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Analysis of The Role of Corporate Governance Mechanisms in Shaping the Financial Reporting Practices of MNEs in Nigeria

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ABSTRACT: *This study analysed the role of corporate governance on the quality of financial reporting practices of Multinational Enterprises (MNEs) in Nigeria. The study made use of managerial hegemony theory to establish a theoretical foundation in examining the effect of corporate governance mechanisms in the quality of the financial reporting practices of MNEs in Nigeria. Ex-post facto research design and panel regression were employed by the study. The study extracted data from the audited financial statement of 20 active MNEs in the consumer manufacturing sector listed on Nigeria Exchange Group (NGX). The population forms the sample size using census sampling. Findings revealed that the size of board, board independence, gender diversity and board shareholding did not significantly affect the quality of financial reporting practices of MNEs in Nigeria. Firm size and firm leverage significantly moderate the interaction between corporate governance and the quality of financial reporting practices of MNEs in Nigeria. The study concluded that this finding is a pointer to the fact that the quality of financial reporting of MNEs in Nigeria may be determined by factors other than corporate governance such as the adoption of International Financial Reporting Standard (IFRS), regulations, and Nigerian laws (CAMA 2020). Therefore, the study recommends that MNEs in the consumer sector in Nigeria should strengthen their corporate governance mechanism with the aim of improving the quality of financial reporting of their businesses in the short-run and the confidence of their customers and investors in the long-run.*
KEYWORDS: board size, board independent, board gender diversity, board shareholding, corporate governance, financial reporting practices.

INTRODUCTION

Over the years, the world has witnessed the collapse of more companies due to poor financial reporting practices since the Enron and Anderson scandal. Several financial reporting scandals

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that arise from corporate control failures such as Freedie Mac's scandal, Lehman Brothers, Nikola's roll, the Wirecard saga, Luckin coffee frothy, PPP fraud, Wells Fargo scandal and many more have been reported by Corporate Financial Institute (CFI) and Clifford in 2020. A messy corporate collapse was recently recorded in November 2022 by the FTX Exchange, a crypto-currency company operating in the Bahamas. The Chief Executive Officer (CEO), leveraged customer's assets for personal use and encouraged his insiders on the same unethical practices. The diversification of customer's deposit for personal use commenced since inception of the company in 2009, and as at the time of the company's collapse, $8 billion customer's fund has been misappropriated.

An interesting fact about the scandal is that the financial reporting of the company didn't reflect the misappropriation, because it was perfectly planned using software. Investors kept investing in FTX without the clear picture of the real financial state of the company. The scandal became public when the CEO of Binance rejected his acquisition plan to save the company due to the financial difficulty the company ran into. The scandal shook the whole crypto-currency market and several customers' loss their funds to the scandal, because of the deceptive financial reporting practices of the company. The consequence of this scandal is still felt in the crypto market till today, because the market lost billions as at the time of the collapse.

FTX Exchange can be likened to Multinational Enterprises (MNEs), because it provides a platform for global trading including products that are traded globally and possessed diverse global investors. The practices of quality financial reporting cannot be undermined in the success of every organisation, most importantly in the MNEs. This is due to the fact that these enterprises get listed on the global exchange market in order to gain global recognition and attract investors globally. Investment decisions into MNEs are done by investors who analyse the information presented in their financial report. A poor reporting practice will result in the presentation of a misleading financial statement which is material to the decision making ability of investors. It is therefore impossible to overestimate the vitality of an excellent corporate governance in ensuring their reporting practices.

The existence of sound corporate governance mechanisms ensures the establishment of sound procedures. It preserves transparency within an organisation and guarantees compliance to established procedures (Adeosun and Adeosun, 2023; Awotomilusi and Ajoloko, 2021)). As explained by Kabwe (2023), the value of corporate governance in the management of financial reporting cannot be exaggerated. With the existence of excellent corporate governance in an organisation, fraud and poor management can be eradicated while also ensuring that investors have access to a clear, reliable and true picture of the current state of events. By the adherence to ethical standards such as honesty and integrity in financial reporting disclosure, organisations can develop comprehensive strategies that will assist them to comply with regulatory

requirements (Hasan et al., 2022), tackle problems before they occur (Awotomilusi and Dare, 2022; Aguilera et al., 2019) and reduces the high cost associated with corporate control oversight.

The management, board of directors and audit committees of organisations must ensure that a healthy financial reporting practice is adopted. Disclosure of all material information, the establishment of clear policies as regards to conflict of interest, acting in fairness and the allocation of adequate resources to monitor activities, implementation of sound risk management procedures, fostering effective communication and providing an environment for independent oversight all represent the core tendency of corporate governance (Camfferman and Wielhouwer, 2019). The peculiarity of MNEs is such that they have become a vital aspect of the global economy that can never be ignored (Temouri et al., 2021). Due to this, there has been a slight difference between their corporate governance when compared to normal companies.

Yu and Liangcan (2019) highlighted that corporate governance goals in MNEs goes beyond cost minimization and optimization efficiency, but focused more on the stable relationship between the parent company and the subsidiaries, collaborative governance between parent and subsidiaries companies and the conflict of interest between parent and subsidiary company. Due to this, Aguilera et al. (2019) established that past studies on the corporate governance of MNEs has reveal three distinct research themes which centres on the distribution of power, rights and responsibilities among different stakeholders in the parent and subsidiary company, the assessment of risk in foreign market by MNEs and how the existence of MNEs across multiple national context affect their corporate governance preference. These studies were however conducted in the 1990s to 2015.

Recent studies on the corporate governance of MNEs focused on the review of existing studies and opportunities for future research (Aguilera et al., 2019), the limitation and the improvement of corporate governance of MNEs (Yu and Liangcan, 2019) and taxation (Temouri et al., 2021). Major recent studies exist outside the scope of MNEs and they focused on financial reporting qualities in different sectors. However, this study examined the effect of corporate governance on the financial reporting practices of MNEs in Nigeria by examining the effect of board size, board independence, board gender diversity and board shareholding on the financial reporting practices of MNEs in the consumer manufacturing sector.In an effort to achieve the objective of this study, the following hypotheses were developed: board size does not have significant effects on financial reporting practices of MNEs in Nigeria; there is no significant effect of board independence on financial reporting practices of MNEs in Nigeria; board gender diversity does not have significant effect on financial reporting practices of MNEs in Nigeria, and board shareholding has no significant effect on financial reporting practices of MNEs in Nigeria. Financial reporting disclosure index was used to measure financial reporting practices, while the

study was moderated by firm size and firm leverage. The study covered the period from 2008-2022.

THEORETICAL REFERENTIAL

This section defines the concepts of the study and show the link among the variables

Financial Reporting Practices

Financial reporting practices are the techniques adopted by organisations in the preparation, disclosure and reporting of their financial data and information. Kabwe (2023) explained that the quality of organisations' accounting standards and the enforcement of the standards compliance underlies the financial information reporting practices. As stated by Kyere and Ausloos (2021), the enforcement of compliance with the appropriate standard is a result of the corporate governance in existence in the organisations. Financial reporting practices and corporate governance are intertwined because they both ensure transparency in organisations (Yu and Liangcan, 2019). The ability of investors and shareholders to make accurate decisions based on the financial information of organisations is based on their corporate practices which influence the information disclosed in the financial statement.

Although the financial reporting of MNEs is guided by the International Financial Reporting Standards (Adeniran and Efuntade, 2020), the choice of information to be disclosed still depends on the decision of the management. Generally, investors are key to the existence of MNEs who utilise their financial data in the capital market. However, the information disclosed has the tendency to create a weak market efficiency (Temouria et al., 2021), a situation that creates arbitrage due to imperfect information existing in the capital market. Besides this, information disclosed could be misleading (Devarajar et al., 2022). Financial reporting practices focus on two dimensions (Agyei-Mensah, 2019) which are the financial disclosure and the level of comprehensiveness of the financial statement of organisations. This study however focused on the financial disclosure dimension.

Corporate Governance

Corporate governance is a system that guides and gives direction on the relationship among the management, board, shareholders and other stakeholders. According to Adeosun (2022), it is a mechanism that gives structure to the processes and management of an organisation through a series of established rules and practices. Lawal et al. (2022) stated that corporate governance guarantees openness, honesty, transparency, responsibility, morality and ensures compliance with legal requirements that guides the establishment of organisations and their financial reporting practices. Through corporate governance, an organisation's objectives are achieved

(Devarajar et al., 2022) and its optimal performance is evaluated and monitored in order to ensure the organisation's progress (Ogbaisi and Ezuem, 2021). Corporate governance boosts confidence in an organisation's practices because it ensures compliance with ethical standards and disclosure.

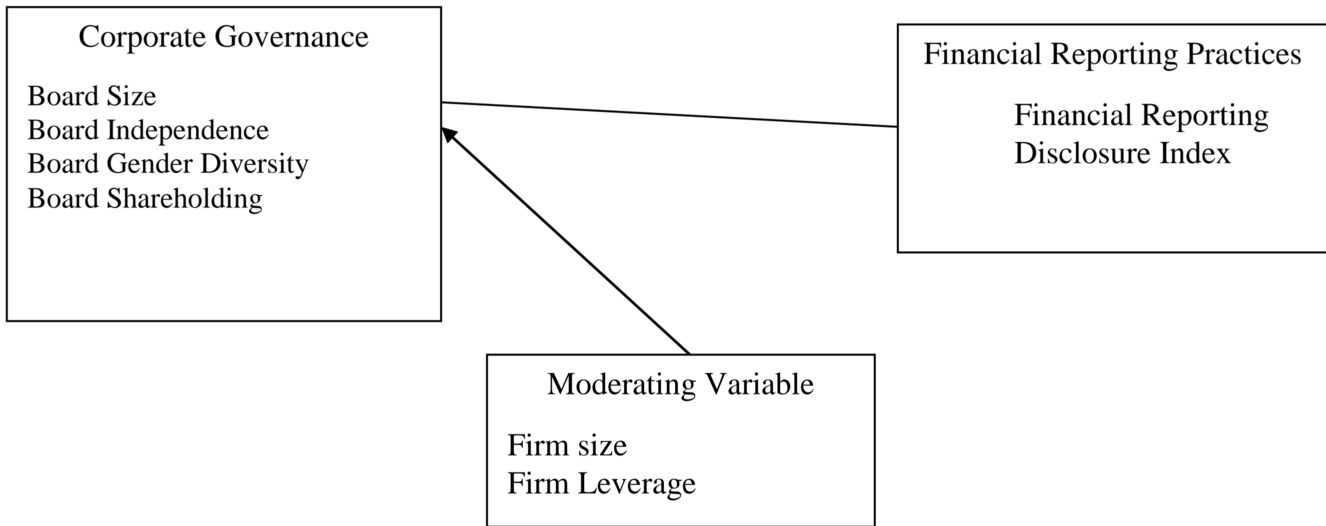
The techniques of corporate governance are time tested and are used for determining the compliance of organisations to sound corporate practices (Adeosun and Adeosun, 2023). An interesting aspect of corporate governance is the operational framework it provides for organisations' activities (Adeosun, 2022), which helps to facilitate the adoption of sound reporting practices and ensures that the disclosure and transparency gap between the shareholders and the management are bridged. In every organisation, the board of directors are often appointed to play a mediating role between the management and the shareholders. They are saddled with the responsibility of ensuring the establishment and adoption of sound corporate practices and solves all sought of conflict of interest. Hence, they are generally expected to perform their responsibilities effectively.

Given the responsibilities of the board in every organisation, it is expected that their composition should culminate into a positive influence in organisations practices, performance and sustainability. Although, theories such as agency theory and managerial hegemony theory underscores the board in their effectiveness in performing their responsibilities due to the fact that their independence is at times often affected (Kabwa, 2023; Murugason et al., 2023; Devarajar et al., 2022), nevertheless, in an organisations where sound corporate practices is adopted, most importantly in the MNEs, the size of the board, the board gender diversity and the board shareholding is expected to result in a sound financial reporting practice. In addition, the independence of the board should be preserved in order to ensure adherence to the system of corporate governance existing in organisations.

Conceptual Framework

Figure 1

This shows the relationship between corporate governance, firm size, firm leverage and the financial reporting practices of MNEs.



This framework establishes the relationship between the independent variable, moderating variable and the dependent variable. The independent variable is measured using board size, board independence, board gender diversity and board shareholding, firm size and leverage is used as the moderating variable while financial reporting disclosure index is used to proxy the financial reporting practices of MNEs.

Source: Author's Design, 2023

MANAGERIAL HEGEMONY THEORY

In 1973, Gramsci introduced the managerial hegemony theory which centres on the board. The theory described the board to be dominated by the management despite its governing empowerment over the management. It argues that the management gains increasing control as a result of the failure of the shareholders to exercise their ownership and control right. Because the professional management dominates within an organisation, the board often plays a supportive

role to the management by certifying their decision. The management on the other hand often resists the board from performing a stronger role. Even though, the theory assumes the board to be the representative and instruments used by the Chief Executive Officer (CEO), Mendis (2012) explained that since the management are the one involved in the daily management of an organisation, the board lose control of the organisation to a certain extent, which often weakens their influence as directors.

The theory views the board as being passive because of their reliance on the management for gaining information and insight about the organisation. Due to this, Kabwa (2023) explained that the board has been ineffective in putting an end to the conflict of interest arising between the management and the shareholders, because the management controls the selection of board members outside the organisation and that often results in the lack of independence by the board. Ogbechie (2012) noted that in this kind of situation, the board often refrain from over-criticizing the behaviour of the management in order to protect their board seat and its associated benefits. Kabwa (2023) stated further that the control of the management over the board arises from their control over the board nomination, their superiority in executive expertise, inadequate time allocated to the non-executive directors, prestige and status, the boardroom culture and merging the role of CEO with the chairperson. These sources of control stiffens the independence of the board

Although Maeveoco (2017) criticises the theory by pointing out that it lacks empirical evidence and enough research background when compared to other governance theories, Curran and Lyons (2013) stated that there are examples of board failure at the expense of the shareholders and stakeholders. Another criticism is stated by Kabwa (2023) that the theory assumes that CEOs have power over the board. However, this is only applicable where the CEO performs duality function as the CEO and board chair. Despite the nature and the criticism of the theory, it applies to this study, because it re-emphasized the independent role of the board of directors in governing organisations and reveals the significance of ownership and audit committee structure of the corporate governance mechanism in organisations.

Empirical Review

In 2021, Ogbaisi and Ezuem made use of multiple ordinary least square to reveal that the independence of board and the frequency of the meeting of of audit committee positively and significantly impact on the quality of the financial reporting of firms in Nigeria while board size had a positive but insignificant effect on financial reporting quality. However, Uwalomwa et al. (2018) reported an insignificant negative relationship between board independence and financial reporting quality of listed banks in Nigeria. Their study makes use of correlation matrix and panel data regression. Kurawa et al. (2021) discovered with the use of generalised method of

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moments on non-financial firms in Nigeria that institutional and foreign ownership improves reporting quality

Using panel data regression analysis to ascertain the perspective from a developing counting, Kabwe (2023) discovered a significant positive relationship among the size of the board, their accounting practices, their gender diversity, the independence of their audit committee and the quality of their financial reporting while the independence of their board has negative and insignificant relationship with financial reporting quality. These findings are different from the findings of Bako (2018) which revealed that the size of the board and the independence of firms in the chemical and paint industry in Nigeria have insignificant effects on their financial reporting quality. The study uses correlation and regression

Tran and Ha (2023) made use of panel smooth transition regression to reveal that a nonlinear relationship exists between the level of Corporate Governance Disclosure (CGD) and reporting quality in Vietnam. It also revealed that whenever CGD exceeds the value transition threshold, more quality reports are being produced. In the study of Devarajar et al. (2022) which focused on publicly listed Malaysian companies, it was discovered that multiple directorships and non-audit service significantly impact fraudulent financial reporting while the size of their board, its independence and audit committee size does not support fraudulent financial reporting. Using regression analysis, Madugba et al. (2021) revealed that only audit committee meetings serve as a determinant of financial reporting quality. Others such as the size of the audit committee, their independence and diversity does not determine financial reporting quality.

Using panel regression analysis, Amah and Ekwe (2021) discovered in their analysis of pharmaceutical companies in Nigeria that ownership structure, board independence and composition positively affect reporting quality significantly, while board meetings have a negative impact on reporting quality. Likewise, Hopen and Kemebradikemor (2019) revealed that board expertise positively and significantly affects the quality of financial reporting while board independence and diversity negatively affect reporting quality. The study made use of generalised linear model regression. Abeysekera et al. (2021) made use of content analysis to reveal that sustainability disclosure in the period covered by the study is associated with the quality of the financial disclosure of Chinese firms.

A comparative analysis between Pakistan and the UK was done by Hasan et al. (2022). Using panel data, it was recorded that board size, board frequency meeting and the independence of the audit committee has a negative impact on the quality of reporting while foreign ownership and board independence possess a positive impact on financial reporting quality. Hsu and Yang (2022) used panel data to ascertain that although the reporting quality dropped during Covid-19 for firms in the UK, larger board size helps to mitigate the effect on reporting quality. However, no

mitigating effect was found on CEO duality and board independence on reporting quality during the pandemic.

Past studies on the corporate governance of MNEs has reveal three distinct research themes which centres on the distribution of power, rights and responsibilities among different stakeholders in the parent and subsidiary company, the assessment of risk in foreign market by MNEs and how the existence of MNEs across multiple national context affect their corporate governance preference. These studies were however conducted in the 1990s to 2015. Recent studies on the corporate governance of MNEs focused on the review of existing studies and opportunities for future research, the limitation and the improvement of corporate governance of MNEs and their taxation. Although major recent studies exist outside the scope of MNEs, they were however focused on financial reporting qualities in different sectors and countries.

METHODOLOGY

The study employs expo-facto research design because of the intent of the study to examine data reflecting the effect of corporate governance on the financial reporting practices of MNEs in Nigeria without manipulation. Secondary data was extracted from the financial report of the companies and it was analysed using panel random regression. The study's population is 20 active MNEs in the consumer manufacturing sector listed on Nigeria Exchange Group (NGX) as at December 2022. Census sampling technique was used to ascertain the sampling size. The sample size shall cover the period of 2008-2022. The justification for the base year is because sarbanes-oxley Act, which lays emphasis on corporate governance, was issued in 2002 and new policies can only be measured after five years of issuance.

Model Specification

This study adapted the model of Bako (2018). The model is specified below:

$$FRQ = \alpha + \beta 1\beta S + \beta 2\beta I + \beta 3ACI + \mu 1$$

Where:
Y = Quality of financial reporting
X1 = Size of board
X2= Independence of board
X3 = Independence of Audit committee
U1 = Error term

The model is modified by changing the dependent variable to financial reporting disclosure index, while removing audit committee independence and adding board shareholding, board remuneration, firm size and firm leverage.

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The model is specified thus:

$FDI_t = \beta_0 + \beta_1 BS_t + \beta_2 BI_t + \beta_3 BD_t + \beta_4 BS_t + \beta_5 FZ_t + \beta_6 FL_t + \mu_t$

Where:

FDI= Financial Reporting Disclosure Index

β_0 = the intercept

$\beta_1 - \beta_6$ = parameters of the equation to be estimated

BS=Board Size

BI= Board Independence

BD= Board Gender Diversity

BS= Board Shareholding

FZ= Firm size

FL= Firm Leverage

μ_t = Error term

The data gathered were measured using panel regression technique.

Table 1: Measurement of variables

S/N	Variables	Measurement	Sources
1	Board size (Independent variable)	This is the total number of all directors of a company which includes the Chairman and its vice, CEO or the managing director, executive, non-executive or independent directors. It however excludes the secretary of the company.	Amah and Ekwe (2021)
2	Board Independence (Independent variable)	This is the percentage of non-executive directors to the total board members	Kabwa (2023), Ekwe (2021)
3	Board Gender Diversity (Independent variable)	This is the proportion of the number of women on board to the total board members.	Kabwa (2023), Agyei-Mensah (2019)
4	Board Shareholding (Independent variable)	This is the number of direct and indirect shares owned by all directors divided by total numbers of shares %	Agyei-Mensah (2019)

5	Firm size (Control variable)	This is the natural log of total asset	Agyei-Mensah (2017).
6	Firm Leverage (control variable)	This is measured as the proportion of total liabilities to total asset of a company	Amah and Ekwe (2021)
7	Financial Reporting Disclosure Index (dependent variable)	This is measured by adding together intellectual capital disclosure, governance disclosure index, social disclosure index and environmental disclosure index	Ghani (2022)

The table above shows the description of the variables, measurement and its sources.

Source: Author's Computation, 2023

DATA ANALYSIS

This chapter presents both the descriptive and inferential analysis of this study, including the result from various diagnostic and specification tests as well as results from the test of the various stated objectives and the discussion of the findings was made based on each objective.

Descriptive statistics

Table 2 indicates that the average financial reporting disclosure index (FRI) of the sampled MNEs is 30%, with 0% and 100% as the minimum and maximum respectively and a Standard Deviation (SD) of 0.141045 (14%). The SD indicates a low variation across the firms sampled. The table also revealed the average board size (BS) of the selected MNEs in Nigeria is approximate with the SD at 2.511396, which indicates a distribution close to the mean value. The descriptive statistics further revealed the average of 13% for board independence (BI), indicating that 13% of the total board members of the selected MNEs in Nigeria are non-executive directors. Also, the board gender diversity (BD) stood at 16% on average, with a standard deviation of 11% showing that the distribution is not dispersed. This means that the board of the selected MNEs in Nigeria consist of 16% women. Furthermore, the board shareholding (BS) indicates a mean of 9% and a SD of 0.203953. This suggests that BS across the sampled MNES in Nigeria is widely dispersed as shown by the SD. The firm leverage indicates a low deviation from the mean as shown by 70% mean and 0.580543 standard deviation. Finally, the mean value of the size of the selected firms is 7.601296, with a SD of 0.693972, indicating low variation across the sampled firms.

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Table 2: Descriptive Statistics

	FRI	BS	BI	BD	BS	FZ	FL
Mean	0.303889	9.959866	0.131209	0.166070	0.099150	7.601296	0.705552
Median	0.250000	10.00000	0.111111	0.142857	0.006287	7.603756	0.582052
Maximum	1.000000	18.00000	0.625000	0.666667	0.882397	8.916817	4.567878
Minimum	0.000000	4.000000	0.000000	0.000000	0.000000	5.783761	-1.030769
Std. Dev.	0.141045	2.511396	0.137241	0.115536	0.203953	0.693972	0.580543
Skewness	3.701432	0.451650	0.805896	0.865123	2.521578	-0.229187	2.774762
Kurtosis	18.92365	3.198013	2.877929	4.596870	8.402987	2.512547	14.87167
Jarque-Bera	3854.563	10.65386	32.65968	69.29686	682.8211	5.577808	2132.362
Probability	0.000000	0.004859	0.000000	0.000000	0.000000	0.061489	0.000000
Sum	91.16667	2978.000	39.36273	49.82091	29.74500	2272.788	210.2546
Sum Sq. Dev.	5.948241	1879.518	5.631670	3.991200	12.43743	143.5160	100.0980
Observations	300	299	300	300	300	299	298

The table above shows the descriptive statistics of the data

Source: Author's Design, 2023

Correlation Matrix

This shows the relationship among each variable pair in the model and also serves as a preliminary test for checking the possible existence of multicollinearity. This study however conducted a further test of multicollinearity using the variance inflation factor (VIF) and Tolerance Value (TV).

From table 3 below, it can be seen that all the explanatory variables except board gender diversity (BD) is negatively correlated with FRI of the MNEs in Nigeria. By implication, all explanatory variables follow a single direction with FRI while BD goes in the opposite direction. Checking for association among the explanatory variables, it was revealed that a positive and negative correlation exist among the variables size of the board, their independence, gender diversity, their shareholdings, firm size and firm leverage. Nevertheless, the independence of boards and their gender diversity has the highest correlation of 19% which is significant at 5%. However, the relationship among the variables is not significant to the extent of concluding that there is multicollinearity, unless VIF and TV values are comparatively beyond the rule of thumb established. Thus, the VIF and TV are used as advanced measures to assess the existence of multicollinearity among the regressors.

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Table 3: Correlation Matrix

		BS	BI	BD	BS	FZ	FL	FRI
BS	Pearson Correlation	1						
	N	299						
BI	Pearson Correlation	.175**	1					
	Sig. (2-tailed)	.002						
	N	299	300					
BD	Pearson Correlation	-.153**	.191**	1				
	Sig. (2-tailed)	.008	.001					
	N	299	300	300				
BS	Pearson Correlation	.043	.155**	.045	1			
	Sig. (2-tailed)	.462	.007	.434				
	N	299	300	300	300			
FZ	Pearson Correlation	.176**	.172**	.038	-.050	1		
	Sig. (2-tailed)	.002	.003	.515	.389			
	N	299	299	299	299	299		
FL	Pearson Correlation	.113	-.088	-.180**	-.073	-.136*	1	
	Sig. (2-tailed)	.052	.130	.002	.207	.018		
	N	298	298	298	298	298	298	
FRI	Pearson Correlation	.043	.197**	-.022	.037	.196**	.000	1
	Sig. (2-tailed)	.461	.001	.707	.521	.001	.988	
	N	299	300	300	300	299	298	300

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The table above shows the association between the independent variables, the moderating and dependent variable

Source: Author's Computation, 2023

Multicollinearity Test

This is said to be in existence when two or more regressors in a regression model are highly correlated, implying that a linear prediction can be made with a clear degree of accuracy from others. The test for multicollinearity is done with the aid of VIF, which when it has a mean less than 10 signifies that no two independent variables can serve the same purpose. However, a high VIF above 10 signifies that two independent variables serve the same purpose and the one with the highest VIF will be dropped. The test result of multicollinearity for this study is presented in table 4.

A strong presence of multicollinearity is said to exist when the VIF is more than 10. The table below shows a value less than 10, indicating the absence of multicollinearity. Therefore, the study relies on a regression coefficient for predicting the impact level of the explanatory variables on the explained variable. Hence it is considered that the final outcome of this study is valid due to the absence of multicollinearity.

Table 4: Variance inflation factor

	VIF	1/VIF
BS	.896	1.116
BI	.884	1.132
BGD	.910	1.099
BDS	.964	1.038
FZ	.919	1.088
FL	.930	1.075

This table shows the test for multicollinearity in the variables

Source: Author's Design, 2023

Regression Analysis

This subsection deals with the regression result of the explained variable represented by FRI and the explanatory variables of the study. The heteroskedasticity test was conducted to check the validity of homoscedasticity i.e equal or constant variation among error terms which is one key assumption of a regression model. The result revealed that there is the presence of heteroskedasticity given the probability value 0.0000, which is significant at 1%. This implies that the error term does not vary across the residuals and as such, homogeneously not distributed. Hence, the result was subjected to a further test where panel corrected standard error regression was carried out to cater for the heteroskedasticity problem, and to make the regression result suitable for analysis.

The study conducted Hausman specification tests after fixed and random tests were carried out for the model. The essence of the Hausman specification test is to choose the most preferred between the fixed and random effect models. The test produced a p-value of 0.7292 at 5% which is insignificant, thereby implying that the variation across entities is assumed to be random and correlated with the model's independent variables. As a result of this, the result of the random effect model was considered suitable for the analysis.

The aggregate association between the dependent variable and all the independent variables of 0.51442 shows that board size, board independence, board gender diversity, board shareholding, firm size and firm leverage, jointly explained 5% of FRI of the MNEs in Nigeria and is significant at 5% as shown in the p-value of F-statistics 0.016877, while the 95% that remains are attributed to other factors not included in the study model. In addition, the panel corrected standard error regression model showed that board size and their independence have a positive

and insignificant effect (r = 0.001770; 0.151755; p = 0.6806; 0.0699) on financial reporting practices of MNEs in Nigeria measured by financial reporting disclosure index (FDI) respectively.

More so, gender diversity in the board and their shareholding have a negative and insignificant effect (r = -0.010210; -0.050389, p = 0.8848; 0.2048) on financial reporting practices of MNEs in Nigeria measured by financial reporting disclosure index (FRI) respectively. Firm size (FZ) and Firm Leverage (FL) have a positive effect (r = 0.035837, p = 0.0471; r = 0.023133, p = 0.0387) on financial reporting practices of the selected MNEs in Nigeria measured by financial reporting disclosure index (FRI) which is significant at 5% significance level.

Table 5: Random Regression Effect Model

Variable	Aprori Sign	Random Regression Effect Model
BS	+	0.001770 (0.004295) { 0.6806)
BI	+	0.151755 (0.083431) { 0.0699}
BGD	+	-0.010210 (0.070408) {0.8848}
BDS	+	-0.050389 (0.040014) {0.2089}
FZ	+	0.035837 * (0.017973) { 0.0471)
FL	+	0.023133 * (0.011136) { 0.0387}
C	+	-0.014428 (0.146278) { 0.9215}
	Model Parameters	
R^2		0.051443
Adjusted R^2		0.031885
F-statistic		2.630270
Prob(F-stat)		0.016877
Durbin-Watson		0.907779
Heteroskedasticity Test = 0.0000		HausmanTest = 0.7292

** sig @ 5%, *( ) standard error { } p-values.*

Source: Author's Computation, 2023

DISCUSSION OF RESULT

The coefficient of the result obtained showed that the size of the board and their independence have a positive and insignificant effect (r = 0.001770; 0.151755 p = 0.6806; 0.0699) on financial reporting practices of the selected MNEs in Nigeria measured by financial reporting disclosure index (FRI) respectively. This implies that every increase in the size of the board and their independence also increases the financial reporting practices of MNEs in Nigeria at 0.1% and 15% respectively. In other words, improvement on the size of the board and their independence has little or no impact on the practices of financial reporting of MNEs in Nigeria. The finding of this study is in tandem with Bako (2018) which revealed that the size of the board and their independence insignificantly impact upon the quality of financial reporting, and Hopen and Kemebradikemor (2019) which revealed that the independence of the board possess a negative effect on reporting quality. However, Kabwe (2023) reported that the size of the board has a positively significant effect on the quality of financial reporting.

In addition, the regression model showed gender diversity in the board and their shareholding have a negative and insignificant effect (r = -0.010210; -0.050389, p = 0.8848; 0.2048) on financial reporting practices of MNEs in Nigeria measured by financial reporting disclosure index (FRI) respectively. This implies that every increase in board diversity and shareholding reduces the financial reporting practices of MNEs in Nigeria 1% and 5% respectively. In other words, improvement on board diversity and board shareholding has little or no impact on the financial reporting practices of MNEs in Nigeria as measured by financial reporting disclosure index (FRI). Our finding is in disagreement with the findings of Kabwe (2023) which revealed that gender diversity in the board has a positive and significant effect on the quality of financial reporting practices of firms. The findings of Hopen and Kemebradikemor (2019) is in support of our findings that board diversity possesses a negative impact on reporting quality.

Furthermore, the moderating variable firm size and firm leverage have a positive effect (r = 0.035837, p = 0.0471; r = 0.023133, p = 0.0387) on financial reporting practices of MNEs in Nigeria which is significant at 5% significance level. The positive effect of firm size and firm leverage shows that as the firm increases in size and their leverage grows, the quality of their financial reporting practices increases. Hence, it can be decided that the corporate governance mechanisms of MNEs in the consumer sector in Nigeria measured by the size of their board, their independence, gender diversity and shareholding are more focused on other issues such as the stability of relationship and the management of conflict of interest between the parent company and the subsidiaries, the assessment of risk in foreign market, the management of global stakeholders relationship, and cross border relationship rather than the quality of their financial reporting.

Likewise, as explained by managerial hegemony theory, the board of MNEs in the consumer sector in Nigeria could be more reliant on the managers in deciding their financial reporting quality, since the nature of their operations entails a compulsory compliance with cross border regulations, their reporting quality might be likely more influence by cross border listing and

compliance with International Financial Reporting Standard (IFRS). The managers are the ones saddled with the responsibility for compliance since they are the one directly involved in the daily management of the enterprises.

CONCLUSION AND RECOMMENDATIONS

This study examines the effect of size of board, the independence of board, gender diversity of board and their shareholding on the financial reporting practices of MNEs in the consumer manufacturing sector. Based on the analysis conducted, it can be concluded that the corporate governance mechanisms examined are less focused on the financial reporting practices of MNEs in Nigeria, while factors such as the adoption of IFRS,compliance with cross border regulations; local regulations and laws have more effect on the quality of their financial reporting practices.The results suggest that while size of board and the independence of board shows a positive relationship with financial reporting practices, the impact is statistically insignificant. On the other hand, board gender diversity and board shareholding exhibit a negative and insignificant relationship with financial reporting practices. However, the moderating variables, firm size and firm leverage have a positive and significant impact on financial reporting practices, indicating that larger firms with higher leverage tend to have better financial reporting practices. Although, while some of the examined corporate governance mechanisms revealed a limited impact, others present opportunities for improvement.

Based on the findings, it is recommended that the boards of MNEs in the consumer sector in Nigeria should enhance their effectiveness by expanding the focus of their operations on the financial reporting quality and practices of their enterprises. This could involve more active engagement by the board in the reporting practices of the MNEs, a better corporate governance framework within the MNEs in Nigeria that mandate the boards to be more actively engaged in the oversight of the enterprises reporting practices, and a diverse composition of independent directors with more exposure and expertise in financial reporting. The governance framework could ensure an increase in board gender diversity and encourage higher levels of shareholding among directors in order to facilitate quality financial reporting practices that will enhance transparency, accountability and sustainability through increased confidence by their customers and investors. Furthermore, since larger firms with higher leverage tend to have better financial reporting practices, MNEs should prioritise sustainable growth strategies and maintain optimal levels of leverage in order to foster more trust among stakeholders and ensure the sustainability of the operations.

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