The impact of compliance with regulatory laws on financial reporting quality of Deposit Money Banks in Nigeria

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Abstract
This paper assesses the impact of compliance with regulatory laws (Companies and Allied Matters Act (CAMA), Banks and Other Financial Institutions' Act (BOFIA), the Central Bank Prudential Guidelines and Nigerian Deposit Insurance Corporation (NDIC) Act) on financial reporting quality of Deposit Money Banks (DMBs) in Nigeria. Data was collected from the annual reports and accounts of 12 DMBs over the period of 6 years (2011-2016). Compliance Index, descriptive statistics, Pearson's Correlation statistics and multiple regression analysis were utilized to analyze the data. The results indicate that DMBs overall compliance with the requirements of the regulatory laws is 97.78% which is high. It was also revealed that DMBs compliance with CAMA, BOFIA, and NDIC Act has a positive and significant influence on their financial reporting quality while compliance with Central Bank prudential guidelines has a negative but insignificant influence on the financial reporting quality. The study therefore concludes that DMBs compliance with regulatory laws like accounting standards significantly improves their financial reporting quality hence information disclosure in the financial statements for users' decision making. The study recommends that the Financial Reporting Council of Nigeria (FRCN) should continue to recognise these regulatory laws for financial reporting purposes in the country side by side with International Financial Reporting Standards (IFRS) but make efforts to remove any inconsistent financial reporting requirements with IFRS in order to ensure global comparability of financial reports of DMBs in Nigeria.

Keywords: Compliance, Regulatory Laws, Financial Reporting Quality, Deposit Money Banks

Introduction

Financial reporting is the means by which corporate entities communicate to shareholders and other stakeholders their financial affairs that guide decision making. Several stakeholders that include shareholders, government agencies like the tax authority, legislators, employees, community, and financial analysts rely on the financial reports as a primary source of information for their various decisions making. Financial reporting practice of corporate entities is influenced by accounting standards, statutory or regulatory laws and professional accounting bodies' pronouncements (Kantudu, 2005; Barde, 2009). These frameworks provide the bases for the content and quality of information disclosure in financial reports.

The quality and level of compliance with financial reporting frameworks are fundamental factors that affect financial information disclosure. To busttress, Ormin, Tarfa, and Adamu (2014) argued that the level of compliance with financial reporting frameworks by reporting entities underscores the quality of information disclosed in financial reports therefore the usefulness that investors and other users obtain from the reports for decision making purposes. Prior to the introduction and wide adoption of the International Financial Reporting Standards (IFRS), the available evidence suggests that the financial reporting quality of companies in developing countries lag behind that of developed countries due to low quality of financial reporting frameworks (Mahajan & Chander, 2008). Particularly in Nigeria, the World Bank had pointed out institutional weaknesses in regulation, compliance, and enforcement of accounting standards and rules as contributing to poor financial reporting quality (Okike, 2004). In a more recent study on the financial reporting quality of Nigerian firms, Nyor (2013) revealed the quality of annual reports and accounts of Nigerian firms as moderate. This finding may not be unconnected with the problem of level of compliance with financial reporting requirements in the country.

The foregoing clearly shows that the quality of financial reporting frameworks is sufficient but not the only condition for high financial reporting quality, enforcement of compliance by relevant regulatory bodies is therefore critical. Non-compliance with regulatory frameworks will mean that corporate management adopts reporting practices that satisfy either only their interest and/or that of shareholders to the detriment of other stakeholders. To ensure that all stakeholders benefit maximally from financial information disclosure, accounting and government regulatory bodies take measures to ensure compliance with reporting frameworks.

The financial reporting practice of banks in Nigeria is highly regulated by frameworks that include accounting standards, the Banks and Other Financial Institutions' Act of 2004 as amended, Central Bank of Nigeria prudential guidelines, Companies and Allied Matters Act (CAMA) 2004 as amended, the Securities and Exchange Commission (SEC) Act which regulates securities market participants under the Investments and Securities Act 2004, Foreign Exchange (Monitoring and Miscellaneous Provisions) Act and the Securities and Exchange Commission Rules and Regulations of 1999. The reason for the strong regulation is to prevent bank failure which may have a contagious effect and to ensure that banks carryout their activities in accordance with economic and social objectives of the country (Uche, 2001). Regulation creates the required confidence for those who hold excess liquidity to approach banks for safe keeping as well as investors to invest in the industry. It also promotes transparency for the financial stability of banks (Basel Committee, 2005).

Financial reporting quality has to do with full and transparent disclosure of information which is not misleading to users in the financial reports (Jonas & Blanchet, 2000). Financial reporting quality has recently received increased attention both locally and internationally; in practice and in academic research (Blue Ribbon Committee Report, 1999; Ramsay Report 2001; Sarbanes-Oxley Act 2002; Bebchuck & Cohen, 2004). The concern regarding the financial reporting quality has in part raised the question with respect to the levels of compliance with accounting and regulatory laws by corporate entities (Ormin, Tarfa & Adamu, 2014).

Regulatory laws are statutory and regulatory bodies' frameworks or guidelines designed and issued to guide activities of corporate entities including financial reporting. There is an increase in the body of literature that examine the level of compliance with regulatory laws in financial reporting. The notable studies on compliance with regulatory laws in financial reporting in Nigeria include those by Abiola and Ojo (2012), Ormin, Tarfa, and Adamu (2014), and Saidu, Abba, and Hassan (2016). Abiola and Ojo (2012) assessed stakeholder's opinion on compliance with regulatory financial reporting requirements by selected Primary Mortgage Institutions (PMIs) in relation to returns such as call reports, audited financial statements, and statement of deposit liabilities certified by the external auditor. Ormin, Tarfa, and Adamu (2014) examined banks compliance with CAMA and BOFIA in financial reporting. While Saidu, Abba, and Hassan (2016) assessed the impact of auditor's reputation on compliance with the requirements of CAMA 2004 by three (3) listed cement companies in Nigeria. However, these studies primarily failed to examine how the levels of compliance with the regulatory laws promote financial reporting quality. More so, Ormin, Tarfa, and Adamu (2014) was limited to only CAMA and BOFIA while Saidu, Abba, and Hassan (2016) focused on CAMA and cement companies thereby providing an opportunity to extend the scope of studies in the area to other regulatory laws such as CBN prudential guidelines and NDIC Act. This current study, therefore, extends the existing literature by investigating the levels of Nigerian DMBs compliance with the regulatory laws of BOFIA, CAMA, NDIC and CBN prudential guidelines and how these impacts on financial reporting quality. Thus, this paper provides further justification on the relevance of regulatory laws in enhancing financial reporting quality in Nigeria.

Literature Review

Conceptual Clarification

Regulatory laws are rules that govern activities of financial institutions such as banks, brokers and investment companies. These rules are generally promulgated by government regulators or international groups to protect investors, maintain orderly markets and promote financial stability. The range of regulatory activities can include setting minimum standards for capital and conduct, making regular inspections, and investigating and prosecuting misconduct (Organization for Economic Cooperation and Development, OECD, 2013). From the foregoing, regulatory laws encompass a set of rules evolved by regulatory bodies; government or private, to guide the operations of corporations. These rules may have legislative backing or could be a pronouncement by the relevant body to be adhered to by corporations. Within the context of financial reporting, regulatory laws consist of frameworks issued in form of enactments, guidelines and standards to be followed by companies when preparing financial statements.

Compliance, generally, covers matters such as observing proper standards of market conduct, reporting, managing conflicts of interest, treating customers fairly, and ensuring adherence to laid down procedures. According to Basel committee (2005), a bank that intentionally engages in transactions geared at avoiding regulatory or financial reporting requirements, evading tax liabilities or facilitating illegal conduct will be exposing itself to significant compliance risk. Adamu (2015) construed compliance to mean conforming to a rule, such as specification policy standards or law. Regulatory laws compliance has to do with companies taking deliberate steps to comply with relevant laws and regulations especially as it has to do with financial reporting requirements.

Talebnia, Salehi and Kangarluei (2011) explain financial reporting quality to refer to the limit in which the financial reports of an entity, its economic well-being and functions, measured over a period of time, is presented honestly. Financial reporting quality is influenced by three factors, namely; standards setters' decisions, accounting methods used by preparers and preparers' judgments and discretion in applying the appropriate statute (Iyoha & Jimoh, 2011). Therefore, where the standards developed by accounting standards setters are based on sound decision, the preparers chosen methods and judgments is not bias and the exercise of discretion is derived on sound and consistent principles, then, there will likely be high financial reporting quality.

Financial Reporting Regulatory Laws in the Nigerian Banking Industry

The relevant regulatory laws that DMBs in Nigeria are expected to comply with in financial reporting are the CAMA, BOFIA, NDIC Act and CBN prudential guidelines. These laws and their provisions are briefly discussed.

The Companies and Allied Matters Act, 2004 as amended is a major statutory framework that guides the activities and operations of Companies in Nigeria. It regulates virtually all aspects of Companies activities in Nigeria, including incorporation, management, and other issues. The CAMA also has provisions relating to companies financial reporting practice. Iyoha and Jimoh (2011) described CAMA as the Generally Accepted Accounting Principles (GAAPs) within the Nigerian reporting environment. The basic requirements relating to corporate financial reporting is contained in Part XI-Financial Statements and Audit. Sections 331-356 of CAMA 2004 relate to financial statements while sections 357 to 369 to Audit.

Section 331 of CAMA compels all companies to keep accounting records. Section 334 requires directors of every company to prepare financial statements in respect of each year of the company. Section 334 (2) states that financial statements should include: statement of accounting policies; the statement of financial position as at the last date of the year; a statement of profit or loss or, in the case of company not trading for profit, an income and expenditure account for the year; notes to the accounts; the auditor's report; the directors report; a statement of cash flow; a value-added statement for the year; a five year financial summary; and for holding company, a group financial statements. Section 335 states the form and content of individual financial statements. It requires the financial statements of a company to comply with the requirements of Schedule 2 to the Act (as far as applicable) and with the accounting standards as laid down from time to time by the Nigerian Accounting Standards Board now the Financial Reporting Council of Nigeria (FRCN).

Additionally, section 336 of CAMA compels companies that have subsidiaries to prepare individual and group accounts for the year. The group financial statements should consist of a consolidation of the statement of financial position and statement of profit or loss of the company and its subsidiaries. Section 337 further prescribes the form and content of group financial statements. It requires that group financial statements should comply with the requirements of Schedule 2 of the Act.

Also, sections 340-341 deal with the disclosure of loans in favor of directors and connected persons in accordance with Part I and Part II of Schedule 4 of the Act (so far as applicable). Section 342 requires every company to prepare with respect to each year a report by the directors in accordance with Schedule 4 of the Act. Sections 343-349 deal with the procedure for completion of financial statements. Section 343 requires two of the directors of the company to sign the statement of financial position and documents annexed thereto. Section 345 state the duration of time for delivery of the financial statements. Section 355 requires a company to publish an abridged financial statement. It applies to any statement of financial position or statement of profit or loss relating to a year of the company or purporting to deal with any such year, as part of the full financial statement to which section 354 of the Act applies. Finally, Sections 357-369 provide for audit of the financial statements.

The BOFIA was enacted in 1991 to ensure close monitoring and complete control of the financial system in the country by CBN. The relevant provisions on financial reporting are contained in sections 24, 25, 26, 27 and 28 which lay down the proper books of account to be kept, returns to be made by banks, publication of consolidated statements, publication of annual accounts of banks and the content and form of accounts to be prepared and presented to regulatory bodies in line with regulatory laws.

Specifically, section 24 (1) (2) (3) provides that every bank shall keep proper books of account with all transactions that give true and fair view on the state of affairs of the bank. The section 26 (1) requires banks to publish a consolidated statement and information submitted by each bank in compliance with Section 25 of the BOFIA Act. Section 27 (1a) (1b) (1c) (2) (3) (4) requires banks to publish annual accounts not later than 4 months after the end of financial year in newspaper printed in Nigeria, display its position in each of its offices and branches in Nigeria and forward to the Central Bank of Nigeria, copies of statement of financial position and statement of profit or loss duly signed and containing the full names of Directors of the bank. Section 28 (1) (2) further provides for the content and forms of account. That balance sheet (now statement of financial position) and profit and loss account (income statement) of the bank shall give a true and fair view of the state of affairs of the bank as at the reporting period.

The CBN prudential guidelines are regulatory guidelines issued by the CBN to ensure a stable and efficient financial system. The CBN prudential guidelines were revised by CBN in 2010. Though the guidelines regulates the operation of banks to prevent the problem of bank failures, liquidity, fraudulent practices, bad management, poor corporate governance, inadequate disclosure and transparency (Nwagwu, 2000); it also has provisions bordering on financial reporting. Section 15 of the CBN prudential guidelines 2010 particularly mandates licensed banks operating in Nigeria to address classification and analysis of loans and advances, provisions for bad debts, income recognition, reporting guidelines and off-financial position engagements.

The NDIC is an agency under the Ministry of Finance. The corporation is charged with protecting the banking system from instability occasioned by runs and loss of depositors' confidence. It advises the CBN in the liquidation of distressed banks and manages distressed banks' assets until they are fully liquidated. It has a supervisory role over insured banks. The operations of the NDIC is regulated by the NDIC Act No. 16, 2006 first enacted as NDIC Decree NO. 22 of 1988.

Section 27(1) of NDIC Act states that "Every insured institution shall submit to the Corporation such returns and information as may be required from time to time within the stipulated period". The returns expected from licensed institutions include call reports, annual financial statements, and statement of deposit liabilities certified by the external auditors. The Act also has provisions on banks financial reporting practice. Section 48(2) provides that DMBs shall keep proper accounts in respect of each financial year, keep proper records in respect of those accounts, and have accounts audited within 6 months after the end of the financial year.

Section 48(3) specifically requires that the financial year of entities shall be from 1st January to 31st December of every year or such other period as may be determined by the board of director of DMBs.

Importance of Compliance with Regulatory Laws in Financial Reporting by Banks

The need for banks compliance with regulatory laws in financial reporting cannot be overemphasized. The CBN (2009) stated that banks will be better off with full compliance and implementation of disclosures as directed by the apex bank (Adeyemi & Asaolu, 2013). This indicates that compliance with regulatory laws leads to full disclosure. To the industry, the merits of full disclosures far outweigh the demerits. The banking sector, like every other segment of the financial system, thrives on trust and confidence. Full disclosure will assist all stakeholders to evaluate the true position of the banks and confidently make informed decisions about them. Consequently, the stakeholders' confidence will be boosted with high regulatory laws compliance level.

Furthermore, the intention of the CBN on the full disclosure measures is to further entrench sound corporate governance in the financial system where accountability, transparency, and prudence are the grand norms. Hence, the investors and depositors will be provided with the requisite information to enable them to evaluate the financial position, performance, and operations of banks with a view to making well-informed decisions.

High financial reporting quality is invariably an important aspect and concern of regulatory agencies. Compliance with regulatory laws will lead to high financial reporting quality, the stability of the banking industry, stakeholders' confidence and ultimately avoidance of regulatory sanctions. Failure of banks to comply with relevant regulatory laws may lead to adverse publicity and reputational damage (Basel Committee, 2005). The stability of banks and the banking industry as a whole hinge on adequate information disclosure which is a function of compliance with regulatory requirements in reporting. With a high level of compliance and adequate disclosure, the monitoring role of the regulatory authorities is more effective, therefore measures can be taken in time to prevent bank failure and ruins in the system (Basel Committee, 2005).

Furthermore, the Basel Committee (2005) states that financial reports form the basis on which economic and financial agents, as well as authorities, take their decisions. Financial reports have a direct impact on supervisory work and on central banks' oversight given that banks' accounts form the basis for calculating financial and regulating ratios. Hence, non-compliance with the regulatory laws and rules affect market perception, financial ratios, and reports that supervisors use for assessing both the condition of individual banks and along with central banks, the global condition of the financial system.

From another dimension, compliance with regulatory laws is important because it helps the bank avoid sanctions. The regulatory law's requirements to be complied with in financial reporting are enforceable and have attached sanctions for non-compliance. For instance, fraudulent financial reporting which derives from non-observance of regulatory laws and accounting standards may attract monetary sanctions as well as delisting on the capital market. It is worth noting that monetary sanctions arising from non-compliance do constitute an expense thereby reduces the profit distributable (returns) to shareholders. Furthermore, sanctions as a result of non-compliance could jeopardize the public image of a bank, therefore, its shareholders and customer base (OECD, 1999).

Empirical Review

The empirical literature on compliance with accounting standards is much but few studies have explored compliance with regulatory laws of CAMA, BOFIA, CBN prudential guidelines and NDIC Act. In fact, there is no known study that relates compliance with regulatory laws with financial reporting quality. The known studies that explore on the compliance level with some of the regulatory laws are those of Abiola and Ojo (2012), Ormin, Tarfa, and Adamu (2014) and Saidu, Abba and Hassan (2016).

Abiola and Ojo (2012) study which focused on compliance with regulatory reporting and corporate governance practice in selected Primary Mortgage Institutions (PMIs) in Nigeria sampled 6 primary mortgage institutions. A structured questionnaire was administered to selected PMIs stakeholders. The study found that the staff and management of the PMIs were defensive of their institutions as they rated compliance to be high at 73.5%. Regulators rated compliance to be average at 56% while the customers, bankers and the public rated compliance to be low at 27%.

Ormin, Tarfa and Adamu (2014) examined compliance with the requirements of CAMA and BOFIA in financial reporting of Nigerian banks. The study sampled six banks and extracted data from the annual reports and accounts. Using qualitative grading system to determine the level of compliance, the study developed 24 requirements from CAMA and five from BOFIA and checked compliance by scoring 1 for full compliance, 0.5 for partial compliance and 0 for non-compliance. The result revealed a significant level of compliance with the regulatory laws of CAMA and BOFIA. Specifically, the study found 98.3% compliance with the requirements of CAMA and 100% compliance with BOFIA in financial reporting by Nigerian banks over the period 2004 to 2010.

In their own study, Saidu, Abba and Hassan (2016) examined the impact of auditor's reputation on compliance with the requirements of CAMA 2004 by listed cement companies in Nigeria where annual reports of three (3) quoted cement companies were sampled over the period 2004-2015. Using qualitative grading system to determine the level of compliance, the study develops ten (10) requirements from CAMA and checked compliance by scoring 1 for full compliance and 0 for non-compliance. The study documented a 83.45% level of compliance with the requirements of CAMA 2004 as amended.

The foregoing empirical works show evidence of significant level of compliance with regulatory laws in Nigeria but fail to relate compliance with financial reporting quality. This current study fills this gap in the literature. Accordingly, the paper hypothesizes that: $Ho_{1:}$ Compliance with CAMA, BOFIA, CBN Prudential Guideline and NDIC Act has no significant impact on financial reporting quality of DMBs in Nigeria.

Theoretical Framework

This paper is underpinned by the public interest theory. The public interest theory was developed by Arthur Cecil Pigou in 1920. According to Scott and Irem (2008), the public interest theory suggests that regulation is the result of a public demand for correction of market failures. In this theory, the central authority known as the regulatory body or the regulator is assumed to have the interests of society at heart. It does its best to regulate institutions by prescribing guidelines or standards to guide activities so as to maximize social welfare. The public interest theory is relevant to the present study because regulatory laws such as CAMA, BOFIA, and

CBN prudential guidelines, above all, are evolved by the CBN and expected to be complied with by DMBs to prevent banks failure, manipulation of financial reporting, and ensure high quality information disclosure to users.

Methodology

This paper assesses the level of compliance of DMBs in Nigeria with regulatory laws and the impact of such compliance on the financial reporting quality of the banks. The focus on DMBs is because of their uniqueness to real sector companies. More so, the industry has the highest number of regulatory laws guiding participants' activities including financial reporting practice. Data was extracted from the annual reports and accounts of 12 from the 15 DMBs listed on the NSE as at 31st December 2016 based on availability of complete data for the period of six years (2011-2016). The choice of the base year of 2011 is due to the fact that the CBN prudential guidelines which is one of the regulatory laws whose compliance level is examined was reviewed and issued in the year 2010. The upper year (2016) was based on the availability of published annual reports and accounts of DMBs from where data was extracted as at the commencement of the study.

Financial reporting quality is the dependent variable and proxied by the qualitative characteristics of relevance, faithful representation, understandability, comparability and timeliness as operationalized by Beest, Braams and Boelens (2009). The independent variable is level of Compliance with Regulatory Laws (CRL), proxied by compliance level with the financial reporting requirements of CAMA, BOFIA, CBN prudential guidelines and NDIC Act. A review of each of these regulatory laws was conducted and themes developed designated as r_1, r_2, - r_n implying requirement 1, requirement 2 up to requirement n. Compliance with these requirements was then checked in the annual reports and accounts by a predetermined index score whereby 1=full compliance, 0.5=partial compliance, and 0=non-compliance (Ormin, Tarfa & Adamu, 2014). In particular, apart from the CBN and NDIC Act, the themes with respect to BOFIA and CAMA were adopted from Ormin, Tarfa, and Adamu (2014) and Saidu, Abba, and Hassan (2016). A total of 44 themes were developed with 17, 6, 7 and 14 for CAMA, BOFIA, CBN prudential guidelines and NDIC Act respectively.

Following Adamu (2015), with modification, qualitative grading using compliance index was adopted in deciding the level of compliance with the regulatory laws by DMBs whereby 0-25% = not complied, 26%-50% = weakly complied, 51%-75% = moderately complied, and 76%-100% = fully complied. Other statistical tools adopted in the data analysis included descriptive statistics, Pearson Correlation statistics, and multiple linear regression analysis.

The study empirical model is specified as follows:

$$FRQ_{it} = \beta_0 + \beta_1 CCAMA_{it} + \beta_2 CBOFIA_{it} + \beta_3 CCBNPG_{it} + \beta_4 CNDICA_{it} + \alpha .... (i)$$

Where: FRQ = Financial Reporting Quality, CCAMA= Compliance with Companies and Allied Matters Act, CBOFIA = Compliance with Banks and Other Financial Institutions Act, CCBNPG= Compliance with CBN Prudential Guidelines, CNDICA = Compliance with Nigerian Deposit Insurance Corporation (NDIC) Act, β_0 = Regression Intercept, $\beta_1, \beta_2, \beta_3, \beta_4$= Parameters to be Estimated, $_{it}$= Bank and Time, and α = Error term.

Results and Discussion

This section of the paper presents and briefly discussed the robustness test results, descriptive statistics, correlation matrix and regression analysis.

To ensure the validity of statistical inference, normality, multicollinearity, heteroscedasticity and Hausman specification tests were performed. The dependent variable (financial reporting quality) data normality was confirmed through the use of normal Probability Plot and histogram of standardized residuals. The probability plot and histogram of standardized residuals indicates a good fit and does not suggest the presence of any significant outliers among the regression standardized residuals. The multicollinearity test conducted revealed a mean Variance Inflation Factor (VIF) of 1.06 which shows the predictive power of the independent variables is not adversely affected by any relationship amongst them (Samaila, 2014). The result of the heteroscedasticity test shows that there is no presence of heteroskedasticity as the probability (p-value) of the chi-square is 0.8745 which is insignificant, but indicates the existence of homoscedasticity; the ideal condition for the test. The result of the Hausman specification test shows that the independent variables are not correlated as the chi-square probability (p-value) of the model is 0.9750 which is insignificant, therefore the OLS random effect model was adopted for analysis.

Table 1: Descriptive Statistics

Variable	Minimum	Maximum	Mean	Standard Deviation
FRQ	3.0	3.8	3.4	0.18
CCAMA	91.3	100	94.9	2.49
CBOFIA	93.5	100	97.9	0.63
CCBNPG	75.0	100	87.5	3.56
CNDICA	91.0	100	99.1	2.34
OVCOMPL	93.5	100	97.7	1.39

Source: Generated from Annual Reports and Accounts of Sampled DMBs using STATA 12.0.

Table 1 shows evidence of high financial reporting quality of DMBs in Nigeria over the study period as revealed by the mean FRQ of 3.4 as against the benchmark of 3.0. The standard deviation of 0.18 indicates there is no serious dispersion in the FRQ of the DMBs. The mean value of the compliance level of DMBs with each of the regulatory laws of CAMA, BOFIA, CBN prudential guidelines and NDIC Act is 94.9%, 97.9%, 87.5%, and 99.1% respectively meaning full compliance with the financial reporting requirements of these laws. A close look at table 1 reveals that the DMBs complied the most with the financial reporting requirements of the NDIC Act, followed by BOFIA, CAMA, recording the least compliance with the requirements of CBN prudential guidelines. The overall level of compliance (OVCOMPL) with the four regulatory laws of 97.7% in table 1 falls within the predetermined region of fully complied, indicating that DMBs in Nigeria fully complied with the financial reporting requirements of these laws. The standard deviation associated with the mean compliance level with each of the laws and overall compliance is low meaning there is no serious dispersion in the annual level of compliance among the banks during the study period. The 97.7% level of compliance is close to the 98.7% compliance of CAMA and BOFIA reported by Ormin, Tarfa and Adamu (2014). It is however important to point out that the 97.7% overall compliance level is sufficient but not adequate. This is because as noted by Yusuf, Yusuf and Bashar (2016), compliance with issued framework is supposed to be total, that is, 100%. Anything less than 100% compliance with accounting and regulatory laws or pronouncements by professional accounting bodies leaves much to be desired of financial reporting quality. This means there is room for DMBs in Nigeria to improve their financial reporting quality. Table 2 presents the correlation matrix of the dependent and independent variables.

Table 2: Correlation Matrix

Variable	FRQ	CCAMA	CBOFIA	CCBNPG	CNDICA	VIF
FRQ	1					
CCAMA	0.299*	1				1.08
CBOFIA	0.266*	0.166	1			1.03
CCBNPG	0.269*	0.294*	0.083	1		1.06
CNDICA	0.113	0.144	0.253*	-0.201*	1	1.07

* Correlation is significant at the 0.05 level of significance.

Source: Generated from Annual Reports and Accounts of Sampled DMBs using STATA 12.0.

Table 2 shows that compliance with the financial reporting requirements of CAMA, BOFIA and CBN prudential guidelines is positively and significantly correlated with the financial reporting quality of DMBs in Nigeria at the 0.05 level of significance. However, compliance with the requirements of the NDIC Act is positively but insignificantly associated with financial reporting quality of DMBs in Nigeria. The correlation coefficient on the diagonal is 1 because each variable has a perfect correlation with itself. The correlation coefficient among the independent variables themselves shows that there is a positive and significant association between the CBN prudential guidelines and CAMA, and NDIC Act and BOFIA while NDIC Act and CBN prudential guidelines have a negative and significant association. Table 2 further reveals that compliance with BOFIA and CAMA, NDIC Act and CAMA and CBN prudential guidelines and BOFIA is positive but insignificant. The largely positive association among the regulatory laws is an indication of the reinforcing nature of the requirements of these laws on financial reporting practice of DMBs in Nigeria. The VIF in table 2 which range between a minimum of 1.03 to a maximum of 1.08 does not suggest the presence of multicollinearity amongst the independent variables thereby reaffirming the earlier position.

Table 3: Summary Regression Results

Variables	Coefficient	Std Error	Z	p>/z/
CONSTANT	2.805815	1.630471	1.72	0.090**
CCAMA	0.25296	0.3187958	1.75	0.025*
CBOFIA	0.210766	0.2668556	1.57	0.022*
CCBNPG	-0.0211341	0.0060907	-0.18	0.856
CNDICA	0.3133937	0.2319296	1.37	0.006*
R Square:				
Within	0.2513			
Between	0.7152			
Overall	0.4740			
rho	0.3081			

p-value	0.0021

*Regression is significant at the 5% significance level
**Regression is significant at 10% significance level
Source: Generated from the Annual Reports and Accounts of Sampled DMBs using STATA 12.0.

The OLS regression results reveal the cumulative R^2 of 0.4740 which is the multiple coefficient of determination indicating the proportion of the total variation in the dependent variable explained by the independent variables jointly. The R^2 of 0.4740 implies that about 47.40% of total variation in financial reporting quality of listed DMBs in Nigeria is accounted for by compliance with the regulatory laws of CAMA, BOFIA, CBN prudential guidelines and NDIC Act. This is instructive that the model is a good fit and the explanatory variables are properly selected, combined and used as a substantial value of the financial reporting quality is accounted for by the independent variables. In other words, the findings of the study can be relied upon.

Table 3 reveals that the coefficient of compliance with the financial reporting requirements of CAMA with financial reporting quality is 0.25296. The the p-value of 0.025 which is less than the chosen 0.05 level of significance is premise to conclude that compliance with CAMA has a positive and significant impact on financial reporting quality of DMBs in Nigeria. Compliance with BOFIA has a coefficient of 0.21077 which signifies there is a positive relationship with financial reporting quality. The p-value of 0.022 is less the 0.05 level of significance hence it can be inferred that compliance with BOFIA has a positive and significant influence on financial reporting quality of DMBs in Nigeria. It is also clear from table 3 that the coefficient of compliance with CBN prudential guidelines is -0.02113 and is associated with a p-value of 0.856. These provide evidence to submit that compliance with CBN prudential guidelines is negatively and insignificantly related with financial reporting quality of DMBs in Nigeria. This result may be attributed to the fact that the guidelines focuses mainly on banks performance with less emphasis on financial reporting aspects of the banks. Finally, the coefficient of compliance with NDIC Act is 0.31339. The p-value of 0.006 is less than the 0.05 level of significance hence it is concluded that compliance with the financial reporting requirements of the NDIC Act positively and significantly impacts on the financial reporting quality of DMBs in Nigeria.

The foregoing analysis provides sufficient evidence that regulatory laws in Nigeria have a strong impact on the financial reporting quality of DMBs in Nigeria consequently the information content for user's decision making. This is also a pointer to the relevance of local GAAPs in financial reporting of emerging economies such as Nigeria.

Conclusion and Recommendations

The quality of accounting and regulatory laws and the level of compliance with their requirements in financial reporting by entities determine the quality of information disclosed in financial reports thereby the relevance and usefulness to users. This paper assesses the level of compliance with the regulatory laws of CAMA, BOFIA, CBN prudential guidelines and NDIC Act by DMBs in Nigeria and the impact of such compliance on the financial reporting quality of the banks.

The results of the data analysis revealed that DMBs compliance with the financial reporting requirements of CAMA, BOFIA and NDIC Act has positive and significant impact on the financial reporting quality of the banks in Nigeria just as accounting standards. This shows that these regulatory laws have a significant role to play towards enhancing the financial reporting quality of DMBs. Therefore, in the presence of International Financial Reporting Standards (IFRS) which Nigeria converged to in 2012, the Financial Reporting Council of Nigeria (FRCN) should continue to recognise these regulatory frameworks for financial reporting purposes in the country side by side with IFRS. However, to ensure comparability of DMBs in Nigeria financial reports globally, efforts should be made by the FRCN to remove any inconsistent financial reporting requirements of these regulatory laws with IFRS. This will ensure national as well as global relevance of financial reports of DMBs in the country. The Central Bank of Nigeria on its part as the chief regulator of the banking industry should intensify its compliance surveillance on DMBs to ensure total compliance with the regulatory laws in order to improve financial reporting quality in the industry.

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