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

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Abstract:
Deposit money banks play an important role in any economy as they maintain balance in the economy by moving funds from the excess area of the economy to the deficit are of the economy. Appropriate control and monitoring is needed to ensure their sustenance. In this regard, quality financial reporting helps to monitor the activities of the bank. Hence, this study is aimed at examining the effect of institutional characteristics on the faithful representation of financial reporting of selected listed deposit money banks in Nigeria. This study is pitched on the theoretical lens of agency theory. The study population was made up of the twelve listed deposit money banks in Nigeria out of which a sample of ten was intentionally satisfied. Secondary data was collected from the audited annual reports of the selected banks over a ten-year period. The multiple regression model was used to examine the effect of the independent variable (institutional characteristics) on the dependent variable (faithful representation). The result shows that institutional characteristics have a moderate effect on the faithful representation of financial reporting of listed deposit money banks in Nigeria. It is concluded from the study that institutional characteristics has a significant effect on the faithful representation of financial reporting of listed deposit money banks in Nigeria. It is recommended from the study that accounting standards be developed to take care of institutional characteristics as they affect the financial reports.

Keywords: *Faithful representation, financial reporting, financial literacy, institutional characteristics, leverage*

1. Introduction

The need for quality reporting can be traced right to the beginning of reporting itself. This is evidenced in the creation of auditing which name is derived from the root Latin word 'audire' which means to listen (Owolabi, Jayeoba&Ajibade, 2016). Beest, Braam and Boelen (2009) confirmed financial reporting quality to be a broad term covering not only the disclosure of financial information but also of non-financial information with a view to assisting users of the financial report to take meaningful financial decisions. IASB (2008) on the other hand, gives a more explicit meaning of quality financial reporting. It explained it as financial information not lacking in fundamental (relevance and faithful representation) and enhancing (timeliness, comparability, verifiability and understandability) qualities. In this regard, Akinyemi, Okoye and Izedonmi (2015) traced regulation of financial reporting to as early as the reign of the Babylonian empire between 2035BC to 2017BC. During this period, the aim of ensuring faithful representation of the economic reality of reporting entities was in order to enable government raise appropriate taxes.

The challenge of producing quality financial report has significantly been observed as a need since the 18th century when the first industrial revolution took place which led to ownership being separated from management and created a need for stewardship report of the activities of the management (agent) to the owners (principal) of the business (Akinyemi, Okoye&Izedonmi, 2015). However, both parties are prone to pursuing their egoistic desire thus creating the possibility of management sacrificing the quality of faithful representation of financial reporting prepared through the accountants which leads to the problem of information asymmetry, meaning that although financial reports are prepared and presented, there are chances that it does not capture the full economic position (i.e. lacking in faithful representation) of the reporting firm (Siyanbola, Ogbebor, Okeke&Okunade, 2019). Also, corporate failures without any indication from the financial reports, is not an occurrence of the 21st century as it has existed in earlier centuries and is attributed to financial reporting lack in faithful representation of transactions (Aifuwa&Embele, 2019). According to the International

Accounting Standard Board, they show that any financial report that doesn't possess the qualitative financial reporting features which are faithful representation, relevance, comparability, timeliness and understandability are considered to be of low quality. Low quality financial reporting consists of reports which are manipulated by management (agent) in order to retain their jobs and entitlement to perks (Hassan, 2013). Low quality reporting has been linked to accounting scandals and the wind-up of multi-national corporations (Elkhashen&Ntim, 2018).

Furthermore, the International Accounting Standards (IAS) which was commonly used amongst European countries even though countries were allowed to either adopt these set of standards or adapt it gave room for differences in the preparation of financial reports amongst countries that used IAS (Ogbenjuwa, 2016). This differences made comparability of accounting information difficult which hindered the flow of capital across borders (Olaoye&Aguguom, 2017). Despite the efforts to adopt a common set of accounting standard, the problem of comparability of financial reports still persists (Chung, 2017; Mbobo&Ekpo, 2016). This therefore can impede the flow of cross border investments and limit the economic activities or growth of firms.

The main objective of this study is to examine the effect of institutional characteristics on the faithful representation of financial reporting of deposit money banks in Nigeria. The subsequent part of this study consist of review of literature, methodology, data analysis and discussion of findings and the conclusion and

2. Review of Literature

2.1. Conceptual Review

2.1.1. Faithful Representation

Faithful representation is also a fundamental qualitative feature of financial reporting that depicts that the information disclosed in the financial reports are complete, free from material error and neutral (Beest, Braam&Boelen, 2009). Caglio and Cameran (2017) explains that faithful representation means that the information presented is complete and free from bias i.e. obligations (liabilities) and economic resources (assets), outflows (expenses) and inflows (income), are fully represented in the financial reports. In view of this, Mahboub (2017) state that the auditors' report improves the qualitative feature of faithful representation as it's an attestation to the complete nature and the level of biasness of the financial reports produced. However, Beest, Braam and Boelen (2009) posit that financial reports cannot be a hundred percent free from bias as certain information are measured and presented based on uncertainty. In view of this, Aifuwa and Embele (2019) states that assumptions and estimates when deduced to relate closely with the present economic reality shows a reflection of faithful representation.

Mbobo and Ekpo (2016) also posits that the measurement of faithful representation is difficult. However, Beest, Braam and Boelen (2009) develop a measuring scale which weighs five major areas believed to revolve around the relevance of financial reports which are namely: accuracy (i.e. freedom from material error), completeness, verifiability and neutrality. Owolabi, Okere and Adeleke (2020) state that in evaluating estimates in being faithfully representative and devoid of material errors, the notes to these estimates need to be closely weighed for consistency.

Addressing the construct of neutrality, Owolabi, Okere and Adeleke (2020) state that it refers to the full disclosure of both favorable and unfavorable events in the financial reports. Mahboub (2017) state that verifiability is achieved through an unqualified audit report in which the auditor confirms that the information disclosed in the financials are genuine and an actual representation of the events that have occurred.

Yurisandi and Pupitasari (2015) evaluate the impact of IFRS adoption and implementation on the level of faithful representation of financial reports and discovered that the level of faithful representation after the adoption of IFRS declined. However, Beest, Braam and Boelen (2009) explain that auditors report and reports on corporate governance framework in an organization are among the factors that can influence the level of faithful representation directly in the financial report. Elkhashen and Ntim (2018) explain that culture also affect the way various entities react and applies to the same accounting standard. Hence the presentation of certain economic phenomena is represented slightly in different ways which doesn't represent faithful representation. Furthermore, Poretti, Schatt and Jeremy (2020) opined that a judgement free accounting is not realistic. In measuring the faithful representation of financial reports, the accrual model can be used but according to Putri and Indriani (2019), it does not realistically capture faithful representation of financial reports.

2.1.2. Institutional Characteristics

However, the definition on institutional characteristics adopted for this study defines it as those variables which have an influence over the activities of a firm and which are positioned at different levels (Farouk, Magaji&Egga, 2019). This definition provides the conceptual basis for examining both internal and external features on financial reporting quality which unlike previous existing studies gives a more holistic view on the factors that influences the activities of a firm. Based on the conceptual background given, this study examines both internal features (female gender on the board, financial literacy of board members, leverage, deposit to asset ratio, firm size and firm age) and external feature (equity market size or development) on financial reporting quality of listed deposit money banks in Nigeria.

2.2. Theoretical Framework

2.2.1. Agency Theory

The development of the agency theory is credited to Jensen and Meckling (1976) who explained that both principal and agent have their own interests which vary hence, identified various factors that help to lessen this gap in interest. The factors identified include monitoring activities by the principal, labor market, incentive structure and information asymmetry. An early contribution to the foundation of the agency theory can be traced to the work of Adam smith in 1937 titled 'the wealth of nations'. Smith (1937) posited that firms not managed by the owners might not be fully managed for the interest of the owners. Further to this, there have been more contributions to the development of the agency theory which further showed the agency problem (Arrow, 1971; Pand&Leepsa, 2017; Wilson, 1968), agency cost (Jensen &Meckling, 1976; Pand&Leepsa, 2017) amidst other matters revolving around the agency theory. They further stated that for the maximization of a firm's value, the proper interaction between the various actors in the firm needed to be achieved.

Eisenhardt (1989) dissected the views on agency theory into two which are the positivist view and the behavioral view. From their perspective, the agency relationship exists under both views. However, the positivist view is focused more on the problem and cost in the agency relationship while the behavioral view seeks to explain the variances in their appetite to risk amidst other behavioral factors.

Pand and Leepsa (2017) highlighted various factors that contributed to the agency problem which includes separation of ownership from control, risk preference, duration of involvement, limited earnings, decision making, information asymmetry, moral hazard and retention of earnings.

Although, the significance of this theory, it has been criticized for focusing on just principal (shareholders) and agent (management) cost and focusing on just the agent as opportunists where in the real sense, the principal just as the agents can also be involved in the deceit and exploitation of the agents (Perrow, 1986; Pepper & Gore, 2012).

Financial reporting is linked to the agency relationship (Ronen &Balachandran, 1995; Watts & Zimmerman, 1983). This linkage can be further explained in the various agency problems of information asymmetry, moral hazard and decision making. As quality financial reporting will bridge the information asymmetry gap between principal and agent, ensure agents are aligned with the principal as the agent's activities will be captured in the financials hence, the agent will be forced to align behavior with the expectation of financial reporting. Also, with respect to decision making, quality financial reporting will enable the principal take decisions from a more informed perspective which points to the need for quality financial reporting to provide manager with a clear basis for taking decisions. Proponents of the theory further explains that monitoring helps to reduce the problems such as information asymmetry and moral hazard. that may arise from the agency relationship (Panda &Leepsa, 2017).

The theory suffers some limitations such as the assumption of a contractual relationship between principal and agents which helps in moderating the relationship to reduce the agency problems identified (Shleifer&Vishny, 1997). However, the theory fails to adequately capture managers as opportunist and limits the role of the board to monitoring and ignores the competence of managers. There have been studies to resolve the agency problem, however, the research on the ways to resolve the agency problem is still ongoing with various remedies suggested such as the board of directors' composition (Rosenstein & Wyatt, 1990), the market (Fama, 1980; Kini, Kracaw&Mian, 2004), the firm features such as dividend policy, level of leverage, ownership structure etc. (Core, Holthausen&Larcker, 1999; Frierman&Viswanath, 1994; Park, 2009).

This theory is relevant to accounting and finance. Alchian and Demsetz (1972) explained a firm to be as a collection of contracts between man, machine, material and land. This they likened to the agency theory where a contract exists between the principal and agent.

A critical look at some of the remedies identified from literature on agency theory elucidates the reason for the roles as independent variables in this study on the quality of financial reporting. This theory shows that institutional characteristics if properly structured will enhance the quality of financial reporting and reduce the level of information asymmetry.

2.3. Empirical Review

A review of existing literature will enhance a better understanding of what has been done under the main themes which show varying results and assist in identifying the different methods which have been used in carrying out these studies.

In respect to existing studies that have examined the relationship between various components of institutional characteristics and faithful representation, there appear to be two main streams of studies which is made up of those who agree that institutional characteristics have a relationship with faithful representation and those with contrary opinion. For instance, Jennings (2003) undertook a study to examine literature of organizations in the United States involved in corporate scandals with a view of getting information on the systematic shortcomings within such organizations. A qualitative research method was employed in the study and the deductions from the study reveals that systematic crisis occurs when the system within an organization and outside the organization fails in their responsibilities. In a similar view, Labelle, Gargouri and Francoeur (2009) investigated diversity management and financial reporting quality in the United States. They employed a survey research design and used the regression to analyze data obtained. It was revealed from their study that board diversity affects earnings management practice. Similarly, here in Nigeria, Dabor and Adeyemi (2009) examined corporate governance relationship and the credibility of financial reports in Nigeria. They adopted a mixed research design and by gathering primary data from professional accountants and secondary data from the audited annual reports of sampled companies. They revealed from their study that non-executive directors and audit committee which was formed according to the specification of the Companies and Allied Matters Act (1990) both have a significant effect in improving the credibility of financial reports.

In the same direction but tilting towards external institutional factors, Chariri (2009) conducted a study to examine ethical culture on financial reporting. The study was based on a qualitative research method with desk review used to analyze existing literature. It was pointed out from the study that the environment actually influenced financial reporting practice and that quality reporting is used to gain legitimacy and to maintain social harmony in the environment where the business is situated. Similarly, Guan and Pourjalali (2010) examined the effect of environmental culture and accounting regulation on earnings management. This study was carried out across 27 countries using the *expost facto* research design and multiple regression analysis to analyze the data obtained. It was revealed from the study that culture i.e. individualism, power distance and masculinity all have a significant effect on the level of earnings management practiced by organizations. Also closely related is the study of Inah, Tapang and Uket (2014) all of whom assessed organizational culture to determine if it affect financial reporting practice in Nigeria. The field survey research design was used hence primary data was collected from the responses of the sampled respondents of the study in Nigeria. It was deduced from the study that organizational culture significantly influences the practice of financial reporting of the firms in Nigeria. Also in Nigeria, Oyerogba (2014) examined the effect of voluntary disclosure on the quality of financial reporting in Nigeria. The exploratory research design was used in carrying out the study. The result showed that voluntary disclosure promotes the quality of financial reports produced in Nigeria. Siyanbola, *et al.*, (2018) also examined the effect of corporate governance on the reported earnings (which is one of the way to assess financial reporting quality) among deposit money banks in Nigeria. The *expost facto* research design was used with secondary data extracted from annual reports. They revealed that there is a significant relationship between the existence of foreign directors and the quality of earnings reported. In a different direction, Enyi, Adegbie, Salawu and Odesanya (2019) assessed ethical principles and weighed its effect against the faithful representation of financial reporting in Nigeria. The survey method was used and it was revealed that ethical principles have a significant influence on faithful representation of financial reporting in Nigeria.
Lastly in Nigeria, Adeniran and Efuntade (2020) examined the effect of IFRS on the quality of financial reporting by multinational companies in Nigeria. An exploratory research design was used in carrying out the study. It was found out that multinational companies complied with IFRS in order to boost the comparability, relevance, understandability and reliability of financial reporting in order to attract foreign direct investments. Furthermore, in China, Firth, Rui and Wu (2011) examined factors that led to the falsifying of financial reports. The *expost facto* research design was used in their study to gather data from the sampled firms. They deduced from their study that firms that have a high level of debt at the stage of issuing equity have high potential of manipulating their books and that corporate governance structures have an effect on the occurrence and detection of financial fraud. In addition, Nobes and Stadler (2015) assessed how leverage, listing of companies, profitability and firm size have an effect on the level of transparency of financial reporting in ten countries. They adopted the quantitative research method and collected secondary data from annual reports. They found out that these features have a significant positive relationship with the transparency level of financial reporting.

Studies that belong to the second stream of findings which posits that institutional characteristics does not have a significant effect on the quality of financial reporting include Minnis (2010) who conducted a study to examine how the verification of financial statements influenced lenders decision in the United States. The *expost facto* research design was used in carrying out the study while the regression analysis was used in processing the data gotten. It was shown from the study that audit firms have lower proportion of external debts and that audited information are weighed to be more credible. Similarly, Davidson, Dey and Smith (2015) carried out a study in the United States where they examined executives' lifestyle and the probability of committing fraud. The *expost facto* research design was used in the study. The results showed that executives lifestyle does not significantly determine the risk of perpetuating fraud or manipulating figures in the financial reports.

3. Methodology

The expost facto research design is used in this study. The study population is made up of the twelve listed deposit money banks as shown on the Central Bank of Nigeria website in 2020. From this, the sample of ten was purposely selected to consist of those that are not subsidiaries. Secondary data was gotten from the annual report of the selected banks through a content analysis review process. The multiple regression model was used for this study to measure the effect of the independent variable (institutional characteristics) on the dependent variable (faithful representation). The regression model is as depicted below:

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

Where:
FR= Faithful Representation (Dependent Variable)
β_0 = Intercept when the independent variable is zero
FGB = Female gender proportion on the board
BFL = Board financial literacy
EQU = Equity market size
LEV= Leverage
DA = Deposit to asset ratio
FSZ = Firm size
Fage = Firm Age.

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 authorization = 1	CBN (2021)
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	FR	Faithful Representation	Dependent Variable	Standardized Scoring Scale	Van Beest et al, (2009); Ahmed (2020)

Table 1: Measurement of Variable Table
Source: Researcher's Compilation (2021)

4. Data Analysis and Discussion of Findings

The descriptive and inferential statistics results are discussed and displayed in this section.

	Mean	Std-Dev	Min	Max
FR	0.77	0.082	0.6	1.1
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

Table 2: Descriptive Statistics
Source: Researcher's Computation (2022)

4.1. Interpretation

- FR: Faithful representation is captured at 77% on the average which shows that this the financial reporting process among the listed deposit money banks in Nigeria actually depict the true economic position of the banks to a great extent. As the score is well above average. The result further reveals the standard deviation as 8.2% which shows that the deviation from the average is not dispersed far from it. The result also shows that the minimum score for the period under consideration is 60% while the highest score is 110%. This suggests that financial reporting among listed deposit money banks in Nigeria actually represents the economic realities of the various listed deposit money banks.

4.2. Test of Hypothesis

- Research Hypothesis One: There is no significant effect of institutional characteristics on the faithful representation of financial reporting of deposit money banks in Nigeria.

Estimation Techniques	Prais-Winsten AR(1) Regression Iterated Estimates			
Dependent Variable: FR	Coeff.	Std. Err	T-Stat	Prob
Constant	-0.494	0.447	-1.10	0.272
FGB	0.105	0.092	1.13	0.261
BFL	0.0027	0.0023	1.17	0.244
EQU	0.0255	0.0322	0.79	0.430
LEV	0.0024	0.0014	1.72	0.089
DA	0.0470	0.0502	0.94	0.351
FSZ	0.038	0.017	2.25	0.027
FAGE	0.000041	0.000048	0.09	0.931
Adjusted R^2	0.641			
F-Stat	$F_{(7,92)} = 26.30$ (0.00)			
Hausman Test	$Chi^2_{(6)} = 38.50$ (0.00)			
Testparm	$F_{(8,76)} = 0.24$ (0.982)			
Heteroskedasticity Test	$Chi^2_{(1)} = 2.61$ (0.106)			
Serial Correlation Test	$F_{(1,9)} = 6.631$ (0.029)			
Cross-Sect Dep. Test	-			
Ramsey RESET Test	0.765			

Table 3: Estimation Results For Model One
Source: Researcher's Work (2022)
@Chosen Significant Level Of 5%

FR = 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_i
FR = -0.494+ 0.105FGB + 0.0027BFL + 0.0255EQU + 0.0024LEV+ 0.0470DA + 0.038FSZ + 0.000041Fage
T-Stat -1.101.13 1.17 0.79 1.72 0.94 2.240.09

4.3. Post Estimations Test Interpretation

In order to determine the most appropriate method of estimating the regression for model one which examined the effect of institutional characteristics on the faithful representation 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 0.00, that is, 0 percent which is less than the 5 percent level of significance chosen for the study reveals that fixed effects is the most appropriate estimator according to its null hypothesis which states that there is presence of unsystematic difference in the model coefficients; thus, the study reject the null hypothesis.

Although, the Hausman test result revealed the appropriateness of fixed effects; however, the confirmation of the result of the Hausman test was carried out using 'Testparm for fixed effect' as this test helps to decide the appropriate model between the fixed effects and Pooled OLS regression. The results of the Testparm with *p-value* of 0.98, which is greater than the significance level of 5 percent; reject the appropriateness of fixed effects in estimating the model one.

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 0.10 which is more than the 5 percent level of significance selected for the study is an indication of the absence of heteroskedasticity; that is the residuals of the model are constant over time, thus the model is homoscedastic.

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 0.03 (that is, 3 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 linear, evidenced from Ramsey RESET test but has serial correlation problem. As a result of this; Prais-Winsten Regression Iterated Estimates was used to estimate the effect of institutional characteristics on the faithful representation of financial reporting of deposit money banks in Nigeria.

4.4. Regression Equation Results

FR = 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_i....................Model 1

Model One in Table 3 examined the effect of institutional characteristics on the faithful representation of financial reporting of deposit money banks in Nigeria. The regression estimates results revealed that: female gender on board (FGB) has a positive but not significant effect on faithful representation of financial reporting (FR) (β = 0.105, *p = 0.26).* This implies that a percent increase in FGB will lead to 0.105 percent increase in FR. This is the same situation with Number of Board members who are financially literate (BFL) as BFL has a positive but not significant effect on faithful representation of financial reporting (FR) (β = 0.003, *p = 0.24).* This implies that a percent increase in BFL will lead to 0.003 percent increase in FR.

Table 3 also reveals that equity market size/development (EQU) has a positive but not significant effect on faithful representation of financial reporting (FR) (β = 0.026, *p = 0.43).* This implies that a percent increase in EQU will lead to 0.026 percent increase in FR. This is the same situation with Leverage (LEV) as LEV has a positive but not significant effect on faithful representation of financial reporting (FR) (β = 0.002, *p = 0.09).* This implies that a percent increase in LEV will lead to 0.002 percent increase in FR.

It is evident that in Table 3 that Deposit to Asset (DA) has a positive but not significant effect on faithful representation of financial reporting (FR) (β = 0.047, *p = 0.35).* This implies that a percent increase in DA will lead to 0.047 percent increase in FR. This is however not the same situation with Firm Size (FSZ) as FSZ has a positive and significant effect on faithful representation of financial reporting (FR) (β = 0.038, *p = 0.02).* This implies that a percent increase in FSZ will lead to 0.038 percent increase in FR. On the other hand, Firm age (FAGE) has a positive but not significant effect on faithful representation of financial reporting (FR) (β = 0.00004, *p = 0.39).* This implies that a percent increase in FAGE will lead to 0.00004 percent increase in FR. This shows that only firm size has a significant effect on faithful representation of financial reporting of deposit money banks in Nigeria.

4.5. 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 one which states that 'institutional characteristics does not have a significant effect on faithful representation of financial reporting of deposit money banks in Nigeria' be rejected.

5. Discussion of Finding

The result reveals that firm size has a significant positive effect on the faithful representation of financial reporting of deposit money banks in Nigeria. On the other hand, female gender on the board, board financial literacy, equity market size, leverage, deposit to asset and firm age all have but not significant effect on the faithful representation of financial reporting of deposit money banks in Nigeria.

In overall, the null hypothesis is rejected. This implies that institutional characteristics do have a significant effect on the faithful representation of financial reporting of deposit money banks in Nigeria.

The result of this study is in line with the position of Enyi, Adegbie, Salawu and Odesanya (2019) who reported that ethical principles has a significant influence the faithful representation of financial reporting in Nigeria.

6. Conclusion and Recommendation

This study is designed to examine the effect of institutional characteristics on the faithful representation of financial reporting of listed deposit money banks in Nigeria. The study revealed that institutional characteristics have a significant effect on the faithful representation of financial reporting of listed deposit money banks in Nigeria. Hence it is concluded from the study that institutional characteristics has a significant effect on the faithful representation of financial reporting of listed deposit money banks in Nigeria. Based on the finding from this study, it is recommended that accounting standard setting bodies and regulators of financial reporting should ensure that rules are set on institutional factors also which are found within and outside the banks and not only on financial reporting matters alone.

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