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FIRM GOVERNANCE AND VALUE RELEVANCE OF ACCOUNTING INFORMATION

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Abstract: The collapse of multiple firms globally after publication of huge profits drew the attention of regulators, shareholders and scholars about the extent board of directors discharge their responsibilities and raise the question as to the role the board play on firm failures and quality of accounting reports. The two most important attribute of financial reporting quality is relevance and faithful representation. However, this study is focused on value relevance and examines the nature of relation between Firm governance and value of accounting reports of Nigeria banks quoted on Nigeria Stock exchange. Secondary data was derived from banks and Nse website for period of study 2013 to 2023. Three proxies which measured Firm Governance were adopted. Independence and size of the board, and independence of audit committee was used respectively to represent Governance while Ohlson's model determined value relevance. Hausman test for selection of model and Multiple Regression were adopted because of the multivariate data used. causality test was conducted to establish direction of causality. Various classic assumption tests were conducted on data set. Board size and independence significantly affect value relevance while audit committee independence does not. However, board size negatively relates with value relevance while board independence related positively. Based on outcome, board independence should be enhanced while optimal board size should be determined by each bank to enhance value relevance of information derived from financial reports. Also, members of the various boards should have good reputation and understanding of finance and accounting. Training for upscaling of skills should be organized for audit committee members to enhance their contribution in performance of oversight functions on financial reporting and also ensure accounting information meet demands of various Stakeholders who rely on this information for decision making

Keywords: Board size, Board independence, audit committee independence, and value Relevance.

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Introduction

Accounting is a language of business. It is a language used to record, summaries and communicate outcome of business activities expressed in monetary terms to various stakeholders. Government agencies utilize financial reports for tax assement while investors use it to gauge the present and future potentials of the business in terms of future cashflows, market value, risks and expected future returns in form of dividend or anticipated retained earnings for expansion of the business. Regulators use it to asses the extent of compliance to regulation and standards. Accounting information contained in financial statements is expected to be useful for decision makers (Kargin,2013). Baumann and Erlend (2004) emphasized the importance of financial reports in communicating the economic activities of a firm to facilitate accurate decisions by stakeholders. This information according to Bushee & Noe (2000) is useful for ascertainment of liquidity and equity position of the fim.

The collapse of many entities after the publication of huge profits has raised the question of reliability, truth and fairness of financial reports thereby bringing to limelight the complex question about the extent of reliance and relevance of information from accounting reports. First, the going concern concept of existence of business in perpeitutity is brought to disrepute and accountants become a laughing stock as the basic principles that underlie accounting practices are questioned. Secondly, investors are agitated because the outcome of decisions based on accounting reports cannot be trusted. The crux of the issue is the extent of relevance of accounting reports to users.

Value relevance is linked to valuation and raises question on extent of reliance on accounting information in determination of market value of shares by investors interested in parting with capital for investment purposes. Financial statements play a fundamental role of summarizing business activities and providing a basis for evaluation of business performance which is relied on by various stakeholders for decision making. value relevance is evaluated on ability to identify or summarise information, nothwithstanding its origin, that impact equity valuation (Francis and Schipper, 1999). Premised on the foregoing, the value relevance of financial statement information is evaluated on potential for provision of reliable, timely and relevant information for market valuation of equity. According to Vishnani and Shah (2008) accounting information becomes irrelevant when the financial reports fail to be useful in determining stock prices, stock returns, or other market indicators. To be relevant, accounting data must be timely for users particularly the investors. Every financial report has the goal of providing relevant data that will assist the various user groups in making wise financial decisions. Financial data must be accurate and pertinent in order to be useful for decisionsm (IASB, 2018). A good accounting report has the attribute of timeliness, faithfully represent all the transactions of the organization that makes the report and also must be relevant and useful for intended purposes. Conflicts from prior studies revealed a lacuna producing contradictory outcome. Moreso, agitating scholars is the quagmire whether relevance of information from accounting reports increased or decreased over time. However, a few studies (Toumi and Hamrouni, 2023; Daniels and Smit, 2023**;** Khanagha, 2011; Bankole and Ukolobi, 2020; Perera and Thrikawala, 2010) suggested that value of information has decreased during the past few decades. Recently there are many high-profile failures of firms after the publication of huge profits. The failures of Afriacan Petroleum, Cadbury, Adelphia Bank PHB, Pamlat, spring bank, Skye bank, Enron are examples of the cases for manipulation of accounting report and outright fraud which affects the value relevant of financial reports published by the entities. Contemporary finance and economic literature suggest that weaknesses in control mechanisms instituted by regulators and business owners are responsible for the failure of the firms thereby leading to a slew of studies and debates about the efficacy of firms governing boards and compliance to standards of reporting.

The separation of ownership and control has been fingered as the reason for failures of firms. Agency theory (Jensen and Mecklings, 1976, Berle and Means, 1932) predicted that once ownership is divorced from control, there is misalignment of interest and managers will indulge in moral hazards pursuing selfish goals and objectives leading to earnings management and publication of falsified reports which affects relevance. First managers are given the lattitute on choice of accounting methods and policies. Second, Managers are in possession of superior information and deliberately withhold some information from investors creating information asymmetry in pursuit of the selfish goals. Third, weaknesses in internal control and monitoring mechanisms can encourage such malfeanses. Many reasons have been given for the deliberate distortion of information First, according to positive accounting theory (Watts and Zimmerman, 1970) it may be for bonus compensation, political cost or debt covenant violations. It may also be for signaling (Spence, 1973) for income smoothing, tax aggresivessness or share price manipulation.

According to Agency theory, the deviation from the principals' objectives by the agents can be addresed through monitoring and strict supervision giving rise to corporate governance. Corporate Governance are a series of rules, regulations and culture which determine how an organization is operated and governed. However, the effectiveness of corporate governance in ensuring value relevance of accounting information is debatable. While some studies (Almujabmed and Alfred , 2020; Abu Alia et.al , 2024 ; Tchaga, Cai & and Ntezolo ,2023 Ogbodo and Osisioma, 2020);, 2018; Krismiaji & Surifah, 2020; Gitahi ,2019; Kumai, 2015) suggest a positive impact of board roles on usefulness of financial reports ; other studies(Toumi and Hamrouni (2023); **Daniels and Smit** (**2023;** Windah & Andono, 2013;Hassan et al., 2015; Abdellatif, 2009; Manaf & Amran, 2014; Bushee et al., 2014;) suggest a negative effect of firm governance on value relevance. While other opinion suggest corporate governance has a neutral effect on value relevance (Bankole & Ukolobi, 2020; Omokhudu and Amake, 2018)

The setting of this study is Nigeria a country in Sub-Saharan Africa with weak institutions, poor regulatory oversights and enforcements of regulation, poor compliance to laws and a compromised judiciary. The capital market is poorly developed and weak with poor performance of oversight functions on listed companies, insider abuse in most of the financial institutions occasioned with corporate brinkmanship which creates room for tunneling and asset expropriation by majority shareholders and manipulation of financial reports. This setting provides enabling environment for falsification of financial reports which render the reports value irrelevant.

Literature

Theoretical Framework

Many empirical works on value and relevance of information from financial reports adopt agency conflict as underlying reason for failure of accounting reports to fulfill its attributes of relevance and faithful represent transactions entered into by organisations. **Agency theory** by Jensen and Mecklings (1976) anchored on misalignment of interest of agents with principal interests suggest moral hazards can be reduced and goal congruence achieved through institution of monitoring and supervision. In essence, Corporate Governance is a panacea for earnings massaging which is the core issue which affects value relevance of accounting informantion. However, from the perspective of governance failures which are highlighted by many studies, the **Mangement Hegemony theory** posits that the board expected to oversee the activities of management failed to do so and therefore are passive and rubber stamp to management decisions hence the failure of the firms. Although many theoretical works such as signaling and positive accounting theory attempts to give reasons for managerial bad behavior and failure of the firm, this work is anchored on Agency theory and Management Hegemony theory on the Corporate Governance perspective. From the value Relevance perspective, the study is anchored on the **Direct valuation theory, Ohlson's Clean Surplus theory** and **inputs to Equity theory**. Direct valuation theory proposes that causality flows from earnings to market value and not vice versa. In otherwords, earnings determine the price of equity. This theory suggests that accounting earnings is expected to measure changes in stock market. This collaborates the Ohlsons model (1995) which suggests that the price of a share is the measure of value relevance in the market hence the adoption of Ohlson's model in this study. The **residual income valuation or Ohlsons Clean surplus** theory asserts that under certain conditions share prices can be calculated as weighted average of book values of earnings implying that average earnings approximate share prices. In inputs-to-equity valuation theory, accounting's role is to provide information on inputs to valuation models that investors use in valuing firms' equity. According to Holthausen and Watts, (2001) accounting information provides the link between the accounting number and other variables considered in the model. These variables include the projected earnings or cash flows the company is expected to earn over a specific period. The discount rate used in discounting the future cash flows to their present value, reflecting the risk and future value of money. The projected value at expiration of timeline assuming company continues to operate indefinitely. Other inputs are the growth rate at which the company's cash flows or earnings are expected to grow, which is a critical factor in determining the terminal value. Also, considered is the capital structure which is the mix of debt and equity financing used by the company, which impact discount rate and overall value of firm. Another input in valuation of equity is the synergies of mergers and acquisitions, the potential benefits that can be achieved by combining the companies. These variables are inputs that are considered in valuing the firm. However, this work from the perspective of value relevance is anchored on direct valuation model which consider share price as a direct measure of value relevance

Conceptual Framework

Conceptual framework can be depicted in form of drawing which shows the different categorization of variables, mapping concepts and inter-relationship (Creswell (2003). This guide facilitates the delineation of the research scope, gap identifications and guides the study. Conceptually, this framework is depicted on figure 1 below:

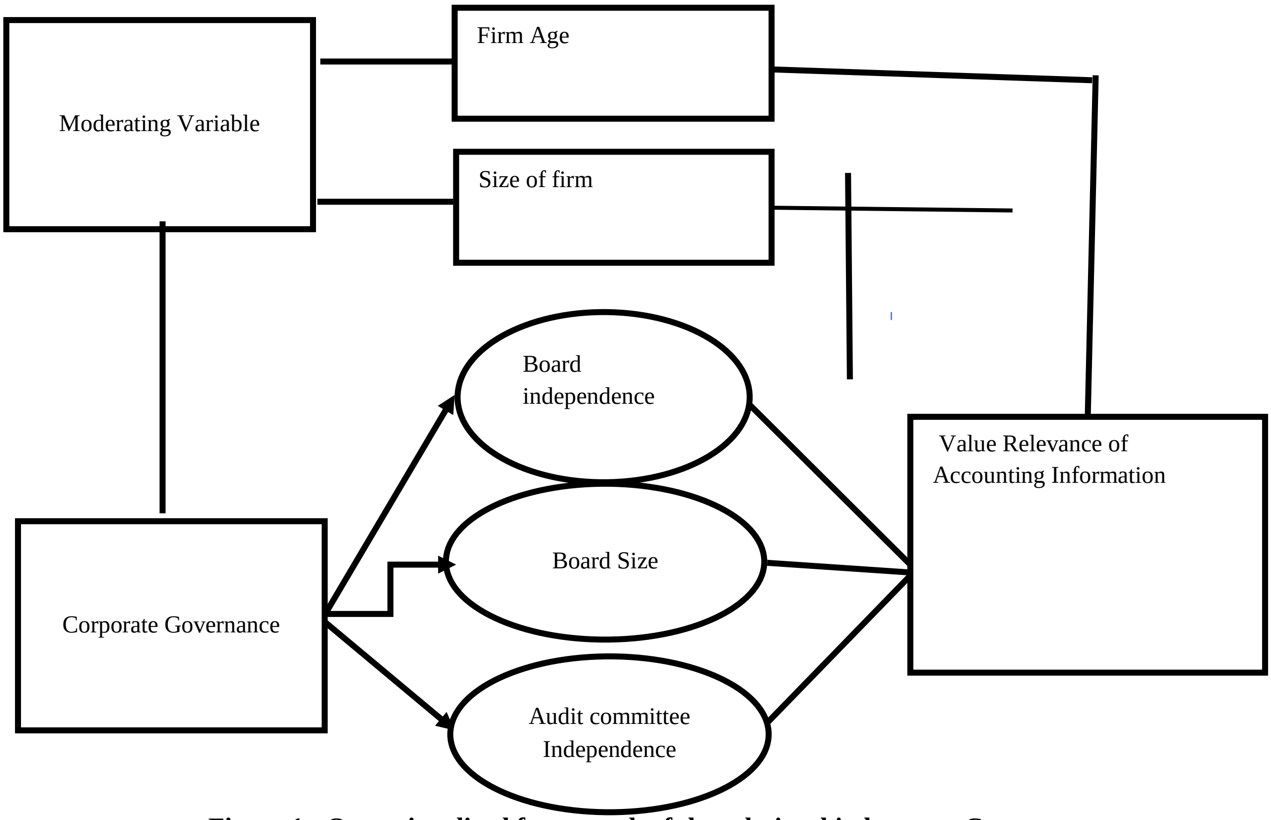

Figure 1: Operationalized framework of the relationship between Corporate Governance Attributes and Value Relevance of listed firms.

The concept relevant to this study is Firm Governance defined as series of rules, regulation, and ethics that guides running of business, Firm governance in context is examined through its attributes board independence, board size and audit committee independence. Independence in this study is freedom from bias, external and internal influences that impact on the decision making of the board. It is the ration of non-executive and external directors appointed to the board on the basis of reputation, experience and integrity. Board size is referenced as number of directors sitting on the board while audit committee independence refers to the ratio of number of non-exectutive directors sitting on the audit committee divided by the total number of audit committee members.From the Value relevance perspective we define value relevance according to Ohlson's model which states that share price is determined by reported earnings hence share price reflects the relevance of Information from financial reports to investors and market participants.

Empirical Review

Abu Alia et.al (2024) examined relation between Corporate Governance and financial information relevance of listed on Palestine Exchange 2009 to 2019 using Ohlson's (1995) model to measure value relevance. Regression results indicate board size, board ownership, audit committee size, and audit quality positively and significantly create valuable information. In contrastingly, role duality creates negative value relevance while role duality on firm boards has no significance to value relevance.

Tchaga, Cai and Ntezolo (2023) investigated effect of firm governance and value relevance in resolving agency problems and enhancing investors confidence. Study used 528 financial reports from Ghana and Nigeria stock exchange website. Modelling for study was categorized into three with the first model investigating direct impact of firm governance on value relevance; second model investigates effects of firm governance with implementation of IFRS disclosure requirements on value relevance and the final model investigates effect of governance associated with compliance to IFRS disclosure level on value relevance. From the output, the study confirmed corporate governance in the three models impact value relevance positively although the model with highest impact is model 3 which investigated effect of governance associated with compliance level to IFRS disclosure requirements on value relevance

Toumi and Hamrouni (2023) investigated Shari'ah governance quality on value relevance. Annual financial data of 40 listed Islamic banks from 12 countries were obtained from Refinitiv-Eikon database for the period 2012-2019. While adopting quantitative methods, the study revealed supervisory board attributes negatively affect value relevance of information provided by banks while internal bank procedures promoted value relevance. The study further revealed complementary effect of Shari'ah governance mechanisms at the bank and national levels on the value relevance of accounting information.

Daniels and Smit (2023) examined whether internal corporate governance attributes and affect value relevance of accounting information of firms listed on Johannesburg Stock Exchange (JSE) using 62 firms for 2015 financial year. Adopting Generalised Linear Mixed Effects model, the study found board size negatively affects share price while net asset value per share and earnings per share impact share prices of the firms studied

Ogbodo and Osisioma (2020) assessed the relationship between the value relevance of accounting information and share price with a focus on manufacturing companies listed on the Nigerian Stock Exchange (NSE). The Ex-post facto research design was adopted while Regression and causality test were used to ascertain nature of relationship and direction of causality. Result revealed dividend per share positively and significantly correlate Share price

Gitahi (2019) examine governance disclosures and value Relevance of banks listed on Nairobi Securities Exchange from 2010 2015. Employing Ohlson´s (1995) approach, the study found firm governance affects positively and significantly market value. Further the study confirmed governance disclosures affect the perception of investors.

Omokhudu and Amake (2018) evaluated connection between Governance and Value relevance of information from financial statements for Nigerian firms listed on NSE for the period 2008 to 2015 on a sample of forty-five firms. Value relevance was measured using Ohlson's model. Results indicate firm governance practices does not increase value relevance of accounting information.

Almujabmed and Alfred (2020) examining 178 firms on the Kuwait stock exchange in 2013 tried to ascertain how board characteristics shape earnings and book value information available to market participants using board size, presence of non-executives and role duality as measures effective corporate governance while value relevance was measured using Ohlson's (1995) valuation model. Result confirmed that board size positively and significantly associated with value relevance while CEO duality was positive but insignificant. Board independence however indicates a negative insignificant correlation with market value.

Methodology

Research Design

The study adopted ex-post facto and cross-sectional research design Secondary data were extracted from corporate annual reports and financial statements, desk research materials, magazines, newspapers and periodicals. The data for this research was also drawn from the 2023 Nigeria Stock Exchange Fact book. Annual reports and statements of accounts of selected deposit money banks published in the NSE fact book were employed. Basically, the content analysis covered corporate governance factors used as independent variable while value relevance was used for the dependent variable. The study employed descriptive statistics to determine the characteristics of data set, Regression analysis for relationships, correlation analysis. Various diagnostic tests were carried out such as Multicollinearity test, cross dependence tests, normality test, and correlation test, stationarity test for unit root and Causality Tests.

Variables of the Study

The variables used in the study and the operationalized definitions including notable authors who previously used the same yardstick are reported on table 1 below:

Table 1: Summary of Variables of the Study

Description of Variables	Measurement	Aprioripori expectation
Independent		
Board size	Total sitting directors on governing board of firms(Almujabmed and Alfred (2020)	Positive
Board independence	Total independent members divided by the total number of board members (Almujabmed and Alfred (2020)	Positive.
Audit committee independence	Measured as the ratio of independent audit committee members over the total number of members serving in the committee. (Paulinus et al., 2017; Abdulrahman and Ali, 2016).	Positive

Moderating Variable		
Firm Size	natural log of total assets. (Al-Shammari et al, 2008; Agyei-Mensah, 2017).	Positive
Firm Age	Number of years of existence (Agyei-Mensah, 2017).	Positive
Dependent Variable		
Value Relevance	value relevance as share price (Easton and Harris1991, and Ohlson, 1999).	Positive

Model Specification

VALR $=\beta_0 + \beta_1$BODS $+\beta_2$BIND+ β_3 ACIN+β_4FMS+ β_5FMA+U_1, t

Where VALR is Value Relevance of Accounting, BODS = Board Size, BIND = Board Independence, FMS= Natural log of Total Assets

FMA = Years since registration/firm age, i = Number of companies, t = Time frame, it = Number of companies for period of time, εi = Error term, β0 = Intercepts, β1- β5 = Coefficient of independent variables

RESULTS

Description of Data

Result from descriptive statistics depicting the features of data for this study is on table 2

Table 2: Descriptive Statistics for Panel Data

Variable	Mean	Max.	Min.	Std. Dev.	Skew.	Kurt.	J-B	Prob.
VALR	11.22	47.95	0.34	11.40	1.21	3.53	27.72	0.00
BODS	14.65	22.00	6.00	3.50	-0.10	2.49	1.33	0.51
BIND	0.19	1.33	0.05	0.13	5.89	49.60	104.72	0.00
ACIN	3.34	333.00	0.02	31.87	10.30	107.01	510.57	0.00
FMA	55.06	129.00	23.00	34.40	0.86	2.26	15.82	0.00
FMS	7.85	9.61	5.59	0.83	-0.32	3.20	2.05	0.36

Average share price for the banks over the period is 11.22. share price is used to proxy value relevance of the banks. The standard deviation of the variable is 11.4, which is close to the mean value and suggests that the share price for the banks appear to be quite close to the mean value. The positive skewness value however shows that there are more banks that reported lower stock prices than the mean value. This is shown by the wide difference disparity of maximum value relevance of 47.94 and minimum of 0.34.

For Corporate governance variables, average board size (BODS) membership is 16 members The law stipulates 22 as the maximum number of directors while 6 is the minimum for all banks in Nigeria. However, with an average of 16 as contained on the table above, it is obvious that some of the banks exceeded the limits prescribed by the law. Board independence showed a mean of 0.19 this result confirmed on the average 19 percent members of the board are the independent director that are non-executive and are external. The rate of deviation measured by standard deviation indicate 0.13. This result confirmed near similarity in composition of the boards across banks fall within the same pattern. The ratio of external independent directors to total membership showed 3.34 on the average depicting low level of independence of audit committer members. This result of audit committee independence when compared to the composition of the entire board signifies that the independence of the board is more valuable to the banks than the independence of the audit committee amongst the banks.

The resuilt from the statistics depict normality as the the skewness value lie in normal range of ±10.3. The Jarque-Bera (J-B) statistics revealed significance of variables and non-normality in the distribution thus reflecting the heterogenous nature of the firms. This makes it suitable for panel data examination.

Correlation Analysis

Correlation analysis result is shown on table 3. Correlation among the independent variables are also weak. Only ACIN and FMA have soignificant correlation among them.

Table 3: Correlation Matrix

Variable	VALR	BODS	BIND	ACIN	FMA	FMS
VALR	1					
BODS	-0.35	1				
	0.00					
BIND	-0.04	-0.13	1			
	0.67	0.16				
ACIN	-0.07	0.07	-0.01	1		
	0.49	0.50	0.90			
FMA	-0.37	0.12	-0.05	0.19	1	
	0.00	0.21	0.58	0.05		
FMS	0.25	0.08	-0.03	0.07	0.07	1
	0.01	0.42	0.74	0.44	0.49	

Tests of Time Series and Cross-sectional Properties of the Panel Data

Panel Unit Root Test

The heterogenous and homogenous operations, technical capabilities and capacities of the various banks increases the likelihood of the variables used in this study to exhibit the same behaviourial pattern reflecting these characteristics. From this perspective it is congent to examine whether stationarity exist on the panel data. This necessitates the use of panel unit root test to check for stationarity. To test for homogenousity, Levin, Lin and Chu (LLC) test are used to while to check for heterogenousity, the Im, Pesaran and Shin (IPS, 2003) and the Augmented Dickey-Fuller test is deployed. See result on table 4

Table 4: Panel Data Unit Root Tests Results

Variables	*Common unit process*	*individual unit root process*		
	LLC	**IPS**	**ADF**	**PP-Fisher**
VALR	-3.17**	-0.63	25.93*	23.81
BODS	-2.29*	1.20	13.89	60.67**
BIND	2.61*	-0.07	25.17*	58.31**
ACIN	-3.29**	-2.05*	35.46*	58.27**
FMA	5.56**	3.28	18.76	45.63**
FMS	4.92**	3.31	6.38	12.05

Source: Estimated by the Author. *Note: ** and * indicate significant at 1% and 5 % levels respectively; IPS = Im, Pesaran & Shin; LLC = Levin, Lin & Chu*

The tests are carried out in levels and are also reported in levels since variables are examined in ratios, and indexes which are stable over time. From the results, coefficient of the variables show stationarity since the critical test values are higher than test statistic at 5 percent. Therefore, the variables are integrated of order zero (I[0]). Based on this outcome, cointegration test is relevant

Cross-sectional Dependence Test

This test is carried out on the equations to evaluate cross-sectional properties of the panel data. Since panel data used for the study are from the same subsector, there is likelihood of exhibition of interdependencies amongst the financial institutions with possibility of spatial autoregressive processes within the datasets. The result of Pesaran (2004) test is depicted on table 5.

Table 5: Cross-section Dependence Test Results

Variables series tested	Pesaran CD	P-value	Abs corr
VALR	0.635	0.516	0.144

Source: Author's computations

The outcome of the test revealed insignificance of the t-statistics(p value > 0.05) indicating absence of cross-sectional dependence and freedom from heteroskedasticity.

Cointegration Tests

The panel cointegration tests result is depicted on table 6 depicted on table 6. For Pedroni Tests and Kao tests, the test statistics is significant at 5% pass indicating strong lon run relationship. The panel estimation framework can therefore be employed in the empirical analysis.

Table 6: Kao Panel Cointegration Test Results

Equation: VALR	Panel Statistics	Group Statistics	Kao (ADF)
Variance ratio	-2.99	--	
Rho	3.86	5.18	-4.090**
IPS	-0.45	-2.82**	
ADF	-1.69*	-1.75*	

Note: **, * indicates the rejection of the null hypothesis of no cointegration at the 0.01 and 0.05 level of significance respectively

Source: Author's computations

Regression Analysis

The Hausmann test for selection of appropriate model is depicted on Table 7 and shows the random effects estimation procedure is appropriate for determining the relationships.

Table 7: Hausman Test for Cross-Section Random Effects

Model	***Chi-Sq. Statistic***	***Chi-Sq. d.f.***	***Prob.***
VALR	11.021	5	0.051

Source: Author's computations

Causality Test

To determine causal pattern amongst independent and dependent variable Granger causality test is conducted as this will also help to avoid the problem of simultaneity bias in the estimations. The result of causality tests between pairs of dependent and independent variables is on Table 8. In result, causality run mostly from independent variables to dependent variables. TBased on tests, study revealed corporate governance effect on Value Relevance of information from accounting statements

Table 8: Test of Causality

Null Hypothesis:	**Obs**	**F-Statistic**	**Prob.**
BODS do not Granger Cause VALR	100	3.07	0.03
VALR does not Granger Cause BODS		1.22	0.27
BIND does not Granger Cause VALR	100	2.00	0.05
VALR does not Granger Cause BIND		1.53	0.22
ACIN does not Granger Cause VALR	98	4.05	0.01
VALR does not Granger Cause ACIN		0.27	0.60

Panel Estimation Analysis

Firm Governance and Value Relevance

Table 9 depicts the random effect strategy on panel data revealing suitable goodness of fit features. Adjusted R-squared value of 0.874 and showing 87% variations in value relevance are explained in the model. The P values for board size, board independence are less than the citical values at 1 percent level indicating significance and rejection of null hypothesis. However, ACIN failed the test of significance and null hypothesis accepted

Table. 9: Regression Result for Value Relevance

Variable	OLS			Random-effect		
	Coeff.	**t-Stat.**	**Prob.**	**Coeff.**	**t-Stat.**	**Prob.**
C	3.690	0.386	0.701	3.588	2.510	0.014
BODS	-1.117	-4.173	0.000	-1.034	-25.006	0.000
BIND	8.326	1.198	0.234	6.322	4.830	0.000
ACIN	0.000	0.001	0.999	0.004	1.048	0.297
FMS	4.075	3.660	0.000	3.784	19.112	0.000
FMA	-0.118	-4.288	0.000	-0.112	-10.915	0.000
Adjusted R-sq.	0.297				0.874	
F-statistic	10.138				143.109	

Thus, from result board independence and board size that significantly influence stock prices of firms or create value relevance for the banks. However, coefficient of BODS is negative while BIND is positive. Result revealed negative effect of board size on value relevance of banks. This revealation confirmed increase in board size creates a trade-off with value relevance by 1.117 points. Thus, there is evidence that larger board sizes are inefficient in improving value relevance of banks in Nigeria. On the other hand, coefficient of board independence is positive and shows that board independence significantly improves value relevance of banks in Nigeria. As board independence increases, chances of increasing value relevance of accounting information increases. Audit committee independence has no significant effect on value relevance of the banks. Firm size has a significant positive impact on value relevance of the banks, while firm age has a significant negative impact.

Post Estimation Tests

Multicollinearity Tests

To measure extent of correlation among the explanatory variables as collinearity amplifies standard errors of the estimates and makes the estimates unreliable in confidence intervals, multicollinearity test is carried out. The results of on table 10 depict uncentred variance inflation factors (VIF) are less than 5 confirming the variables are free from collinearity and estimates are reliable as the estimates fail to integrate excessively.

Table 10: Post Estimation Test Results

Variable	Coefficient Variance	Uncentered VIF
BODS	0.572	1.750
BIND	1.523	2.649
ACIN	2.264	1.929
FMS	0.010	1.144
FMA	0.000	1.370

Source: Author's computations

Stability of Regression Tests

Test to ensure appropriateness a serial correlation and non-normality tests are carried out using LM statistics test and J-B procedure respectively. From the results depicted on table 11, the test statistics failed significance test therefore null hypotheses are accepted for both cases indicating normality and no serial correlation respectively. These results confirmed, even distribution of residuals, no serial correlation and stability of the equation for effective long run predictions.

Table 11: Test of serial correlation and normality

Equation	***Test***	***Statistic***
VALR	*Normality test (J-B)*	2.22 (0.09)
	Serial Correlation LM Test	1.75 (0.08)

Source: Note: p-values are entered inparentheses in column 3.

Discussion of Result

Board Size, Board Independence, audit Committee Independence does not satistically significantly impact value relevance of accounting information

The test of hypothesis is based on coefficients of estimated variables on Table 8. BODS and BIND passed significance test at 1 percent level (p-value < 0.01). Contrastingly, coefficient of ACIN failed significance test at 5 percent level (P-value > 0.05). The result therefore led to conclusions that contrary to the hypothesis of non significance of both board size and independence to relevance of accounting information for the banks that their contributions are indeed significant. Based on this confirmation, the null hypothesisof no significance is rejected. However, effect of board size is negative implying increases in board size reduces value of information to investors while board independence enhances value relevance of accounting information. The null hypothesis is accepted in case of ACIN; demonstrating that audit committee independence insignificantly influences accounting information relevance of listed deposit money banks in Nigeria. This result appears to support previous findings on the positive effect of board independence on value relevance and overall quality of financial reporting of firms (Aifuwa & Embele, 2019; Suryanto et al, 2017; Kantudu & Samaila, 2015). The results however are at variance with previous findings that showed that audit committees had significant impacts on value relevance of firms (Ojeka et al., 2015; Umobong & Ibanichuka, 2017). The effects observed from these studies are however negative, which indicates that in general audit committee independence may not promote value relevance of firms. The trade-off effect of board size and board independence is a significant find in the result of this study. Board size increases reduce board independence and is mutually exclusive which ultimately negatively impacts value relevance of information and vice versa

Conclusion

The crux of the study is examining effects of firm governance factors board size, board independence and audit committee independence on value relevance of accounting information of deposit money banks in Nigeria. The goal is to determine whether effective governance can help improve relevance of accounting information in valuation of Nigeria Money deposit banks. In particular, study revealed that board size and independence affect value relevance of accounting information, while audit committee independence does not significantly affect value relevance of accounting information of listed deposit money banks in Nigeria. We conclude based on findings that board memebership increases limit value relevance of accounting information while board independence enhances value relevance of accounting information. These discoveries have major implications for shareholders, managers, investors, and regulators in the banking sector in Nigeria. In particular, the study emphasizes the necessity for independence of the board in promoting value of accounting information to investors interested on banks in Nigeria. The study also highlighted the negative impacts that large boards in the banks can have on the quality and relevance of accounting information.

5.2 Recommendation

Based on the findings of this research, this study, therefore, presents the following recommendations which will be useful to all firms' stakeholders.

- The outcome study revealed board independence is crucial and promotes value relevance of accounting information. It is therefore recommended board formation should be guided by the need to recruit experienced and independent executives from outside the bank with relevant expertise and good reputation with the intent to promote independence of the board.
- The study also revealed board size mitigates relevance of accounting information. Based on this finding it is recommended that firms should try to find an optimum board size that will add value to reporting practises of the firms as this will enhance value relevance of accouting information.
- Audit committe independence was found to play an insignificant role in value relevance of accounting information of the money deposit banks. However, the role of audit committees is to enhance quality of financial reporting by providing oversight functions. We therefore recommend that independent members of audit committe should be chosen on the basis of their integrity, reputation and financial expertise to facilitate the performance of their roles and create significant impacts which is for the overall improvement in value of reports rendered.

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