4.3. Implication for Shareholders and Other Stakeholders

Empirically, the findings presented in Table 4.2 shows that human capital diversity has significant relationship with the financial reporting quality. The implication of the findings is that improvement in human capital diversity has enhanced the quality financial report available to the other interested stakeholders and that has enabled a more efficient and productive allocation of capital. Thus, because of human capital diversity and financial reporting quality, the protection of the stakeholders' interests is guaranteed.

Adjusted R^2 figures depict that there are more factors that could drive quality of financial reporting apart from variables used in the study. Thus, this study will have relevance to stakeholders and shareholders to be aware of the importance of the diversity of human capital.

4.4.4. Implication for Corporate Leaders and Accountants

The relevance of the findings to the corporate leaders and accountants is to assess their level of treatment of human capital. Through this study, corporate leaders would see the state of current treatment and application of human asset that could not effectively enhance the quality of reporting. Corporate leaders must embrace human resource management, while accountants could see that more is required of them beyond numbers. Thus, this study would enable corporate leaders and accountants to understand the depth of application and treatment of human assets and explore how human capital diversity will improve the quality of reporting.

5. Conclusion and Recommendations

The necessity for producing quality financial report has, thus, received great attention all over the world. Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment decisions, credit and similar resource allocation with a view to enhancing overall market efficiency. It is on this premise that this study examined the effects of human capital diversity on financial reporting quality among companies listed on Nigerian Stock Exchange.

From the findings of the study, it was concluded that human capital diversity through political and social influence significantly affects the relevance of financial information in Nigeria. Human capital diversity through political and social influence also has significant relationship with the financial reporting quality in Nigeria.

The study examined the stakeholders' perception on effects of integrated reporting on financial reporting quality among companies listed on Nigerian Stock Exchange. From the results of the findings, the following recommendations are made:

- Financial information should be a product of a well-structured financial accounting system, so that the financial statements convey information to users for decision making. It should provide true and fair information about the under-lying past financial position and financial performance of an entity, and it must be transparent for decision makers as well as the stakeholders which will be implemented by relevant regulatory authorities.
- The importance of prompt presentation of financial information cannot be overemphasized. Thus, for any financial information to be relevant and useful for investment and financing decision making, it must be presented at the right time. The implication of this is that when financial information is not time based, it loses its value for decision making needs so that such decision may help to take advantage of informed business opportunities and decisions.
- A relevant annual report should contain financial and non-financial information that are useful for clarification of decision to be taken on major components of the financial statement. Both financial and non-financial should be able to provide business opportunities, risks and other useful business strategies.
- Accounting reporting quality emphasizes that management of companies especially those that are quoted on capital markets should provide relevant information willingly and have to provide more qualitative financial information accompanied by complete disclosures in order to evaluate and examine the future cash flows activities of the business in order to attract investors and procure more financial resources because financial reporting quality has a direct or indirect powerful effect and influence on cost and procurement of capital.

6. Contribution to Future Research

The study serves as a reference for further study on the diversity of the human asset in the area of quality financial reporting that promotes the image of the organization. This will go a long way in encouraging investors and other users of the financial reports in making economic decision.

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