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Causality of Corporate Governance Attributes and Accounting Conservatism: Evidence from Nigeria

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ABSTRACT

The concept of corporate governance has been a topical issue since the collapse of many blue chip companies globally. Nigeria has not been an exception as many financial institutions and other firms failed soon after a rosy picture has been captured in the financials indicating compromise by both auditors and management. Accounting conservatism has been one of the burning issues examined by many studies in the context of poor financial reporting. However, many studies conducted on ther subject X-rayed the problem from a unidirectional causality flowing from corporate governance to accounting conservatism. Secondly, other studies deployed short term analytical framework. This study deviates and seeks to examine corporate governance from a bidirectional causality perspective that causality flows both from corporate governance to accounting conservatism and vice versa. In this context, the study examines the causal relationship between corporate governance attributes and accounting conservation. The study employed autoregressive distributive lag based on panel data framework for the period 2012 to 2022 on money deposit banks in Nigeria. The use of ARDL was to ascertain the long run effects while Granger causality test was conducted to show direction of causality. From, Hausama test, Random effects strategy was adopted. The study confirmed causality is bi-directional as it flows from corporate governance to accounting conservatism and vice versa. Specifically, causality had a significant flow from unconditional conservatismto audit committee independence showing that significant implementation of accounting conservatism had positive effect on corporate governance variable. Similarly, causality test signify that corporate governance variable Board size significantly influence Conditional conservatism while study also show directional flow of causality from board independence to unconditional conservatism implying that board independence will have positive effect on unconditional conservatism and cash flow earnings management. These finding although showing bidirectional causality indicatethat corporate governance and accounting conservatism influence each other depending on measurement yardsticks. Other causal tests showed insignificant results. In terms of relationships, Board size, board independence and firm size all had negative significant relationships with conditional conservatism implying that implementation of corporate governance initiatives reduces conditional accounting conservatism and hence reporting quality. Since conditional conservatism is related to cash flow from operations and accruals it implies that an increase in board size, board independence and firm size will reduce conditional accounting conservatism and negatively encourage cash flow earnings management. Audit committee independence however had a positive significant relationship with conditional conservatism implying that increase in audit committee independence increases reporting quality through conditional accounting conservatism and reduce cash flow earnings management. In the case of unconditional conservatism, the study revealed that board independence and firm size have positive significant relationship with unconditional conservatism implying that increases in any of the variables will improve unconditional accounting conservatism and improve reporting quality. Since unconditional conservatism is related to firm market value increase in corporate governance will mitigate share value manipulations. The study further highlights the trade-off effect of the corporate governance variables on cash flow earnings management and market value of shares. An increase in corporate Governance variable either reduces conditional conservatism or increases unconditional conservatism and hence influences reporting quality either negatively or positively. Particulary, increase in audit committee independence increases conditional accounting conservatism and reduces cash flow earnings management while at the same time reducing unconditional accounting conservatism and encouraging share price manipulations. We conclude that depending on the goal of the enterprise, corporate governance strategy and accounting conservatism can be used to either curtail cash flow earnings management or curtail share price manipulations. Based on findings we recommend a judicious mix of audit committee independence and board of directors' independence as corporate governance strategy to maximize financial reporting quality through accounting conservatism while firms should find optimal firm size that will make positive contributions. The study contributes to literature by disputing the earlier held notion of a unidirectional relationship between Corporate governance and accounting conservatism and highlights that the direction of causality for some variables are from accounting conservatism to corporate governance and not vice versa

Keywords: **Corporate Governance, Board of directors Independence, Audit committee Independence, Board size, Accounting Conservatism**

Introduction

Accounting as a language of business provides the medium of communication of the operations, financial activities, management and profitability of the business through financial reports to diverse stakeholders who include creditors, suppliers, regulators, investors, employees and tax authorities. During the era of sole proprietorship, management was not divorced from ownership, financial reports became a necessity as business owners sought to carry out self assement in terms of how well the business is performing. This need was exacerbated by the separation of ownership from control through delegation of authority by equity owners to Managers. Stakeholders' interest in performance gave rise to financial statements as a yardstick for performance evaluation of business entities. First, it was motivated to serve as a yardstick to asses the extent of achievement of firm objective. Secondly, evaluate managements' ability to meet expectations and align with owners objectivs. Thirdly, satisfy the need of management, regulators and other stakeholders. Equity shareholders are believed to be interested in profit and wealth maximization. Ceding of control and delegation by equity shareholders is done in good faith that mangers will act in the overall interest of the firm and thus pursue the objectives of the owners. However, as noted by agency theory (Jensen and Mecklings, 1976 and Ross, 1973) managers sometimes indulge in opportunistic behaviours by deviating from the overall organizational objective to pursue goals that are self serving. This opportunistic behavior may be motivated by bonus compensation(Affes,and Jarboui, 2023,Bhagat et al. 2008; Guney et al. ,2019;; Walsh and Seward ,1990), debt covenant violations, political cost(Watts and Zimmeran) ,timing of cash flows (Roychowdhury 2006; Bushee 1998; Bartov 1993)); signaling, income smoothing, tax avoidance (Watts and Zimmeran, Healy, Johnson et.al 2000). Secondly, it may also be motivated by information asymmetry and incomplete information about parties' performance, knowledge and preferences. These motivations gave rise to the malfeanses which involve earnings management which significantly affect financial reporting quality. The collapse of many enterprises (Enron, Xerox, WorldCom, HealthSouth, Toshiba Corp, Lucent, Adelphia, Tyco,, Maxwell pension scandals, Satyam, Reebok, African Petroleum Plc., Intercontinental bank, Oceanic, Tyco, Spring Bank, Wema Bank, Cadbury Plc., Adelphia and Parmalat and many more) soon after release of financial reports with juicy profits drew the attention of investors, regulators and schoolars and thus raises questions about the quality of financial reports published by firms. Jensen and Mecklings (1976) suggested that the monitoring function can obviate these problems, reduce agency conflicts and achieve goal congruence. However, despite the institution of the monitoring mechanism through internal and external audit the problem has not abated. Also, regulatory and corporate governance initiatives in the face of these failures have raised questions about the efficacy of these methods. Many arguments have been enthoused that the latitude given to managers by accounting principles created loopholes that are used to cause the malaise by Managers. Many will quick to argue that accounting rules and regulations were made to curb these excesses and that failure to abide by these rules through outright fraud by Managers contributed to business failures. On one hand one will agree that accounting conventions, rules and principles were designed to mitigate these issues and that managers negative ingenuity (Ahadiat and Hefzi,2013) contributed to business failures. Accounting conservatism has been part of the framework of accounting rules and regulations designed to ensure good reporting practices. .Accounting conservatism is linked to the prudence cconcept which emphasizes the need for costs and losses to be recognized immediately it occurs while revenues and profits are staggered over the time period and only portions related to a specific period are reported as income so that it affects the numbers in the financial statements (Ruch & Taylor, 2015).Accounting conservatism is essential in dealing with risks and uncertainties in economic and business activities. The principle of accounting conservatism is associated with the circumstances that are likely to result in losses. Recognition of future income expectations are postponed until realized. According to Al-abedi, Abbas and Triana (2019) accounting conservatism play a pivotal role in mitigating the opportunistic action of managers in provision of information and reporting the minimum estimated income for creditors and investors use. Accounting conservatism is used to avoid opportunistic management behaviors related to contracts that can minimize agency costs (Zelmiyanti, 2014). Conservatism would understate assets and earnings and offset managers' opportunistic behavior (Watts, 2003). Thus, conditional conservatism increases the usefulness of reported accounting information. The role played by accounting conservatism can be viewed from different perspectives. First, according to Klein (2002),Cullinan et al. (2012) and Honarbakhsh et al., (2021) it reduces asymmetric information and representation challenges. Second, increases firm value by reducing opportunistic behavior of managers by mitigating self beneficial bonus payments. Thirdly, it serves as a contractual mechanism by promoting the welfare of all stakeholders. Further, it serves as an alternative to corporate governance mechanisms (Masser and Flayyid, 2021) by serving as a check to managerial latitude and limiting discretional choices of managers. Guay & Verrecchia (2007) and Latridis, (2011) also argue that conditional conservatism gives investors, lenders and shareholders a clear view of the strengths and weaknesses of the company and helps them to make informed decisions as well as choose the right investment. To the extent that managerial compensation is tied to earnings, conservatism promptly penalizes managers for their failures (economic losses). However, they postpone economic gains until their benefits are realized, thereby reduces managers' incentive and ability to overstate the value they create (Ramalingegowda & Yu, 2012)

Although accounting framework provide in built-checks in the reporting process to minimize earnings management, the implementation and effectiveness of these procedures have been a subject of debate. The failures of many blue chip firms gave insight to the failure of accounting processs creating the need for other mitigating initiatives for earnings management. Many studies(Liu ,2024 ; Egbadju , 2024; Arogundae ,2023Am-ugsorn, Dampitakse, & Ngudgratoke , 2022;; Amran & Abdul Manaf, 2014; Xu and Lu, 2008 Liu and Wang, 2006; Fama and Jensen, 1983; Shleifer and Vishny ,1997; Denis and McConnell , 2003; Louizi , 2007; ; Armstrong et al. 2015and Seidman and Stomberg ,2017) on the subject of earnings management suggests that good corporate governance which is a monitoring function can curtail the effect of earnings management in the reporting process. According to Alodat *et al* (2022), corporate governance refers to rules, procedures, practices and processes which govern the operations, execution and management of a business. CG can also be defined as organizational structure, command structure, incentive system, standard operating procedures and written dispute resolution techniques((Tachizawa and Wong, 2015; Gallego-Álvarez and Pucheta-Martínez, 2020) . Corporate governance is predicated on the assumption that it ensures effectiveness and efficiency of operations thereby maximizing shareholders value. Studies by many authors (Farooq *et al*.,2022; Sharmar and Kaur ,2021; Çolak and Öztekin's , 2021;; Suleiman, Jamilu, and Jamilu, , 2020; Rinaldi and Viganò, 2021; Ali and Frynas, 2021; Ghulam *et al*., 2021 ; Dauda and Shafii, 2021; He *et al*., 2021; Bruna *et al*., 2019) support formal corporate governance structure as a springboard for business efficiency, performance enhancement and enabler of qualitative financial reporting. However, (Khatib and Nour, 2021; Chi, 2021) argues that formal corporate structure is not sufficient to ensure achievement of efficiency but that social control and trust will be additional factor that will enable a firm achieve the objective of good corporate governance.

Many studies (Liu, 2024; Egbadju, 2024;Arogundae, 2023;Am-ugsorn, Dampitakse andNgudgratoke, 2022;Ozkcan 2021; Amran & Abdul Manaf, 2014; Xu and Lu, 2008; Liu and Wang, 2006; Fama and Jensen, 1983) have been conducted on the subject of corporate governance and accounting conservatism. Some authors (Dampitakse, &Ngudgratoke, 2022;Ozkcan, 2021; Amran & Abdul Manaf, 2014; Leventis, Dimitropoulus and Owusu-Ansah, ,2013; Xu and Lu, 2008;Liu and Wang, 2006; Fama and Jensen, 1983) argue that it is good corporate governance that ensures conservatism in accounting reporting while (Hu et al. 2014)argue that it is conservatism that creates good corporate governance. In otherwords, some authors argue that causality runs from corporate governance and not vice versa while other authors argue that causality runs from conservatism to corporate governance thus causality is uni-directional. According to Adindu, Ekung and Ukpong(2022)conservatism might be influenced by the corporate governance structures of adopting companies. Exploring the linkages between corporate governance (CG) and conservatism opens up companies to not just the impact of conservatism on earnings, but the impact of CG on conservatism (Ukpong, Ubuaya and Ukpe, 2023).This paper on the otherhand adopts a bi-directional approach assuming that causality runs in opposing direction and not one sided. There is also the debate of the necessity or otherwise of accounting conservatism in the financial reporting process.The argument has been advanced that prudence and conservatism are not requisite features of a good information system and are insufficient for curtailing uncertainity and persistent net asset undervaluation (Ukpong, Ubuaja and Ukpe, 2023). Other criticisms have been levelled on the practice of accounting conservatism. In furtherance of this skepticism, El-habashy (2019) sees accounting conservatism as an inefficient means of tackling risk and uncertainty in income valuation which consequently produce inaccurate accounting data. Thus accounting conservatism negates comparability, and uniformity in applications of standards and regulation. Furthermore, Penman and Zhang (2002) claimed that conservatism created hidden reserves and resulted in lower quality earnings. Similarly, Boussaid, Hamza, and Sougne (2015) purports that due to the understatement of income or assets, conservatism resulted in a misunderstanding of current income or assets and led to inaccurate accounting data According to Jun, Pinghsun, & Yan, (2020) accounting conservatism biases financial statement numbers and results in inefficient decision-making. This viewpoint tries to justify that conservatism in accounting is irrelevant.

Nigeria is a developing country with weak institutions and poor enforcement of laws coupled with delays in the judicial system where cases of fraud can take many years to be decided there is need for businesses to ensure that all is done to ensure efficiency and effectivesness in its operation. Some writers (Song, 2015;Chi, W., C. Liu, and T. Wang, 2009) argues that in a country with strong enforcement of laws and protection of shareholders right there is no necessity for accounting conservatism however some other authors Ball and Shivakumar (2005) supports that conservatism is a necessity for good financial reporting. Considering the arguments enthused about corporate governance and conservatism there is an element of ambiguity as to the role played by accounting conservatism and its desirability in the accounting reporting process. These issues therefore bring to the fore the necessity for further studies. This study adopts a bidirectional causality approach in examining corporate governance attributes and conservatism in reporting quality of financial institutions in Nigeria using autoregressive distributive lag, Granger causalitytest and random effect strategy.

2.0 Literature

2.1 Theoretical Underpinnings

Many theoretical dimensions underlie the study of corporate governance and accounting conservatism. First, the theoretical postulation of **Agency theory**(Jensen and Mecklings, 1976) have been used by many researchers(Pasko et.al,2021; Iyoha, and Egbide,.(2020), (El-Habashy 2004; ; El- habshy (2019), Önce and Çavuş (2019) and Bravo and Alvarado (2019) on the subject of corporate governance and accounting conservatism. The theory suggest that lack of goal congruence is motivated by opportunistic and self interest objectives of the agents (Managers) pursuing personal objectives in deviation to original goals of the owners (shareholders). This in turn leads to agency conflicts and to ensure goal congruence, principals must institute sanctions and monitoring function at agency cost to curtail the effects of these misalignments. In support of the agency theory is the **Positive accounting theory**(Wattes and Zimmerman, 1976) which recognizes three motivations for misalignment of agent principal relationship namely; bonus compensation, debt covenants and political costs. Highlighting the role positive accounting theory plays in their studies ((El-Habashy 2004; El- habshy (2019) noted that accounting conservatism can be used a veritable tool to mitigate agency problem and conflicts of interest associated with bonus compensation plan where executives could manipulate earnings to enjoy raised bonuses ; **The stewardship theory** (Donaldson and Davis, 1991) conversely negates propositions of agency conflict and opine that agents are good stewards and not self serving and thus require no monitoring or agency cost to ensure goal congruenge. Agents will act as good stewards because of the psychological satisfaction derived by satisfying the' intrinsic need for achievement obtained from stellar performance thereby reinforcing positive relationship with the firm. Managers are motivated by the desire for successful performance, authority, and recognition to align their interests with that of principal or shareholders (Dedman, 2015). **The management Hegemony theory** sugges**ts** the board of directors (corporate governance) roles as symbolic, limited, passive participants in the governance process who choose associates that often support their actions, and is dependent on management for information on the firm and its industry. Thus according to this theory, the board's role exist to ratify management action , meet the standard of regulators, and develop and formulate top management reward schemes such as bonuses and salaries therefore corporate governance does not bring organizational change or susbstantially enforce management complianceis to stated rules and.According to Dalton and Daily (1999) **Resource dependency theory** proposes that the board is responsible for provision of relevant resources, information and networking that enhances strategic long term accomplishment of firm objectives. It is further argued that since the board is saddled with the formation of business strategy, they possess the expertise and technical knowledge required in setting strategic direction for the enterprise success (Cohen et al., 2008). External directors who are independent contribute to the firms' success by providing relevant connections and technological innovation and expertise in addition to ensuring that the board functions without undue interference inimical to the growth of the enterprise. Ideally, independent board members are expected to be industry experts with access to relevant resources and possession of sound financial acumen and knowledge. They are expected to possess superior knowledge in financial information although recruitment of such caliber of directors can be costly (Cohen et al., 2008). Some authors argue that the desire to send positive signals to the market that the firm is doing well or there is stability of earnings could be a motivation for earnings management and deviation from accounting rules leading to poor financial reporting. In otherwords, managers are in possession of superior information which neither the shareholder nor investors possess and to influence investors decision management send signals through published financial statements. This asymmetric information or disconnect amongst stakeholders and Management give rise to management propensity to falsify accounting reports. **Signalling theory** (Spence 1973) based on this perception states that Managers, possess superior information than investors and owners. This asymmetric information leaves the investor and the owners at the mercy of the manager who may intentionally send in good news to the market to prop up share pricing and influence investment decision or delay bad news so that it may not affect investors decision.Thus, the timing of financial information is a veritable tool for earnings management. The collapses of many banks in Nigeria over the years bring to limelight the conflicts between investors' goals and executive management goals and makes the agency theory relevant to this study. The conflict of interest are motivated by various reasons which include the need to present a rosy picture (signaling theory) or bonus compensation (Positive accounting theory). Contrastingly, some management of the banks may not indulge in selfish pursuits and are good stewards (stewardship theory). However, management boards may provide oversight functions and valuable resources to curtail earnings management (Resource dependency theory) but contrastingly other boards may be passive, rubber stamp and are appointed by self seeking executives (Management Hegemony). Thus the roles of the board and management of banks in Nigeria are succinctly captured by the many theoretical perspectives canvassed by this paper.

2.2 Conceptual Framework.

2.2.1 Board Size

Prior studies (Almutairi and Quttainah, 2019; Suleiman and Anifowose, 2014; Christian, Chiedu, Anichebe and Emeka-Nwokeji.,2022; Sutathip, Nuchjaree and Sungworn ,2020) identified board size as one of the features of corporate governance. According to Ogbechie and Koufopoulos (2020) board size is the number of directors sitting on the corporate board of a business entity. Each board member brings to the board a unique skill set, technical knowledge, connections and networking which supports organizational goals. The board gives direction to the business strategy, culture, and mode of operation and caliber of human resources required for a business to carry out its activies. Finding appropriate number of directors that will enable an entity fulfill its obejective is a subject of debate. However, existing literature has not been able to resolve this lacuna and there is no agreed board members number that is appropriate (Dabor, 2015). The opinion is that determining the optimal board size will be appropriate for business success. According to Tornyeva and Wereko (2012) certain factors such as board diversity, skills requirement, equity structure, firm size, nature of business will be a determining factor in deciding board size depending on the need of the enterprise. In Nigeria, the provision of the law CAMA 1990 section 246(1) sets the minimum number of directors as two. This law by default ignored the issue of corporate governance which should be instituted by board of directors in a company limited by shares. These vacuum created by law has ignited the debate on which board size is appropriate. A perspective (canvassed by Yermack ,1996; Eisenberg, *et al*, 1998; Mak and Yuanto ,2003, Aljifri and Moustafa , 2007) on the subject of board size suggests that a small board size is more efficient, not easily manipulated by management, take timely decisions, is cost effective and more organized as absent from meetings are reduced.Dozie (2003) opined that a smaller board is not saddled with bureaucracy, more competent in rendering oversight functions on the financial reporting process However, in support of smaller board size((Dalton,1999; Nanka-Brune, 2009; Tanko and Kolawole, 2018). Lipton and Lorsch (1992) and Jensen (1993)contributes to the debate by highlighting thatlarger board size is calamitious to the firm, ineffective(John and Senbet, 1998), lack co-ordination (Forbes and Milliken,1999;Yermack, 1996),less organized, easily manipulated by the chief Executive officer through divide and rule and decision taking is rancorous (Ganiyu and Abiodun, 2012) and cumbersome because of diverse shed of opinion. Other disadvantages highlight by the antagonists of larger board and supporting small board is that it is costly (Gyakari, 2009), delays in passing information (Forbes and Milliken,1999),weak monitoring, serves as a breeding ground for incompetent directors who may not justify the remuneration paid to them. Larger board is also associated with loss of passion and lack of commitment and high absentism at meetings.Tornyeva and Wereko (2012) posits that larger boards could create agency conflicts and free-rider problem as directors become negligent of their monitoring functions thus becoming passive members of the board. Increasesin board size create more conflicting groups representing their own diverse interests. These viewpoints caption the board as a problem to the entity rather than a solution provider (a reservoir of intellectualism, source of capital, and embodiment of skills and diversified managerial experience) required for maximization of corporate goals and satisfying other stakeholders.Contrastingly, a perspective supporting larger board size highlights the advantages to include increase monitoring and supervision (Jensen (1993); provision of pool of expertise in terms of skills, knowledge and experience (Forbes and Milliken, 1999;Suleiman and Anifowose, 2014), provision of check and balance and reduction of CEO dominance(Singhand Harianto, 1989) and provision of think tank committes from the board which facilitate sound decision making. Further it is opined (Pfeffer, 1983; Pearce and Zahra, 1992; Goodstein, 1994) that increase board confers the possibility of increase diversity which help business entities achievevaluable resources and also mitigate risks. Marlin and Geifer (2012), and Pearce and Zahra (1992)aligning with result dependency theory explained that large board size enables the enhanced number of directors to provide additional resources, increases networking, mitigate risks and secure external assistance that help the firm to succed. Borokhovich, (2005) and Miller (2009) assert that prior research suggests that larger boardsmay increase monitoring strength as well as reduce the potential for domination by the powerful CEO (Singhand Harianto, 1989). Based on the above conflict of opinion it is obvious the role of board size as corporate governance feature is still debatable and therei s still lacuna in which board size is most appropriate

2.2.2 Board independence

The literature on the concept of board independence is hinged on external recruits to the board who are non shareholding without executive function but essentially invited to the board on the basis of prior external experience. According to Oloyede, Iyoha and Egbide (2020) this is the proportion of members of the board who are non-executive directors that influences board oversight. The reputational capital enhancement theory anchored by Fama and Jensen (1983, supports independent board of directors and states that independent directors have good reputation in the business community and perceives their appointment to the board as a way of increasing their recognition as experts in taking decision.However, the extent of independence of these individuals is also a subject of debate since most of them are recruited by the shareholders and management who might be interested in certain decisions that will be taken by the board and set out to influence the decisions through external directors that they recommended or brought to the board. There is also the argument that independent directors encourage cash based earnings management. Contrastingly and arguing to the advantage of external directors (Pasko et.al , 2021;Abbott and Parker, 2000) opined that independent directors are more likely to fear damage to their reputation as a result of financial statement fraud while(Beasley *et al*., 2000) also states that independent directors enhances quality of financial reports. Studies on the subject of board independence and their relevance to reporting quality are mixed. Some studies (.Ukpong et.al ,2023; Pasko et.al ,2021;; Hawajiwah , 2020; Ain, Agus, Kiswanto and Indra (2020); Zelmiyanti, 2014;Mohammed et al.2017; AbdulMalik (2017); Al Sinawi (2015Nasr and Ntim , 2008; Givoly and Haijn Ho and Wong, 2001; Foroghi et al. 2013; Fama and Jensen, 1983) showed the results had a significant positive effect on accounting conservatism and reporting quality while studies (byArogundae, 2023; Al-abedi ,2022;Limantauw,2012; and Risdiyani and Kusmuriyanto ,2015) showed that independent directors were not proven to affect accounting conservatism implying independent directors do not affect accounting quality. Conversely other studies (Egbadju (2024; Bello ,2019;Noor and Kamarul 2014; Barako. 2006; Gul and Leung, 2004; Eng and Mark,2003) found negative association of board independence to reporting quality.

2.2.3 Audit Committee Independence

Audit committee a product of the law is one of the corporate governance initiative created by Law. Independence of audit committee member has been touted as a panacea for the effectiveness of the committee in performing its statutory oversight functions which include overview of financial reporting. Audit committee independence refers to the existence of external, non executive and non shareholding board memebers in the audit conmiitee. Some researchers (Egbadju,2024 ; Abbott and Parker, 2000; Carcello and Neal, 2000)) suggest that audit committee independent members will seek to protect their reputation and hence will demand higher audit quality. Secondly, independent directors are economically non dependent on the company and therefore unlikely to condone fraud, financial mismanagementand management of earnings. Further audit committee serve as a monitoring mechanism and the presence of independent directors will wnhance this role.

2.2.4 Accounting Conservatism

Accounting concevatism is a popular accounting principle which has influenced preparation of financial reports for centuries and require financial reporting to recognize looses immediately tthey occur while future profits are recognized systematically over a given time period. In otherwords, revenue should be recognized and spread over time as it falls due. The literature on accounting conservatisms recognizes two strands of conservatism.Conditional conservatism emphasized that losses incurred by business entities should be taken into the books immediately and should form part of the reporting process while revenue recognition is delayed and only recognized when realized.Lu and Xu (2008) documents that such delays in revenue recognition represents a present economic loss not occasioned by prior expense recognitionor deferred income. On the otherhand, Ball and Shivakumar (2005) states that unconditional conservatism is represented by the bias in under reporting stakeholder's equity. These two forms of accounting conservatism ultimately impact reported earnings influencing both the market value of shares and operational cash flows.

2.3 Empirical Review

Many studies have been conducted on the subject of corporate governance and accounting conservatism with different outcome thereby creating gaps for further studies. Liu (2024)explored the effect of accounting conservatism and corporate governance in Chinese private enterprises with findings revealing strong association of conservative accounting practices with good corporate governance.Egbadju (2024**)** studied the effect corporate governance attributes on accounting conservatism in Nigeria for the period 2005 to 2020 using 75 non-financial firms listed on the floor of the Nigerian Exchange Group. The results reveal that board size, managerial ownership, audit committee size and number of foreign directors positively and significantly relate with accounting conservatism. However, chief executive officer with military experience and board independence show negativesignificant association with conservatism while board gender diversity association is insignificant. Again, while the Big4 as well as the number of foreign directors are positively significant; foreign income, industry and yearly dummy variables are positively insignificant. Arogundae (2023) examined Corporate Governance and accounting of seventeen firms quoted firms on the Nigerian Exchange Group (NGX) for the period 2012 to 2021.Finding revealed corporate governance had no significant impact on Accounting Conservatism of the firms studied of quoted firms in Nigeria. Ukpong et.al (2023) assessed the relationship between Corporate Governance Mechanism and Accounting conservation of selected listed companies in Nigeria using 25 of the 57 manufacturing companies listed on the Nigeria Exchange group for the period 2007 to 2021. The result shows Board Size and board independence significantly affect accounting conservatism

Am-ugsorn, Dampitakse, & Ngudgratoke (2022) studied Thailand stock exchange by examining the impact of corporate governance on accounting conservatism for the period 2018 n0 2019 using 906 firm year's observations. Result show board activity, compensation, shareholding structure and audit committee had positive significant effect on accounting conservatism while board structure revealed no major influence. Ogiriki and Suwari (2022) assessed the relationship between accounting conservatism and firm structure in Nigeria. Ex post facto research design was adopted for studying existing events, and a sample of thirty-eight (38) publicly listed manufacturing firms were employed. Data of accounting conservatism (earnings accrual) and firm structure (equity-to-asset and asset tangibility ratios) was obtained from 2012- 2020. They found evidence that a firm with more conservative financial disclosure of its earnings accrual adjusts its asset structure towards the company's target more rapidly; this in particular is common for publicly listed manufacturing firms that rely on external financing for adjustment. Moreover, they found that the level of accounting conservatism positively and significantly affects the firm structure and this effect arises due to debt issuance.Al-abedi (2022) tried to determine corporate governance impact on accounting conservatism on financial reports of justice shareholders on the Iraq Justice Stock Exchange using 30 companies for the period 2013 to 2020 .Findings show no relationship between corporate governance mechanisms and conservatism on reports rendered.

Pasko et.al (2021) explored the association between corporate governance attributes and the extent of accounting conservatism apparent in Chinese listed companies' financial reporting. The findings demonstrate that significant positive association exists between board independence, board size and accounting conservatism in Chinese information technology companies. Conversely, CEO duality, management shareholding and the shareholding ratio of the largest shareholder significantly negatively correlated with accounting conservatism. Ozkcan (2021) examined the impacts of corporate governance mechanisms on accounting conservatism using 85 non-financial firms quoted in Borsa Istanbul during the years of 2013 to 2018. Study revealed board size, board independency, institutional ownership, and firm size are positively related with accounting conservatism. However, leverage is negatively related with accounting conservatism, while there is no statistically significant association between CEO duality and accounting conservatism. Sharmar and Kaur (2021)studied the impact of corporate governance on accounting conservatism by S&P BSE 500 index firms for the period 2010–2018. Findings show a significant effect of corporate governance on the accounting conservatism policy of the firm. Hawajiwah (2020) analyzed the effect of good corporate governance mechanisms (institutional ownership, managerial ownership, and independent commissioners) on accounting conservatism with leverage as a moderating variable of 33 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2014–2016. Result of the study revealedthat institutional ownership and independent commissioners have a significant positive effect on accounting conservatism, while managerial ownership has a significant negative effect on accounting conservatism. Leverage moderates the effect of managerial ownership and independent commissioner on accounting conservatism but do not moderate the effect of institutional ownership on accounting conservatism. Suleiman, Jamilu, and Jamilu, (2020) investigated the effect of board attributes on the financial reporting quality of the twenty (20) listed consumer goods firms on the Nigerian Stock Exchange for the period 2013 to 2018 viz-a-viz conservatism. Findings showed that board expertise was statistically significant and positively related to financial reporting quality at a 5% level of significance, thus, it implies any increase in the number of expertise on the board will lead to an increase in the financial reporting quality of consumer goods companies, while board independence and board diversity were found to be insignificantly related to financial reporting quality at 5% level of significance. Phapho, Pichetkun and Ngudgratoke, (2020) studied the effects of the characteristics of the board on accounting conservatism in Malaysia and Singapore. The population of the study was registered firms that operated and submitted their annual reports in 2018, including 789 firms from Bursa Malaysia and 488 firms from the Singapore Exchange. The multiple regression results indicated positive significant effects of both board size (+0.058) and independence board (+0.571) on accounting conservatism. The result of the study further explained that the expertise and experience of the audit committee were sufficient for their effectiveness. There was the possibility that more audit committee sizes could lead to problems of communication and coordination and decrease the ability to control management

Jaimuk, Nilapornkul and Ngudgratoke, (2020) examined the impact of board director characteristics, ownership structure and information communication technology on accounting conservatism (Con-ACC). The dependent variable was firms' accounting conservatism measured using the market-to-book ratio approach. CG consisted of board size, board independence, board meeting and duality directors; while ownership structure included the highest percentage of shares held. For ICT variables, the study employed the percentage of internet use by business sectors. Furthermore, the researchers employed firm size and firm leverage as control variables.. The result revealed that CG and ICT significantly influenced accounting conservatism. Bello (2019) examined the effect of corporate governance on accounting conservatism of the 30 manufacturing companies quoted on the Nigerian Stock Exchange from 2011-2018. Findings reveal that the size of the board (BDS) has a negative effect on accounting conservatism, Board independence shows a statistically significant 5% impact on accounting conservatism though with a positive coefficient while Board gender diversity has a positive impact on accounting conservatism and statistically significant

3.0 Methodology

Data for the study were derived from financial reports of money deposit banks under the commercial banking sector in Nigeria for the years 2012 to 2022. Census sampling method is adopted on a population of twenty four commercial banks in Nigeria for the period of study. Using a purposive sampling method which selected only banks with complete data for period of the study .we arrived at a sample size of ten. Random effect strategy was found suitable from test for model selection. Descriptive statistictivcs, correlation analysis, Multiple Regression and Autoregressive distributive lag PMG approach was used on panel data. Granger causality test was conducted to determine the direction of causality.

Variables of the study

The variables of the study covered Corporate governance attributes (Board independence, Board size and audit committee independence) while conservatism was divided into conditional and unconditional conservatism in line with past literature.

Accounting Conservatism

Many yardsticks have been deployed in prior studies to measure accounting conservatism some of which inclue asymmetric timeliness of earnings (Basu, 1997), negative accounting accruals (Givoly and Hayn, 2000), hidden reserves (Penman and Zhang, 2002) and market-to-book ratio. Also, literature identified two types of accounting conservatism namely conditional and unconditional accounting conservatism. We follow the literature by using these two types of measure in this study.

Conditional Conservatism (Conserv1)

Going with prior studies we adopt the method used by Ball and Shivakumar, (2005) in calculating conditional conservatism using asymmetric accruals-to-cash flows because it does not rely on market information and its fluctuations and takes into account both accruals and cash flows. The model of Ball and Shivakumar (2005) uses multiple linear regression that relates cash flows from operations with accruals

The equation is illustrated below:

$ACCt = \alpha 0 + \alpha 1 \Delta REVt + \alpha 2 GPPEt + \alpha 3 \Delta CFt + \alpha 4 D \Delta CFt + \alpha 5 D \Delta CF * \Delta CFt + \varepsilon t$

Where ACCit is the total accounting accruals for the period; CFOit is the net cash flows from operations for the period; DCFOit is a dummy variable, which takes 1 if CFOItis negative, otherwise 0; CFO*DCFO It is the net cash flows from operations multiplied by the dummy variable; α0 is the constant; α1, α2, α3are parameters; εit is the error term. The level of accounting conservatism is the value of the incremental coefficient α3, the larger the value of the incremental coefficient, the high the level of accounting conservatism

Unconditional Conservatism

The unconditional conservatism (CONSER 2) is measured using the book-to-market ratio, computed as a company's book value divided by its market value (Persakis and Latridis, 2015**).**

Moderating variables

Firm Size (FSIZ): This measures the size of the firm. It is expressed as natural log of total assets (e.g. Al-Shammari et al, 2008; Agyei-Mensah, 2017).

Firm Age (FA): Firm age is measure by the year of incorporation. (Barako et al., 2006; Agyei-Mensah, 2017).

Summary of Variables of the Study

Table:1

Description of Variables	Measurement	Aprioripori expectation
Independent		
Board size	Proxied as all the directors sitting on the board of the banks Phapho, Pichetkun and Ngudgratoke, (2020)	We expect a positive relationship with any increase in number of directors correspondingly increasing application of accounting conservatism
Board independence	Number of external directors without executive functions divided by total number of directors on the board. (Phapho, Pichetkun and Ngudgratoke, 2020)	We expect that as external directors' numbers on the board increases adoption of accounting conservatism increases. Thus showing a positive relationship.
Audit committee independence	Number of non executive and external directors that are appointed to audit committee divided by the sum of external and internal directors sitting on audit committee board. (Egbadju ,2024)	Independence of audit committee members is expected to enhance audit committee independence and thereby increase accounting conservatism
Moderating Variable		
Firm Size	Natural log of total assets. (Al-Shammari et al, 2008;).	Increase in firm size is expected to contribute positively to enhance practice of accounting conservatism
Firm Age	Counted as year of registration. Barako et al., 2006; Agyei-Mensah, 2017).	Firm age is expected to positively impact accounting conservatism

Dependent Variables		
Conditional conservatism	a multiple linear regression that relates cash flows from operations with accounting accruals is used to ascertain conditional conservatism in this study (Ball and Shivakumar (2005)	Positive
Unconditional conservatism	is measured using the book-to-market ratio, computed as a company's book value divided by its market value [Persakis A, Iatridis GE (2015**)**	Positive

Model specification

UCAC =$\beta_0 + \beta_1$BODS + β_2BIND+ β_3 ACIN ++β_4FMS+ β_5FMA+ U_1, t…....…. (i)

CACS= $\beta_0 + \beta_1$BODS + β_2BIND+ β_3 ACIN +β_4FMS+ β_5FMA U_2, t… ....… . (ii)

Where: εi = Error term, $\beta 0$ = Intercepts, $\beta 1$- $\beta 8$ = Coefficient of the independent variables.

UCAC = Unconditional Accounting Conservatism, CACS = Conditional accounting conservatism

BODS = Board Size, BIND = Board Independence, ACIN = Audit Committee Independence

4.0 Result

4.1 Description of Data

Descriptive statistics show the summary of data and other basic characteristics of data used in the analysis as well as provide a background structure for the variables in the analyses. Table 1 shows the descriptive statistics of the variables included in the empirical model of the study for banks in Nigeria.

Table 2: Descriptive Statistics for Panel Data

Variable	**Mean**	**Max.**	**Min.**	**Std. Dev.**	**Skew.**	**Kurt.**	**J-B**	**Prob.**
UCAC	15.93	42.86	0.20	8.02	1.86	6.47	117.41	0.00
CACS	0.09	2.40	0.00	0.23	9.62	97.85	425.68	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

For the accounting conservatism variables, average unconditional conservatism measure is 15.93, with a standard deviation of 8.02, while conditional conservatism measure is 0.09 on average, with a standard deviation of 0.23. This shows that the unconditional conservatism (which is related to cash flow) measure is more stable than the conditional conservatism measure (which is related to book-to-market ratios).

For the board characteristics variables, average board size (BODS) is approximately 16 members. Given that maximum membership of 22 and minimum membership of 6 allowed by corporate governance code for banks in Nigeria, it is clear that there are few extreme cases in terms of membership composition of boards among the selected banks. The standard deviation value of 3.5 is however low (relative to the mean value), suggesting that most of the banks in the study have board membership around the mean value of 16. Essentially, it appears that Nigerian banks adopt a relatively similar pattern of board membership. Average board independence score is 0.19 or 19 percent, indicating that on average, 19 percent of board membership among the banks is external. The standard deviation of 0.13 shows that board external composition among banks is similar. Average ratio of independent audit committee members over the total number of members serving in the committee is 3.34, which is low and shows that independence of boards is more valued than independence of audit committees among banks in Nigeria. From the descriptive analysis, the skewness value falls within the normal range of ±10.3 while the kurtosis figures are high for CACS and ACIN, indicating large extreme values for some of the banks in the sample. Another important descriptive statistic considered is the Jarque-Bera (J-B) statistic which shows the normality of the probability distribution of the datasets. Given that the data are inherently heterogenous (with different firms involved), it is not surprising that almost all the variables are significant in terms of the J-B test statistic, indicating that the datasets underlying the variables are non-normally distributed as expected. This is a strong basis for providing a panel-form analysis in the regression process for the study.

4.3 Correlation Analysis

The study adopt Pearson correlation analysis to ascertain the nature of relationship amongst variables of study. The goal is to detect abnormal patterns and multicollinearity if any. From the results on table 4, there is a a significant negative correlation between UCAC and CACS, indicating that unconditional conservatism is negatively correlated with condirtional conservatism. Thus, banks that seek to increase unconditional conservatism are correlated with lower conditional conservatism. The correlation among the independent variables are also weak. Only ACIN and FMA have significant correlation among them.

Table 4: Correlation Matrix

Variable	UCAC	CACS	BODS	BIND	ACIN	FMA	FMS
UCAC	1						
CACS	-0.27 0.00	1					
BODS	0.02 0.81	-0.10 0.28	1				
BIND	-0.04 0.71	0.01 0.92	-0.13 0.16	1			
ACIN	-0.07 0.48	0.05 0.59	0.07 0.50	-0.01 0.90	1		
FMA	0.12 0.23	0.03 0.72	0.12 0.21	-0.05 0.58	0.19 0.05	1	
FMS	0.06 0.53	-0.18 0.06	0.08 0.42	-0.03 0.74	0.07 0.44	0.07 0.49	1

Source: Author’s computation

4.4.2 Panel Unit Root Test

Banks in Nigeria display diverse technical abilities and behaviourial patterns in the conduct of their operations and in business focus. These diversities are likely to impact the characteristics of the data with the data showing internal characteristics of the banks and general characteristics across the banks. Thus the data are not homogenous. This necessitates the test of stationarity and we adopt Levin, Lin and Chu (LLC) to ascertain if stationarity exist in the data panel. To test for heterogenousity, we adopt heterogenous-based results from Im, Pesaran and Shin (IPS, 2003) and also include Augmented Dickey-Fuller tests. The outcome of unit root test are shown below on table 5

Table 5 : Panel Data Unit Root Tests Results

Variables	*Common unit process*	*individual unit root process*		
	LLC	**IPS**	**ADF**	**PP-Fisher**
UCAC	-8.26**	-1.76	33.41*	22.23
CACS	-5.14**	-2.13*	37.62*	60.00**
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 test results on table 5 are reported on levels. This display is motivated by the nature of data that are basically in ratios and indexes and prior experience had shown stability of such data over time. Therefore, stationarity is expected at that level. According to Greene (2011), when this occur estimation test for long term relationships can be obtained in levels. The outcome of these tests as shown on table 5 shows stationarity of all the variables in levels with the critical values greater than the test statistic at the 5 percent level (p>0.05). Also, the variables are all integrated of order zero (i.e., I[0]). Based on this outcome, a cointegration analysis is necessary and is conducted in the next section.

4.4.3 Cross-sectional Dependence Test

This study implements Pesaran (2004) to investigate the presence of sectional dependence amongst the variables of study. The choice of Pearson (2024) is encouraged by panel structure in the study consist of ten cross-sectional dimension and eleven time dimension (N < T). Thi structure therefore makes Cross sectional dependence test becomes essential because all the elements of study are from the same sector and likely to exhibit similar behaviourial patterns with the possibility of promoting cross sectional interdependence amongst the banks with the consequence of generating spatial autoregressive processes within the datasets. The proposition of null hypothesis is adopted and assumed that there will be absence of cross dependence and non significance at 5% chosen level. Table 6 depicts the result of the test

Table 6: Cross-section Dependence Test Results

Variables series tested	Pesaran CD	P-value	Abs corr
UCAC	-0.692	0.488	0.170
CACS	1.330	0.103	0.291

From the outcome of the test shown on table 6, the Peseran CD test statistics for each model is greater than 0.05 and therefore fail the significance test fail the significance test (p value > 0.05). This connotes absence cross-sectional dependence and freedom from heteroskedasticity.

4.4.4 Cointegration Tests

The outcome of unit root test conducted revealed the variables are stationary at the same level I[0]. This finding indicates cointegration can be deployed to establish long run relationship of variables of the study. The outcome of the co-integration test is shown on table 7. The cointegration tests outcome indicate long run relationships significant interaction amongst variables encouraging deployment of panel estimation framework in analysis.

Table 7: Kao Panel Cointegration Test Results

Equation: UCAC	**Panel Statistics**	**Group Statistics**	**Kao (ADF)**
Variance ratio	-0.777		2.982*
Rho	2.12	4.36	
IPS	-5.308**	-4.315**	
ADF	1.48	0.14	
Equation: CACS	**Panel Statistics**	**Group Statistics**	**Kao (ADF)**
Variance ratio	-1.93	--	3.176*
Rho	0.77	3.80	
IPS	-13.90**	-12.76**	
ADF	1.83	-2.12	

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

4.4.5 Regression Analysis

Panel data analysis requires selection of models appropriate for the study. We examine the appropriateness of the model using the Hausman test procedure. The outcome is depicted on Table 8 and shows that all the equations are not significant at 5% level of significance. This result revealed that the random effect strategy is the most appropriate and efficient method of establishing the interaction between the variables.

Table 8: Hausman Test for Cross-Section Random Effects

Model	***Chi-Sq. Statistic***	***Chi-Sq. d.f.***	***Prob.***
UCAC	3.921	5	0.653
CACS	4.061	5	0.540

Source: Author's computations

Test of Causality

The goal of the study is to determine the causality of corporate governance and accounting conservatism. To achieve this goal, the study adopted Granger causality test to observe causality patterns if it flows from corporate governance to accounting conservatism or vice-versa. This test also assist in mitigating simultaneity bias. The outcome of the test is depicted on table 9 and reveals that causality runs more from corporate governace to accounting conservatism. There is however few evidence suggesting that causality runs from accounting conservatism to Corportae governance. Based on this tests, the study shows evidence that the corporate governance variables actually generates effects on conservatism and vice versa in financial reporting

Table:9

Null Hypothesis:	**Obs**	**F-Statistic**	**Prob.**
BODS does not Granger Cause CACS	100	3.70	0.03
CACS does not Granger Cause BODS		0.48	0.49
BIND does not Granger Cause CACS	100	0.21	0.65
CACS does not Granger Cause BIND		0.05	0.83
ACIN does not Granger Cause CACS	98	0.00	0.99
CACS does not Granger Cause ACIN		0.00	0.00
BODS does not Granger Cause UCAC	100	0.02	0.90
UCAC does not Granger Cause BODS		0.15	0.70
BIND does not Granger Cause UCAC	100	2.22	0.04
UCAC does not Granger Cause BIND		0.30	0.58
ACIN does not Granger Cause UCAC	98	0.04	0.84
UCAC does not Granger Cause ACIN		0.22	0.64

4.5 Panel Estimation Analysis

The Hausman test result revealed appropriateness of Random strategy for this study in assessing the elationship between Corportae Governance and Accounting Conservatism. In order to show the robustness of the estimates, we also carry out OLS tests.

4.5.1 Corporate Governance and Unconditional Conservatism

The results for the impacts of corporate governance variables on unconditional conservatism (proxied by the book-to-market ratio of the banks) are presented in Table 10. In the result, the goodness of fit statistics is also impressive, with the adjusted R-squared value showing that 55 percent of the variations in the ratio was explained by the explanatory variables. The highly significant F-statistic also shows that the independent variables jointly and significantly explain the dependent variable. The focus of the analysis is on the significance and signs of the coefficients of the explanatory variables. In the result, the coefficients of BIND and ACIN are both significant at the 1 percent level. On the other hand, the coefficient of BODS fails the significance test at the 5 percent level.

Regression Result for Unconditional Conservatism

Table:10

Variable	*OLS*			*Random effect*		
	Coeff.	**t-Stat.**	**Prob.**	**Coeff.**	**t-Stat.**	**Prob.**
Constant	10.061	1.240	0.218	10.330	5.591	0.000
BODS	0.014	0.063	0.950	0.029	0.833	0.407
BIND	1.652	0.280	0.780	0.734	3.120	0.002
ACIN	-0.025	-0.992	0.324	0.023	43.272	0.000
FMS	0.560	0.594	0.554	0.456	2.270	0.025
FMA	0.030	1.300	0.196	0.031	9.384	0.000
Adj. R-sq.	0.021			0.554		
F-statistic	0.563			27.806		

Source: Author's computation

Based on the coefficients of the explanatory variables, it is shown that both board and audit independence significantly affects the unconditional conservatism status of the banks. The essence, the independence of the board and audit committee significantly affects the book-to-market ratio of the banks. Given that the ratio assesses and indicates a bank's value, it is seen that these two corporate governance indicators significantly affect the value of the banks and directly contributes to financial reporting quality. The coefficients of both variables are also positive and show that the more the independence of both the board and the audit committee, the higher the value of the firms. Thus, both corporate governance variables are shown to significantly promote the financial reporting quality of the banks in the sample.

4.5.4 Corporate Governance and Conditional Conservatism

The results of the estimates for the conditional conservatism equation are presented in Table 11. The OLS estimates are also seen to be less explanatory compared with the random effects estimates. Note that conditional conservatism relates to cash flow from operations in the banks. Hence, these estimates evaluate how corporate governance influences conservative reporting quality of the banks in relation to cash flow activities. The results in the Table 11 shows that the random effects estimates obtained better measures than the OLS results. The coefficient of determination (adjusted R-squared) for the estimates is 0.787, indicating that over 78 percent of the systematic variations in the dependent variable was captured in the model estimates. The F-statistic is also significant at the 1 percent level. This shows that there is a significant relationship between the dependent variables and all the independent variables combined.

Table. 11: Regression Result for Conditional Conservatism

Variable	*OLS*			*Random effect*		
	Coeff.	**t-Stat.**	**Prob.**	**Coeff.**	**t-Stat.**	**Prob.**
C	0.563	2.465	0.015	0.550	13.955	0.000
BODS	-0.007	-1.026	0.308	-0.006	-9.901	0.000
BIND	-0.010	-0.061	0.952	0.011	2.096	0.039
ACIN	0.000	0.653	0.515	0.000	40.576	0.000
FMS	-0.051	-1.901	0.060	-0.049	-12.529	0.000
FMA	0.000	0.473	0.638	0.000	4.258	0.000

Adj. R-sq.	0.003	0.787
F-statistic	1.066	80.819

From the outcome of the test depicted on Table 11, the coefficients of Board size and audit committee independence are significant at the 1 percent level, while the coefficient of board independence is significant at the 5 percent level. This implies board size and audit committee independence significantly impact direction of conditional conservatism in the financial institutions. The coefficient of Board size and Board independence are however negative, indicating that both board size and board independence has a significant negative and inverse impact on conditional conservatism in the reported entities. This indicates that larger boards and increased board independence tend to inhibit conservative accounting practices of the reporting institutions. Contrastingly, the coefficient of audit committee independence is positive. These indicate that audit committee independence significantly enhance conditional conservatism among the banks. The result also shows that larger and newer banks are less conservative than smaller and older banks (as seen from the coefficients of FMS and FMA respectively).

4.6 Post Estimation Tests

4.6.1 Multicollinearity Tests

In this section multicollinearity test is conducted to ascertain extent of correlation and trend collinearity between the independent variables board size, board independence and audit committee independence. The test is necessary to avoid unreliability in confidence level as aresult of amplified errors from the samples. Using variance inflation factor (VIF) which requires that VIF outcome must be lower than 5 as the yardstick, the results revealed all the variables are less than 5 indicating freedom of the variables from multicollinearity. From the table it is observed that the test result is relaiable, as estimated coefficients failed to integrate abnormally and excessively between them

Table 12 : 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

4.6.2 Tests for Stability of Regression

We adopt the J-B procedure to test for non-normality and the LM test to test for serial correlation. As observed on table 13, the JB procedure test for normality revealed that for unconditional accounting conservatism p-value 0.21 >0.05 while for conditional conservatism p-value o.37>0.05. In the case of LM Test for serial correlation, unconditional accounting conservatism has a p-value 0.38>0.05 and 0.25>0.05 for conditional accounting conservatism respectively. From the outcome of the tests, the test statistics revealed a non- significant relationship (>0.05) and the null hypotheis is accepted for non-normality test and Serial correlation test in both unconditional and conditional accounting conservatisms. These findings revealed that the variables are normally and evenly distributed and there is the absence of serial correlation indicating stability, efficacy and reliability for long run estimation

Table 13: Post estimation test results for serial correlation and normality

Equation	***Test***	***Statistic***
UCAC	*Normality test (J-B)*	1.47 (0.21)
	Serial Correlation LM Test	0.79 (0.38)
CACS	*Normality test (J-B)*	1.62 (0.37)
	Serial Correlation LM Test	2.01 (0.25)

Source: Note: p-values in parentheses.

4.7 Discussion of Findings

H01: Board size, board independence and audit committee independence does not significantly affect unconditional accounting conservatism of listed deposit money banks in Nigeria

In order to test this hypothesis, the focus is on the coefficients of the corporate governance variables in the results in Table 10. In the estimates, the coefficients of board independence and audit committee independence both passed the significance test at the 1 percent level ($p < 0.01$). This means that the null hypothesis is rejected at the 1 percent level for board independence and audit committee independence, thus, it is stated that board independence has significant positive impacts on unconditional accounting conservatism of listed deposit money banks in Nigeria. This implies that board independence contribute to cash flow conditions of the sampled banks from Nigeria. Phapho, Pichetkun and Ngudgratoke, (2020); Pasko et.al (2021) ; El- habshy (2019), AbdulMalik (2017) and Adegbie and Fofah (2016) also found similar positive impacts of board independence on accounting conservatism of firms. Contrastingly, audit committee independence has a negative co-efficient and p-value 0.000<0.05 indicating significant negative impact on cashflow of banks studied. This findings contrast with the findings by Am-ugsorn, Dampitakse, & Ngudgratoke (2022) and who found positive association. Also, board size showed insignificant relationship with a p-value 0.407>0.05 showing weak influence on cash flow of the financial institutions studied agreeing with the study of . This finding contrast with the findings of Pasko et.al (2021) and Bello (2019); Egbadju (2024) who found significant influence of board size on accounting conservatism. In terms of moderating effect both firm age and firm size significantly impact unconditional accounting conservatism. The higher the number of years and size the better the cash flows of the financial institutions are managed.

H02: Board Size, Board Independence and audit Committee Independence does not significantly affect conditional accounting conservatism of listed deposit money banks in Nigeria

The empirical result for estimating the effects of corporate governance on conditional conservatism of the banks is reported in Table 11. In the result, the coefficients of board size and audit committe independence pass the significance test at the 1 percent level (p-value < 0.01), while the coefficient of board independence passed the test at the 5 percent level (P-value < 0.05). Thus, the null hypothesis is rejected for all the corporate governance variables. This implies that Board Size, Board Independence and audit Committee Independence all exert significant effects on conditional accounting conservatism of listed deposit money banks in Nigeria. Board independence and board size have significant negative impact on conditional accounting conservatism This result align with the results of Ukpong et.al (2023); Ozkcan (2021) and disagrees with the result of Arogundae (2023) ; Pasko et.al (2021 ;Suleiman, Jamilu, and Jamilu, (2020); Önce and Çavuş (2019) and Bravo and Alvarado (2019); Alareeni (2018) However, audit committe independence has a significant positive impact on conditional accounting conservatism of the sampled financial institutions thereby agreeing with the result of Pasko et.al (2021. In terms of firm age and firm size, both have positive effects on conditional accounting conservatism

Conclusion

The aim of the study was to determine whether it is corporate governance that influences accounting conservatism or vice versa. This in turn will help to determine whether it is corporate governance that improves accounting conservatism and quality of accounting reports or accounting guidelines of conservatism help to improve corporate governace of the studied money deposit banks in Nigeria. Accounting conservatism was divided into unconditional and conditional conservatism in line with extant literature. Financial data were obtained from ten money deposit banks for the period 2012 to 2022, Based on Hausman test outcome, random effect model was found suitable and deployed for the study The outcome on the examination of the nature of relationship revealed corporate governance significantlyinfluencing accounting conservatism and hence ensured conservative accounting practices. Specifically, the study concludes as follow:

a) That Board independence significantly and positively affect unconditional accounting conservatism of listed deposit money banks in Nigeria,.

b) audit Committee Independence has negative effect on unconditional accounting conservatism. Increases in audit committe independence reduce unconditional accounting conservatism.

c) Board size has weak relationship with unconditional conservatism

d) Board Size, Board Independence and audit Committee Independence all exert significant effects on conditional accounting conservatism of listed deposit money banks in Nigeria, although the effect of board size and independence of board are negative while that of audit committee is positive.

5.3 Recommendations

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

(i) The result of this study revealed that board independence exert significant influence and promotes conservative accounting practises thereby improving quality of accounting reports of money deposit banks Nigeria. Based on outcome of the study, the composition of the board of directors of banks should be carried out in a manner to ensure appointees have the independence, financial reporting skills and experience. The independence of the board should be enhanced through appointments of members without executive functions drawn outside the banks..

(ii) The findings of this research also show that audit committee independence also directly reduces unconditional accounting conservatism in financial reports thereby impacting negatively cash flow of the financial institutions anks in Nigeria. The study therefore recommends that the the composition of the committee is done with input from all stakeholders in the bank, including regulators. The banks should also ensure that the members of the committee consist of people with high ethical behaviour since this also contributes to improving the independence of the committee and the overall quality of over sight function provided by audit committees

(iii) The study also found that increased board size decreased unconditional accounting conservatism thereby reduces accounting conservatism and encourages cash flow earnings management. Thus, it is recommended that banks need to devise an optimal board size regime that comprises of membership at the minimal level. The efficiency of the boards in financial reporting is tied to lesser and more manageable boards among banks in Nigeria.

(iv) In appointment to the bank boards, emphasize should be placed on skills set and integrity rather than number. Regulators should enact a law on who qualifies to be appointed to the board interms of experience, integrity and independence.

Implications of the study to Practise and Theory

The better the quality of financial reports by companies, the more relevant it is for investors and other market players in making informed economic decisions. The quality of reports is also relevant to other stakeholders such as employees, labour union and regulators. The annual financial reports are considered a necessary means not only for gauging the performance of the entity but also for understanding how money invested in the firm has been used and enabling those interested in the entity to make appropriate decisions. In this study, the effects of board size, board independence and audit committee independence on accounting conservatism and quality of financial reporting of deposit money banks in Nigeria are examined. The study revealed major implications for shareholders, managers, investors, and regulators in the banking sector in Nigeria. In particular, the study emphasizes the importance of the independence of the board and audit committee in promoting efficiency and quality of financial reporting among banks in Nigeria. The study also highlighted the negative impacts that large boards in the banks can have on reduction of conservative accounting practice and encouraging cash flow earnings management. An ultimate efficient mix and coordination of corporate governance is therefore required to ensure that all the different components of financial reporting are well coordinated and guided towards enhanced quality of financial reporting among banks in Nigeria.

Theoretically, the results of the study is mixed and should be interpreted with caustion in view of the trade-off effect of corporate governance initiatives on conditional and unconditional accounting conservatism. Board independence has a positive association with unconditional accounting conservatism which relates to market value. An increase in board independence increases unconditional accounting conservatism thereby reducing share price manipulation. The study therefore confirms that corporate governance initiative can curtail agency conflicts highlighted by agency theory and mitigates opportunistic behavior of managers while ensuring goal congruence. Thus this study aligns with agency theory and promotes the monitoring role of the board. Specifically, it aligns with the prediction of positive accounting theory which indicate that accounting conservatism can mitigate desire of management to manipulate earnings for bonus compensation. Conversely, the negative association of of audit committee independence with unconditional accounting conservatism signify that an increase in audit committee independence reduces unconditional accounting conservatism thereby encouraging share price manipulation thus aligning with the management Hegemony theory which states that board members are chosen by management just to serve as rubber stamp and their role is passive. The study found negative significant association of board independence, board size and firm size to conditional conservatism implying that an increase in these variables reduces accounting conservatism and encourages cash flow earnings management. The failures of corporate governance strategy to curtail cash flow earnings management indicate that the board coud be passive and rubber stamps to management decisions thereby aligning with Management Hegemony theory. Contrarily, corporate governance has a positive association with conditional accounting conservatism implying that increase in audit committee independence increases conditional accounting conservatism and discourages cash flow earnings management.

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