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EARNINGS MANAGEMENT AND FINANCIAL REPORTING QUALITY OF LISTED INSURANCE COMPANIES IN NIGERIA

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ABSTRACT

The study examined earnings management and financial reporting quality of listed insurance companies in Nigeria. The specific objectives are; to examine the relationship between accrual earnings and faithful representation of listed insurance companies in Nigeria, investigate the relationship between earnings persistence and faithful representation of listed insurance companies in Nigeria, ascertain the relationship between accrual earnings and relevance of listed insurance companies in Nigeria. The expo facto designs. The population of the study was the twenty-five (25) listed insurance companies in the Nigerian Stock Exchange during the period 2013 -2019 (7) years. The sample size of this study is twenty-one (21). This number is derived by the application or use of Taro Yamane formula for sample size determination. Out of the twenty-four (24) companies, three (3) companies have incomplete financial statements which leave the sample size to be twenty-one (21) listed insurance companies. The study employed the use of secondary data. The formulated research questions were analyzed with descriptive statistics. The hypotheses were tested using the simple regression analysis with the aid of E-view (10). The findings of the study were that there is significant relationship between accrual earnings and faithful representation of insurance companies in Nigeria. there is insignificant relationship between earnings persistence and faithful representation of listed insurance companies in Nigeria and there is significant relationship between accrual earnings and relevance of listed insurance companies in Nigeria. The study recommended among others that insurance companies in Nigeria's accrual earnings are positive and significantly related. Thus, management should maintain this level of accrual earnings management. The insurance sector should monitor the compliance with the provisions of the Nigerian code of corporate governance by companies. This will help strengthen the faithful representation of financial reports. To make reliable investment decisions by management and other investors, insurance companies should maintain the level of accruals earnings to enhance the quality of financial reports.

Keywords: Earnings Management, Financial Reporting Quality, Earnings Persistence, faithful Representation, Accrual Earnings and Relevance

INTRODUCTION

The earnings management has remained an issue of major concern among professional accountants, regulators and other users of financial information. This is due to the fact that financial reporting has been a principal means of communicating the results of transactions and events which transpired within the organization to the outsiders; who may use such information in assessing the economic performance and condition of a business as well as a guide in making economic decisions (Ahmed et al. 2018). According to Okougbo and Okike (2015), the expectation of every user of financial information is that such information will help them in gauging the health status of the reporting entity and in making informed financial decisions. However, events in recent times, especially the series of corporate scandals (such as Enron, Worldcom and several Nigerian banks) have placed serious doubt on the quality of financial reports circulating in our corporate environment and their ability to meet the expectations and needs of the users.

Unlike fraud, earnings management is the selection of accounting and its estimates that conform to the Generally Accepted Accounting Principles (GAAP). This implies that companies that practice

earnings management manage their earnings within the limits of accepted accounting procedures (Rahman & Ali, 2016). Thus Tang (2017), asserts that earnings management is the deliberate manipulation the financial reporting process for personal gain. Earnings management entails manipulating financial reports in order to deceive stakeholders about the organization's true performance or to "influence contractual outcomes that are contingent on reported accounting numbers." Earnings management is a term that refers to management's deliberate intervention in the financial reporting process in order to deceive stakeholders about the company's economic and financial position, or with the personal intent of profiting from contracts based on these manipulated financial reports (Ajibolade & Uwuigbe, 2013). The financial manager or management of a business chooses to include in their financial reports only those items that reflect their company's good fortune in order to profit from it. Earnings management is a bad thing because the majority of profit calculations in reports will be fabricated or based on uncertain future judgments.

Martinez-Ferrero (2015), financial reporting quality as the accuracy of the financial reporting process's information. Relevant information means that the financial statement contains enough information to help different users make decisions, and that the information is provided while it is still "news". Reliability ensures that data is free of errors and biases and accurately represents what it is intended to represent. A financial report's data is reliable if it can be used to assess the economic conditions or events it represents (Shehu, 2013). A transparent figure accurately reflects an organization's economic activity during the period. The figures are presented with clarity. Presentation style and language are also vital. Investors, creditors, and other users should be able to project future cash flows using financial reporting (Waweru & Riro, 2013).

The IASB states that assessing financial reporting quality is based on the objectives and information disclosed in a company's financial reports. These qualitative traits help assess the usefulness of financial reports, resulting in high quality. Financial reports must be accurate, comparable, verifiable, timely, and understandable to achieve this level. Thus, the importance of preciseness and predictability as indicators of high financial reporting quality is emphasized (Gajevszky, 2015). High-quality financial reporting is defined by the FASB and the IASB in their Conceptual Framework for Financial Reporting. Using the FASB and IASB's 'An Improved Conceptual Framework for Financial Reporting' as a guide, we developed a composite measurement tool to assess the quality of financial reporting in terms of the underlying fundamental qualitative characteristics (e.g., relevance and faithful representation) and enhancing qualitative characteristics (e.g., understandability, comparability, verifiability, and timeliness) (2008). The primary goal of financial reporting is to provide high-quality financial information about economic entities to help make economic decisions (FASB, 1999; IASB, 2008). High-quality financial reporting influences capital providers and other stakeholders to make better investment, credit, and resource allocation decisions, improving overall market efficiency (IASB, 2006; IASB, 2008).

According to Amer and Abdelkarim (2013), simple measures that capture aggregate discretion reflected in reported income statements are used to assess financial reporting quality. Discretion is required in financial reporting because it requires numerous accounting estimates that are subject to neutral errors and strategic manipulation. According to Scott and Irem (2018), companies that exercise more accounting discretion have poorer financial reporting quality than those that exercise less discretion.

Nigeria's financial information quality lags behind many advanced jurisdictions. This has hampered efficient equity market growth. Investors in Nigeria frequently complain that financial information on company performance is either unavailable or unreliable (Shehu, 2011). Nigerian analysts are far fewer than in developed markets. The Nigerian market is thus argued to be less regulated than developed markets. Aside from that, the Nigerian environment is expected to be unique in terms of accounting standards, institutional structure, and corporate governance. A comprehensive study anchoring earnings management and financial reporting quality is needed and will be of interest to investors given these assumptions (Holland & Ramsay, 2013). The study may help auditors and

financial information users understand the importance of proper earnings management positioning. It will help clients understand the firm's characteristics and how they affect financial reporting quality. The Financial Reporting Council of Nigeria, the Nigerian Securities and Exchange Commission, and the Corporate Affairs Commission are among the regulators tasked with regulating manipulative accounting and ensuring high quality financial reporting. This research's findings will also benefit financial analysts, stock market participants, shareholders, and management of Nigerian financial firms.

Statement of Problem

Earnings management is common in Nigerian listed companies. Part of the reason is Nigerian regulators' reliance on accounting numbers to govern listed companies (Awotundun, 2001). For example, the Nigeria Securities Regulatory Commission (NSRC) requires listed companies to have a certain return on equity (ROE) before allowing them to issue new shares to existing shareholders (rights issues) (Uwalomwa et al. 2016). One peculiarity of Nigerian listed companies is that some are in financial distress and should be bankrupt by developed country standards. Unlike mature stock markets in developed countries, they are still listed in Nigeria.

As a result, Nigeria's financial information quality lags behind many advanced jurisdictions. This has hampered efficient equity market growth. Due to firm earnings management, the Nigerian market has far fewer analysts than developed markets. Investors in Nigeria frequently complain about the lack of or inaccuracy of financial information on company performance (Shehu, 2011).

These studies were examined both globally and locally. According to Peace and Donald (2015), there is no evidence of extreme aggressiveness in earnings management among Philadelphia manufacturing companies. According to Beneish (2001), earnings quality has deteriorated over time. Rao and Dandale (2008), Pajunen and Saastamoinen (2013), conclude that earnings management is vital to the firm's survival. According to Feng-Li et al. (2011), earnings management increased the number of stressed/bankrupt firms while decreasing the number of non-stressed/non-bankrupt firms. Thus, the findings from developed countries are inconsistent and cannot be generalized to the Nigerian economy.

Web metric analysis shows a draught in empirical literature on earnings management and financial reporting quality in Nigeria. Abbot 2004; Bouaziz 2012; Zaman 2011; Muhammed 2014; Dichev et al. (2002), etc. Other research has found a strong correlation between corporate governance and financial reporting quality. The researcher to the best my knowledge is unaware of any studies on earnings management and quality of financial reporting in Nigeria.

Given the above issues and the importance of addressing them, this researcher seeks to fill the content gap in the study titled earnings management and quality of financial reporting in listed insurance companies in Nigeria by focusing on the insurance sector of Nigeria to fill the analytical gap. Thus, the researcher was inspired to write about earnings management and the quality of financial reporting in listed insurance companies in Nigeria.

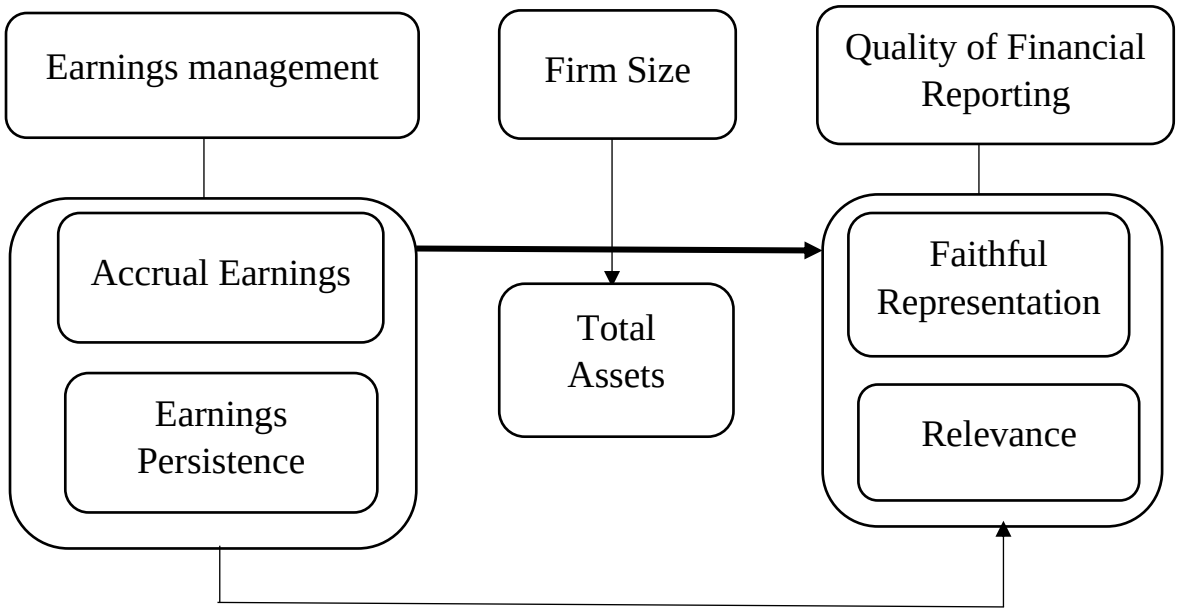

Figure 1 Conceptual Framework
Sources of conceptualization: Feng-Li et al. (2011) and Dichev et al. (2002), Emmanuel et al. (2014) and Pajunen and Saastamoinen (2013) and researchers' input (2021).

Aim and Objectives of the Study
The main aim of this study was to investigate earnings management and financial reporting quality of listed insurance companies in Nigeria. With some specific objectives such as to:

1. examine the relationship between accrual earnings and faithful representation of listed insurance companies in Nigeria.
2. Investigate the relationship between earnings persistence and faithful representation of listed insurance companies in Nigeria.
3. ascertain the relationship between accrual earnings and relevance of listed insurance companies in Nigeria.
4. evaluate the relationship between earnings persistence and relevance of listed insurance companies in Nigeria.
5. Investigate the effect of firm size on the relationship between earnings management and quality of financial reporting in listed insurance companies in Nigeria.

Research Hypotheses
The following null hypotheses were tested at a 0.05 level of significance.
Ho_1: There is no significant relationship between accrual earnings and faithful representation of listed insurance companies in Nigeria.
Ho_2: There is no significant relationship between earnings persistence and faithful representation of listed insurance companies in Nigeria.
Ho_3: There is no significant relationship between accrual earnings and relevance of listed insurance companies in Nigeria.
Ho_4: There is no significant relationship between earnings persistence and relevance of financial reporting of listed insurance companies in Nigeria.
Ho_5:. Firm size does not have any significant effect on the relationship between Earnings management and quality of financial reporting in listed insurance companies in Nigeria.

Conceptual Framework

Earnings Management

Earnings management is one of the classic topics in the accounting field. Earnings management is defined as a "purposeful intervention in the external financial reporting process with the intent of obtaining a private gain" (Schipper, 1989). Earnings management, therefore, occurs through manipulations of accounting tools such as statements of financial position and income statements. These changes, though complying with the law, may mislead some stakeholders (Wu, 2014). While this definition highlights the opportunistic aspect that drives the executive to adopt such behaviour, many others consider earnings management as a means to bring value to shareholders. The review of the literature has revealed that earnings management is defined from two perspectives; an opportunistic perspective and an informational perspective. The first one considers earnings management as an opportunistic tool used by managers to avoid certain situations that may affect the company and then mislead investors about the situation of the company. In this way, through the increase or decrease in income, managers transmit to investors that outcomes are being met and they will be compensated by maximizing personal profit. Similarly, earnings management provides some security to managers because it displays better income even during difficult times, and this preserves executives' ability to maximize their profits and maintain their positions or their jobs. According to this perspective, earnings management can be defined as any reasonable, legal, and appropriate management that provides value to stakeholders. Once the earnings management is carried out through management measures, it allows reaching the objectives. Thus, the informational aspect supports the signal theory.

Dimensions of Earnings Management

Accrual earnings:

Accrual's quality plays a critical role in determining the reliability of earnings information to users. Thus, several researchers use accrual quality to assess the quality of earnings, and they explain earnings quality as an increasing function of accrual quality and view earnings as being of higher quality if the quality of accrual items is high (Dechow; Dichev, 2002; Myers, 2003). Accrual quality is one of the dimensions we are using to measure earnings quality in this work. In the words of Mohammady, (2010), the gap between earnings and cash is termed as accruals, which arises from the difference between the timing of the accounting recognition of the transaction and the timing of cash flows. Accruals require assumptions, management judgments, and estimates about future realization of earnings into cash flows, which may be influenced by biases in the estimation process or estimators' judgments that result in misrepresentation of economic phenomena. Consequently, the accrual component of earnings is the product of estimates, judgments, and allocations (of cash flow events in other periods). While the cash flow component of earnings is realized, the accrual component of earnings is subject to greater uncertainty than the cash flow component (Francis, 2005). Sloan (2016), suggested that accruals may be less informative than cash flows because they are less reliable and thus more susceptible to estimation errors and managerial manipulation. A seminal study by Dechow and Dichev (2002), introduced a model for earnings quality based on the notion that the function of accruals is to adjust the recognition of cash flows over time, so that it better reflects firm performance. This model relates total current accruals (TCA), measured by changes in working capital, to lagged, current and future cash flows from operations, and has been used in existing studies as a proxy for earnings quality (Aboody et al. 2005; Francis et al. 2004; Francis et al. 2003; Myers et al. 2013; Van der Meulen et al. 2017). In the model, the total current accrual is measured by changes in working capital, since related cash-flow realizations generally occur within one year, which is as follows:

$$TCAi,t / Ai,t-1 = \alpha 0,i + \alpha 1,i(CFOi,t-1 / Ai,t) + \alpha 2,i\ (CFOi,t / Ai,t) + \alpha 3,i\ (CFOi,t+1 / Ai,t)$$

where:

TCAi,t = firms i's total current accruals in year t;

Ai,t = firms i's average total assets at the beginning and at the end of fiscal year t;

CFOi,t = cash flows from operations in year t, calculated as net income before extraordinary items minus total accruals.

This model captures both intentional and unintentional accrual estimation error by management, which is the inverse measures of earnings quality (Hermanns, 2006). In other words, the estimation error indirectly measures the extent to which accruals map into cash realization, where a poor match indicates low quality. Since the Dechow and Dichev (2002), approach provides a direct link between income and accruals, this model does not have the same problems as the earnings management approach introduced by Jones (1991), which requires the assumption that certain underlying accounting fundamentals remain constant and manipulated.

Earnings Persistence

The quality of earnings reported by a firm is useful in assessing how well the reporting entity has utilized its resources to benefit the shareholders and sustain the existence of the firm. Existing research on earnings quality has used various measures because of different perspectives on the understanding of the construct. One of the attributes of earnings used in measuring earnings quality is how current earnings persist over time. Earnings persistence is a measure of the extent to which current earnings are repeated in the future. It indicates whether current earnings are stable and can be sustained in the future. Therefore, high persistence shows a high quality of earnings. Earnings persistence is a good measure of earnings quality because it depends on the fundamental performance of the firm as well as the system of accounting measurement employed. Earnings persistence reflects the profit quality of a firm and shows that a firm can retain earnings over time instead of just due to a particular event. In addition, earnings persistence is also a property income describing the ability of a firm to maintain profits from the current time to a foreseeable future. Penman and Zhang defined earnings persistence as revisions in the expected accounting profit in the future based on the profit of current earnings for the year. Hayn (1995), stated that such value is irrelevant in the earnings components as a result of temporary events or the application of the concept of accrual accounting write-downs, write-offs or provisions for loss. These aspects would lead to a limit on its relevance when applied in the evaluation of a company. Businesses aim to earn profit and cash flows, and to achieve this goal, they should finance the needed resources. The managerial efficiency is reflected in using the existing sources and the earnings persistence reveals this efficiency. The higher profits earned by the operating assets indicate more persistent earnings and more ability to maintain current earnings (SafayianRizi & Sadeghi, 2009). The findings documented by Sloan (1996), reported that less reliable accruals lead to lower earnings persistence. Naturally, earnings persistence is the time-series parameter that measures the magnitude of the effect of permanent earnings innovation on expected future earnings. Earnings management practices have become more of a problem of form than substance. In this case, although any selection would result in no effects on actual transactions (i.e., delaying spending for the next period), it may influence the re-distribution of the credit or the liabilities over the next several periods. The main goal here is to lower the income variability over several periods through the transfer of income between the good and bad periods, between the current and future periods, or any combination thereof. The forms of earnings management are in fact very diverse. Subramanyam (2014) mentioned some forms of earnings management that should be noticed are as follows: the change of accounting methods or assumptions, the removal of extraordinary (and unusual) gains and losses, big baths, impairment and the determination of the timing of revenue and expense recognition.

Earnings Persistence: To measure the persistence of any variable, the estimate of regression of the future value variables on its current value is carried out as in (Dechow and Schrand,)

$NIBEXT_{it} = bo_i + b_{jt}NIBEXT_{jt-t} + U_t$ *where,*

$NIBEXT_{lt}$ = Net income before extraordinary items of companies i in year t,

$NIBEXT_{it-l}$ = Net income before extraordinary earnings items of company i in year t-1,
b_{oi} = Constant (intercept) coefficient,
b_{it} =The non-constant (slope) coefficient, and
U_u =The residual (error term).

Quality of Financial Reporting

The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic decision making (FASB, 1999; IASB, 2008). Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions, enhancing overall market efficiency (IASB, 2006; IASB, 2008).

Faithful representation

Faithful representation a fundamental qualitative characteristic espoused in the IASB (2008) framework. According to IASB (2018), to faithfully represent economic phenomena which the information purports to represent, annual reports must be complete, neutral, and free from material error. IASB (2018), states that economic phenomena represented in the annual report are "economic resources and obligations and the transactions and other events and circumstances that change them. Faithful representation is usually measured in terms of neutrality, completeness, freedom from material error, and verifiability Ibrahim et al,2019). Botosan (2004), argues that it is difficult to measure faithful representation directly by only assessing the annual report, since information about the actual economic phenomenon is necessary to assure faithful representation. However, Alice et al (2020), maintain that estimates and assumptions that closely correspond to the underlying economic constructs and the standards pursued can enhance faithful representation. The proxies commonly used to measure faithful representation include: 1) freedom from bias; 2) neutrality; 3) unqualified audit report; and 4) corporate governance statement (Krishnan (2008). To be free from bias, financial reports should clearly explain assumptions and estimates made in the preparation of the financial statements, as well as the choice of accounting principles. A financial report is assumed to be neutral if it highlights both the positive and negative events in a balanced way (IASB, 2018).

Relevance

IASB (2018), defines relevance as the capability of making a difference in the decisions made by users in their capacity as capital providers. Relevance is usually operationalized in terms of predictive and confirmatory value (Holland & Ramsay, 2013). A relevant financial report should include both financial and non-financial information. Such information should be able to provide insight into business opportunities, risk as well as possible future scenario for the company (Idris, 2012). Predictive value generally refers to information on the firm's ability to generate future cash flows. According to IASB (2018) information about an economic phenomenon has predictive value if it has value as an input to predictive processes used by capital providers to form their own expectations about the future. Predictive value is considered as an important indicator of relevance in terms of decision usefulness. The basic measures of predictive value, according to Hussaini et al., (2009) are: 1) the extent to which annual reports provide forward-looking statements; 2) whether the annual reports disclose information in terms of business opportunities and risks; and 3) whether the company uses fair value. The forward-looking statement usually describes management's expectations for future years of the company. For capital providers and other users of the annual reports this information is relevant since management has access to private information to produce a forecast that is not available to other stakeholders (Ibrahim et al, 2019).

Firm Size

In the literature, size has been found to be an influential variable in explaining differences in disclosure practices among firms (Zarzeski, 2016). Several reasons account for the positive association between firm size and the extent of disclosure. Disclosing detailed information is costly, and thus may not be affordable for small firms. Large firms are usually diverse in their business scope, the types of products and geographical coverage. A considerable amount of information is required for management purposes and can be generated internally. Consequently, the marginal cost of disclosing information publicly is low (Cooke, 2018). Also, large firms go to the financial markets to raise funds more often than small ones. These large firms are aware that selling new securities and a low cost of capital depend on disclosing more information to users (Spero, 2016). On the other hand, disclosure of detailed information may place small firms at a competitive disadvantage with other large firms in the same industry (Buzby, 2013).
Firm size refers to the speed and extent of growth that is ideal for a specific company. Most companies are intent on expanding the size of their business operations to allow them to grow either in revenue, profit, number of employees, or size of facilities (Pervan & Visic, 2012).

Firm Size and Earnings Management and quality financial Reporting
Firm size is an attribute that affects financial reporting quality (Dechow & Ge, 2006). The firm size, in most cases, is measured by its asset size (Saheed, 2013). A large firm is expected to have a well-structured accounting and internal control department and should be able to afford the services of professionals who are expected to enhance the financial reporting process (Chalaki et al. 2012). They are also likely to have a well-built information system enabling them to track all financial and non-financial information for operational, tactical and strategic purposes (Saheed, 2013). This is because a well-structured accounting and internal control department will ensure the integrity of financial reporting. Internal control procedures are meant to detect and/or prevent both the ability to manipulate earnings as well as mistakes or errors (Dechow and Ge, 2006). In addition, large firms are able to engage the services of one of the big auditing firms to audit their financial statements, which is expected to enhance the quality of financial reporting (Thoopsamut & Jaikengkit, 2019) because the big audit firms are expected to be very professional in their auditing and be concerned about their reputations.
Firm size will also affect corporate governance characteristics as well as the level of earnings management (Becker, 1998). Besides, Shehu and Ahmad (2013), posit that large firms have very strong reasons for manipulating their earnings in order to keep a consistent earnings growth trend and meet and beat earnings expectations. Contrary to Shehu and Ahmed's findings, Missonier-Piera (2014) and Thoopsamut and Jaikengkit (2019), posit that company size is not significantly related to financial reporting quality. Their work was not conducted in an emerging economy. It therefore could be that this divergent result is due to the level of economic development of the countries where the studies were conducted. If firm size is likely to affect the corporate governance characteristics as posited by Beckeret (2018), it is likely it will also affect the level of earnings and financial reporting quality.

Accrual Earnings and Faithful Representation
Accrual quality is one of the dimensions we are using to measure earnings quality in this work. In the words of Mohammady (2010), the gap between earnings and cash is termed as accruals, which arises from the difference between the timing of the accounting recognition of the transaction and the timing of cash flows. Accruals require assumptions, management judgments, and estimates about the future realization of earnings into cash flows, which may be influenced by biases in the estimation process or estimators' judgments that result in misrepresentation of economic phenomena. Consequently, the accrual component of earnings is the product of estimates, judgments, and allocations (of cash flow events in other periods). While the cash flow component of earnings is realized, the accrual component of earnings is subject to greater uncertainty than the cash flow component (Francis, 2005). accounting information may be deliberately distorted by the activities of financial statement preparers who wish to alter the content of the data being

transmitted due to the flexibility allowed by accounting standards in the recording of transactions and preparation and presentation of financial statements. Accounting flexibility gives firms' management the opportunity to manage earnings aggressively, which can eventually evolve into fraudulent practices. Mamo & Aliaz, (2014) asserted that accounting information could be distorted by erroneous presentation and misstatement of the financial position/performance, creating a false impression of an organization's financial strength. It creates an information asymmetry for readers of financial statements that affects their decision-making.

Earnings Persistence and Faithful Representation

Earnings persistence reflects the profit quality of a firm and shows that a firm can retain earnings over time instead of just due to a particular event. In addition, earnings persistence is also a property income describing the ability of a firm to maintain profits from the current time to a foreseeable future. Since faithful representation is a new concept, as aforementioned, the conceptual framework for financial reporting has not provided a general empirical measure of faithful representation, thereby causing a paucity of study about faithful representation in Nigeria; this reveals a gap for new study. This study abridges this gap by ascertaining a measure of faithful representation in terms of earnings manipulation and fraudulent behaviour, because when earnings manipulation occurs, accounting information does not fulfill the requirement of neutrality. Although similar studies have been carried out in developed economies, in a less developed economy like Nigeria, high level faithful representation of accounting information is probably difficult to achieve in financial reports of banks due to the propensity for manipulation and fraudulent accounting practices being the major character traits of weak institutionalized environments.

Accrual Earnings and Relevance

Despite the impressive performance of the NSE, available records have shown that information contained in financial statements prepared by DMBs in Nigeria is not allied with their stock market value due to falsification of accounting numbers (SEC, 2013). The falsification of accounting information creates abnormalities in banks' financial statements, particularly and in capital market performance in general. The increasing rate of manipulative accounting information is therefore of great concern to investors, regulators, and other stakeholders because distorted accounting information can cause wrong decisions. The overall effect is wrong share pricing, which can cause a collapse of the capital markets, thereby contradicting the basic quality of financial reporting, which is assumed to result in a more efficient functioning of financial markets and reduce the cost of capital for the reporting entity. This is evident in the near collapse and present lull in the Nigerian capital market. The critical nature of the above problems underscores the imperative of this study, which seeks to evaluate the extent to which financial performance of quoted banks in Nigeria could be affected by relevance of accounting information (measured by absolute discretionary accruals), towards restoring investors' confidence in banks' financial statements and increasing investment in banks' stocks in the Nigerian capital market.

Earnings Persistence and Relevance

Earnings persistence is associated with the inclusive performance of a firm as portrayed in its corporate goal attainment, profits sustained over periods of time, and non-earnings opportunistic practices. Naturally, earnings persistence is the time-series parameter that measures the magnitude of the effect of permanent earnings innovation on expected future earnings. Earnings management practices have become more of a problem of form than substance. In this case, although any selection would result in no effects on actual transactions (i.e., delaying spending for the next period), it may influence the re-distribution of the credit or the liabilities over the next several periods. The main goal here is to lower the income variability over several periods through the transfer of income between the good and bad periods, between the current and future periods, or any combination thereof. The forms of earnings management are in fact very diverse.

Subramanyam, 2014) mentioned some forms of earnings management that should be noticed are as follows: the change of accounting methods or assumptions, the removal of extraordinary (and unusual) gains and losses, big baths, impairment and the determination of the timing of revenue and expense recognition.

Theoretical Framework

Agency Theory

This study adopted agency theory to explain the relationship between earnings management and the quality of financial reporting of listed insurance companies in Nigeria. Agency theory originated from the work of (Berle & Means, 1932). Agency theory is used to understand the relationships between agents and principals. The agent represents the principal in a particular business transaction and is expected to represent the best interests of the principal without regard to self-interest. The different interests of principals and agents may become a source of conflict, as some agents may not always act in the principal's best interests. The resulting miscommunication and disagreement may result in various problems and discord within companies.

Earnings management often concerns the efforts of business executives or the misuse of earnings by executives in financial statements (Tangjitprom, 2012), where agency conflict occurs when executives opportunistically exploit earnings management in their own favor (Sun, 2010). Information asymmetry could lead to earnings management growing. Management gains more information and is better versed with the condition of the company compared to the owners (Davidson, 2004). This opinion results in opportunist acts taken by earnings management based on their information asymmetry, in order to self-benefit. This study will inspect earnings management as information signalling to portray the business model of the company and its financial health.

Empirical Reviews

John et al. (2017), studied financial reporting quality in Nigerian T-listed Agriculture and Natural Resources firms. 9 listed Agriculture and Natural Resources companies (5 Agriculture, 4 Natural Resources). The population was sampled for 7 firms. The data was obtained from secondary sources from 2008-2015 annual financial reports. The study used correlation and ex-post factor research designs, and regression to analyze data. The residuals from Dechow et almodified Jones model showed a positive significant relationship between leverage, liquidity, board size, and financial reporting quality. Managers of firms in the Agriculture and Natural Resources sectors should maintain optimal liquidity levels and finance operations with more debt instruments, among other recommendations. The Nigerian Stock Exchange (NSE) should review its monitoring rules to prevent management from using financial reporting window dressing.

Gagaring and Bambang (2011), discussed the determinants of earnings quality and the implications for the Indonesian capital market. Earnings quality was assessed using accrual quality, persistence, predictability, smoothness, and factorial earnings quality, while economic impact was assessed using security residual variance. The study used secondary data from 2005 to 2010 in the form of company financial statements. That is, testing whether the attributes of earnings quality were distinct, determining factors of earnings quality, and their impact on the stock market based on the relationship between information asymmetry and earnings quality. The first test revealed that the four attributes of earnings quality were distinct. The determinant factor analysis revealed a significant relationship between leverage and five attributes of earnings quality, and sales and firm size with four. Other variables like operation cycle, performance, and industry classification resulted in two earnings quality attributes. The economic consequence testing revealed three earnings quality attributes that correlated with the security residual variance. Accrual, smoothness, and factorial earnings quality.

Festus and Ademola (2020), investigate how corporate governance affects earnings quality in Nigerian listed firms. The goal is to see how board size, independence, and gender diversity affect earnings quality. This study used secondary data from 37 publicly traded manufacturing companies

from 2011 to 2017 and analysed it using panel regression. Overall, the results show that board size, independence, and gender diversity have a significant impact on earnings quality. The study concludes that comprehensive evaluation of corporate governance systems is required. The study urges more board independence. While diversity is gaining momentum in corporate governance literature, it is still not as dominant as other issues, such as protecting shareholder rights and defining dividend policies. The variable's significance suggests that companies should strive for a diverse mix.

Ibrahim et al (2019), studied earnings management of listed deposit money banks in Nigeria. The Earnings Management Model used by Chang et al. The study uses secondary data from the 13 sampled deposit money banks listed on the Nigerian Stock Exchange from 2008-2017. The data were analyzed using the Random Effects Model (REM). The results show that audit committee financial expertise and busyness negatively impact earnings management. It has a negligible impact on earnings management. The audit committee meeting and share ownership have a minor impact on earnings management. Conclusion: Audit committee expertise and busyness improve bank financial reports in Nigeria. The study recommends that the board appoint members with financial expertise to the audit committee to improve the banks' earnings management. More directors with multiple directors on the audit committee reduces earnings management and thus improves earnings management of banks.

Aderin and Otakefe (2015) studied the impact of IFRS adoption on the quality of financial reporting in Nigeria. The study examines changes in three proxies of financial reporting quality (FRQ): value relevance, earnings quality, and earnings management. Three models were created for each proxy, and the R2 statistics were used to assess the direction of change in reporting quality. The results showed that adopting IFRS improved financial reporting quality for all relevant proxies. The study concludes that adopting IFRS to improve financial reporting quality while reducing the likelihood of earnings management could benefit the Nigerian financial landscape in the long run.

Ekpulu, and Omoye (2018), investigated the impact of ownership structure on earnings management in Nigeria. The study makes use of data obtained from secondary sources and employs longitudinal panel research as the research design for a sample of 75 quoted firms for the period 2009 to 2014. Also, descriptive statistics and Pearson correlation analysis were conducted. Relevant residual diagnostic tests were also conducted. The result reveals that managerial ownership is negatively and significantly related to earnings management, while institutional ownership and foreign ownership exhibit positive but insignificant. The study, therefore, recommends that firms should consider improving managerial ownership by issuing policy statements requiring managers and executive directors to have more equity shares. In addition, there may be a need for companies to have a high percentage of institutional ownership, especially participatory institutional ownership, that can influence efficient monitoring and reduce earnings management.

METHODOLOGY

The expo facto designs. The population of the study was the twenty-five (25) listed insurance companies in the Nigerian Stock Exchange during the period 2013 -2019 (7) years. The sample size of this study is twenty-one (21). This number is derived by the application or use of Taro Yamane formula for sample size determination. Out of the twenty-four (24) companies, three (3) companies have incomplete financial statements which leave the sample size to be twenty-one (21) listed insurance companies. The study employed the use of secondary data. The formulated research questions were analyzed with descriptive statistics. The hypotheses were tested using the simple regression analysis with the aid of E-view (10).

Operational Measurement of Variables

The aim of the study is to ascertain empirically the relationship in terms of effect that exist between earnings management and quality of financial reporting in listed insurance companies in Nigeria.

Table 1.1 Operational Measurement of Variables

Variable	Type of Variables	Measurement Scale		Source of Data
Accruals Earnings	Dimension of independent variable	The reverse measure of discretionary accruals using modified Jones' (1991) model proposed by Dechow and Dichev (2002). TCAi,t / Ai,t-1 = α0,i + α1,i(CFOi,t-1 / Ai,t) + α2,i (CFOi,t / Ai,t) + α3,i (CFOi,t+1 / Ai,t)		Annual report
Earnings Persistence	Dimension of independent variable	The estimate of regression of the future value of the variables on its current value is carried out as in (Dechow and Schrand) $NIBEXT_{it} = bo_i + b_{jt}NIBEXT_{jt-t} + U_t$		Annual report
Faithful Representation	Measure of Faithful Representation variable is a construct, that comprises of dependent variable.	1. Completeness	Completeness / Verifiability of information (e.g. Jonas and Blanchet, 2000; Maines and Wahlen, 2004)	Annual report
		2. Neutrality / Free from bias	Predictive value of both gains and losses (e.g. Dechow et al., 1996; Sloan, 2001, McMullen, 1996; Razaee, 2003; Cohen et al., 2004;	
		3. Unqualified auditor's report	External auditor's report (eg Ferdy et.al., 2009).	
		4. Corporate governance statement	Board of Directors statements / codes (eg Ferdy et.al., 2009).	
Relevance	Measure of dependent variable	Shareholding Average proportion of total outstanding shares held by the majority shareholders. The weighted average number of shares is calculated by taking the number of outstanding shares and multiplying the portion of the reporting period those shares covered, doing this for each portion and, finally, summing the total (Saverio Bozzolan, Barbara Sveva Magnanelli and Maria Trovato, 2017).		Annual report
Firm size	Moderating variable	The log of total assets		Annual report

Sources: Beest et al., (2009); Cheung et al. (2010); Willekens (2008), Feng-Li et al. (2011) and Dechow and Schrand (2003), Dechow and Dichev (2002) and Ferdy et.al., 2009) and Saverio et al. (2017).

NOTE: Since the four measures of faithful representation in above table can be found qualitatively in the financial reports of the insurance companies. To transform the qualitative information to quantitative data for analysis purpose, the researcher's assigned one (1) for each attributed measures found in the financial statement. On the other hand, zero (0) was assigned for any attribute measure that was not found in the financial statement.

Model Specifications

Baxter and Cotter (2009) and Emmanuel et al. (2014), regression analysis is concerned with the study of how one or more variables affect changes in another variable.

Thus, the formula for regression: $\psi = ao + bx + e$……..1

Where: ψ = index of outcome variable
a = constant term for the independent variables
b = index of predictor variable
x = coefficients
e = error level

The earnings management (EM) components in the study are [Accrual Earnings (ACCE) and earnings persistence (EPER)] defined as three components used in the study. Whereas quality of financial report (QFR) its measures are faithful representation (FREP), relevance (REV).

The following 4 models were used to analyze the bivariate relationship between the variables.

Where;

ACCE = Discretionary Accruals
EPERS = Earnings Persistence
FREP = Faithful Representation
REV = Relevance
β_0 = Constant term (y intercept)
β = Coefficient of the independent variable
υ = Error term (causes of Faithful Representation or Relevance not explained by variables in the model)

The First Model: The first hypothesis test model; shows the relationship between faithful representation and accrual earnings:

$FREP_{it} = \beta o + \beta_1(ACCE)_{it} + \upsilon$ *(.05)* ……..3.2.

The Second Model: The second hypothesis test model; shows the relationship between faithful representation and earnings persistence:

$FREP_{it} = \beta o + \beta_1(EPERS)_{it} + \upsilon$ *(.05)* ……..3.3

The Third Model: The third hypothesis test model; shows the relationship between relevance and accrual earnings:

$REV_{it} = \beta o + \beta o_1(ACCE)_{it} + \upsilon$ *(.05)* ……3.4

The Fourth Model: The fourth hypothesis test model; shows the relationship between faithful representation and earnings persistence:

$REV_{it} = \beta o + \beta_1(EPERS)_{it} + \upsilon$ *(.05)* ……..3.5

Data Analyses and Results Interpretations

Table 2: Univariate Descriptive Analysis

	ACCE	EPER	FREP	REV
Mean	0.001363	09.69793	3.800000	84.58600
Median	0.002040	0.100150	1.003000	46.12000
Minimum	0.000000	0.000000	1.000000	0.000000
Std. Dev.	0.095067	191.5166	2.172379	27.19018
Skewness	2.780551	10.05016	2.285974	6.957267
Kurtosis	5.989549	102.0071	7.530709	49.79698
Jarque-Bera	49.76319	44227.86	181.2564	10428.13
Probability	0.000000	0.000000	0.000000	0.000000
Sum	0.143100	1944.585	714.0000	882796.6
Sum Sq. Dev.	0.939926	3777898.	490.8000	7.71E+10
Observations	147	147	147	147

Source: Data Result from E-view (v.12), 2021

Table 1 shows that the descriptive statistics of the data collected for the independent variable's dimensions of the study. The accrual earnings (ACCE), income smoothness (INSM) and earnings

persistence (EPER) have a mean value of 0.001363 and 09.69793 respectively, also, median value of 0.002040 and 0.100150 respectively, also the maximum and minimum values of accrual earnings (ACCE) were 0.321400 and 0.00000 and earnings persistence (EPER) were 0.190000 and 0.000000. On the other hand, the standard deviation values of 0.095067 and 191.5166 signifying that the data deviate from the mean values of the three study dimensions, which implies that there is a wide dispersion of the data from the means because the standard deviation is closed to the mean.

On the other hand, Skewness and Kurtosis calculated mean values which is a measure of the departure of a distribution from symmetry above for three study dimensions {accrual earnings (ACCE) and earnings persistence (EPER)}, shows a positive skewness values that is greater than 1. This indicates that the three study dimensions are normally distributed. More so, the Kurtosis result which measures the extent of flatness or peakedness of a distribution in relative terms to a normal distribution confirms that accrual earnings (ACCE) and earnings persistence (EPER) are normally distributed and are not platykurtic (not having negative values / flatted curved) as its kurtosis coefficient are more than 3. Also, the p-value for the three study dimensions for Jarque-Bera statistics [(JB (PValue > 0.05) = Accept Ho (Normal Distribution) and also JB (P Value < 0.05) = Reject Ho (Non-Normal Distribution)]. Thus, the values of 0.000000 and 0.000000 for accrual earnings (ACCE) and earnings persistence (EPER) respectively of Jarque-Beta and its statistical probabilities were accepted. The result forward strengthens the normality test of variable of normally distributed.

The table also indicates for the two measures of the dependent variable of the study that faithful representation (FREP) and relevance (REV) have a mean value of 3.800000 and 84.58600 respectively, also, median value of 1.003000 and 46.12000 respectively, also the maximum and minimum values of faithful representation (FREP) were 1.0000000 and 1.000000, and relevance (REV) were 67.4110.0 and 0.000000.

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Data Diagnostic and Robustness Tests

Stationary (Unit Root) Test

In order for data collected for the study are fit for analysis, the stationarity or unit root test was conducted on the study variables data. Using the popular Augmented Dickey Fuller (ADF) unit root test due to the fact that the data involves 7 years' time series. According to Gujarat & Porter 2009, the unit root test is performed to ascertain that the time series data are stationary for co-integrated.

Table 3: Summary Stationary Test Result

Variables	Order of Diff. & Intercept	ADF Statistics	Test critical values at		probability
ACCE	First difference and individual intercept	-8.060043	1%	-3.497727	0.0000
			5%	-2.890926	
			10%	-2.582514	
EPER	First difference and individual intercept	-7.741964	1%	-3.503049	0.0000
			5%	-2.893230	
			10%	-2.583740	
FREP	First difference and individual intercept	-10.81771	1%	-3.495677	0.0000
			5%	-2.890037	
			10%	-2.582041	
REV	First difference and individual intercept and trend	-9.942493	1%	-3.496346	0.0000
			5%	-2.890327	
			10%	-2.582196	

Source: Researcher's Result Computation from E-view (v.12), 2021

From the above table, all the variables are stationary since the ADF values are greater than the corresponding critical values and the probability is less than 0.05 for all variables. Therefore, the data becomes stationary at first difference integrated of order 1 that is 1(1), for {accrual earnings (ACCE) and earnings persistence (EPER), and faithful representation (FEEP)}, apart from the log of relevance (REV) at second difference and individual intercept and trend 1(2).

Simple Analysis and Results Interpretations

The First Model: The first hypothesis test model; shows the relationship between faithful representation and accrual earnings:

$FREP_{it} = \beta o + \beta_1(ACCE)_t + \upsilon$ *(.05) .....3.2.*

Dependent Variable: FREP
Method: Least Squares
Date: 09/16/21 Time: 09:40
Sample: 1 147
Included observations: 147

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACCE	1.893836	2.271551	0.833720	0.0064
C	0.314608	0.038037	8.271022	0.0000

R-squared	0.510759	Mean dependent var	06.33694
Adjusted R-squared	0.503206	S.D. dependent var	1.219996
S.E. of regression	0.212930	Akaike info criterion	5.200260
Sum squared resid	1.496196	Schwarz criterion	-0.111383
Log likelihood	-55.50454	Hannan-Quinn criter.	6.169579
F-statistic	0.882520	Durbin-Watson stat	1.744405
Prob(F-statistic)	0.000018		

Source: Researcher's Statistical Result from E-view (v.12), 2021

From the table output above, the coefficient of ACCE and FREP is 1.893836. This value implies that for every unit increase in FREP is predicted to be accompanied by a 1.893836-unit decrease in ACCE.

The T-statistics is above 1, which is sufficient statistical evidence of significant @ 1% T-stat confidence level. The Prob value of ACCE is 0.0064, which means the relationship between ACCE and FREP is statistically significant at the 5 percent significant level.

The result also showed that the R2, which measures the goodness of fit, is 0.510759, meaning that 51 percent of the variation in the faithful representation can be explained by the dimension of the independent variables. The result indicates that the model is proper and adequate for the study. The model's goodness of fit and appropriateness is also supported by the outcomes of F-statistics and probability of F-statistics of .882520 and 0.000018 respectively. The Durbin-Watson statistics of 1.744405 also indicate the absence of serial autocorrelation.

The Third Model: The third hypothesis test model; shows the relationship between faithful representation and earnings persistence:

$FREP_{it} = \beta o + \beta_1(EPERS)_t + \upsilon$ *(.05) 3.4*

Dependent Variable: FREP
Method: Least Squares
Date: 09/16/21 Time: 09:49
Sample: 1 147
Included observations: 147

Variable	Coefficient	Std. Error	t-Statistic	Prob.

EPER	0.000840	0.001138	0.738657	0.0619
C	0.216741	0.037410	5.793740	0.0000

R-squared	0.508159	Mean dependent var	7.336943
Adjusted R-squared	0.410830	S.D. dependent var	6.219996
S.E. of regression	3.168863	Akaike info criterion	4.664009
Sum squared resid	2.940990	Schwarz criterion	6.575132
Log likelihood	-43.62015	Hannan-Quinn criter.	2.633328
F-statistic	0.770835	Durbin-Watson stat	2.247258
Prob(F-statistic)	0.000020		

Source: Researcher's Statistical Result from E-view (v.12), 2021

From the table output above, the coefficient of EPER and FREP is 0.000840. This value implies that for every unit increase in FREP is predicted to be accompanied by a 0.000840-unit decrease in EPER.
The T-statistics is above 1, which is sufficient statistical evidence of significant @ 1% T-stat confidence level. The Prob value of EPER is 0.06, which means the relationship between EPER and FREP is statistically insignificant at the 5 percent significant level.
The result also showed that the R^2, which measures the goodness of fit, is 0.508159, meaning that 50 percent of the variation in the faithful representation can be explained by the dimension of the independent variables. The result indicates that the model is proper and adequate for the study. The model's goodness of fit and appropriateness is also supported by the outcomes of F-statistics and probability of F-statistics of 0.770835 and 0.000020 respectively. The Durbin-Watson statistics of 2.247258 also indicate the absence of serial autocorrelation.

The Third Model: The third hypothesis test model; shows the relationship between relevance and accrual earnings:

$REV_{it} = \beta o + \beta o_1(ACCE)_t + \upsilon$ *(.05)* 3.5

Dependent Variable: REV
Method: Least Squares
Date: 08/10/21 Time: 09:50
Sample: 1 147
Included observations: 147

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACCE	-5653.036	33432.84	-0.169086	0.0361
C	51.11951	9.471925	5.396951	0.0000

R-squared	0.745144	Mean dependent var	67.85714
Adjusted R-squared	0.458886	S.D. dependent var	72.08091
S.E. of regression	53.02303	Akaike info criterion	10.83478
Sum squared resid	92777.59	Schwarz criterion	41.92365
Log likelihood	-187.6086	Hannan-Quinn criter.	21.86546
F-statistic	0.983336	Durbin-Watson stat	2.099998
Prob(F-statistic)	0.000031		

Source: Researcher's Statistical Result from E-view (v.12), 2021

From the table output above, the coefficient of ACCE and REV is -5653.036. This value implies that for every unit increase in REV is predicted to be accompanied by a -5653.036-unit decrease in ACCE.

The T-statistics is above 1, which is sufficient statistical evidence of significant @ 1% T-stat confidence level. The Prob value of ACCE is 0.0361, which means the relationship between ACCE and REV is statistically significant at the 5 percent significant level.
The result also showed that the R2, which measures the goodness of fit, is 0.745144, meaning that 74 percent of the variation in the relevance can be explained by the dimension of the independent variables. The result indicates that the model is proper and adequate for the study. The model's goodness of fit and appropriateness is also supported by the outcomes of F-statistics and probability of F-statistics of 0.983336 and 0.000031 respectively. The Durbin-Watson statistics of 2.099998 also indicate the absence of serial autocorrelation.

The Fourth Model: The fourth hypothesis test model; shows the relationship between relevance and income smoothness: $REV_{it} = \beta o + \beta_1(EPER)_t + \upsilon$ *(.05)* 3.10

Dependent Variable: REV
Method: Least Squares
Date: 09/16/21 Time: 09:53
Sample: 1 147
Included observations: 147

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EPER	18782.97	20087.10	0.935077	0.3520
C	-10.25988	16.14853	-0.635344	0.5296

R-squared	0.600690	Mean dependent var	67.85714
Adjusted R-squared	0.485559	S.D. dependent var	72.08091
S.E. of regression	51.69968	Akaike info criterion	5.178423
Sum squared resid	88204.29	Schwarz criterion	4.087310
Log likelihood	-186.7239	Hannan-Quinn criter.	6.081491
F-statistic	0.609120	Durbin-Watson stat	2.317039
Prob(F-statistic)	0.000022		

Source: Researcher's Statistical Result from E-view (v.12), 2021

From the table output above, the coefficient of EPER and REV is18782.97. This value implies that for every unit increase in REV is predicted to be accompanied by 18782.97 -unit decrease in EPER. The T-statistics is above 1, which is sufficient statistical evidence of significant @ 1% T-stat confidence level. The Prob value of EPER is 0.3520, which means the relationship between EPER and REV is statistically insignificant at the 5 percent significant level.
The result also showed that the R2, which measures the goodness of fit, is 0.600690, meaning that 60 percent of the variation in the relevance can be explained by the dimension of the independent variables. The result indicates that the model is proper and adequate for the study. The model's goodness of fit and appropriateness is also supported by the outcomes of F-statistics and probability of F-statistics of 0.609120 and 0.000022 respectively. The Durbin-Watson statistics of 2.317039 also indicate the absence of serial autocorrelation.

Analysis on the Moderating Variable

Ho_5: Firm size does not have any significant moderating effect on the relationship between Earnings management and quality of financial reporting in listed insurance companies in Nigeria.

Partial Correlations

Control Variables			EM	QFR
FMSIZ	EM	Correlation	1.000	.618

	Significance (2-tailed)	.	.026
	Df	0	76
	Correlation	.618	1.000
QFR	Significance (2-tailed)	.026	.
	Df	76	0

Source: Researcher's Statistical Result from SPSS V.24

From the output of the partial correlation explains that, firm size bears a significant influence on the relationship between earnings management and quality of financial reporting in listed insurance companies in Nigeria. The correlation coefficient of 0.618 means that, firm size positively influences the interplay of earnings management and the quality of financial reporting as depicted by the probability level of 0.026 which is lesser than the chosen alpha level of 0.05, thus leading to the rejection of the null hypothesis and accepting the alternative hypothesis. Hence, there is significant influence of firm size in the relationship between earnings management and quality of financial reporting in listed insurance companies in Nigeria.

Summary Results Findings

Table Summary Computation of Hypotheses Results

Hypotheses	Coefficient	Std. Error	T-Stat	P-Value 0.05	Statistical Decision	Result
$H0_1$	1.893836	2.271551	0.833720	0.0064	Significant	Rejected $H0_1$
$H0_2$	0.000840	0.001138	0.738657	0.0619	Insignificant	Accepted $H0_3$
$H0_3$	-5653.036	33432.84	-0.169086	0.0361	Significant	Rejected $H0_4$
$H0_4$	18782.97	20087.10	0.935077	0.3520	Insignificant	Accepted $H0_3$
$H0_5$				0.026	Significant	Rejected $H0_7$

Source: Researcher's Computation, 2021

From the summary of hypotheses table above the result of the hypotheses of the study were presented in line with the statistical decision rule: 'if the probability value (PV) in is less than 0.05 alpha level, we Reject the null hypotheses and accept significant relationship. Meanwhile, if the probability value (PV) is greater than 0.05 alpha level, we accept the null hypothesis and accept insignificant relationship'. Hence:

a. There is significant relationship between accrual earnings and faithful representation of insurance companies in Nigeria.
b. There is insignificant relationship between earnings persistence and faithful representation of listed insurance companies in Nigeria.
c. There is significant relationship between accrual earnings and relevance of listed insurance companies in Nigeria.
d. There is insignificant relationship between income smoothness and relevance of insurance companies in Nigeria.
e. There is significant influence of firm size in the relationship between earnings management and quality of financial reporting in listed insurance companies in Nigeria.

CONCLUSION

Investors, shareholders and users are interested in achieving a high quality of financial information, and this quality can be derived from having a high quality of earnings, which is known as one of the most important indicators of capital market efficiency. Earnings quality has an important role in decision usefulness. The more extensively an entity engages in earnings management, the lower the entity's financial reporting quality (Ewert & Wagenhofer, 2011). However, focusing on accruals management rather than on management of earnings or cash flows, research and development, and expenditure reduction, for example, has a negative impact because accruals are easier to manipulate and less visible to stakeholders than cash flows (Choi & Pae, 2011). Analysts' forecasts

often show changing degrees of accuracy, the difference between the average of forecasted results and actual results, and precision, the tightness of the range of forecasted results (Pounder, 2013). Thus, the study concludes that there is a positive and significant relationship between accrual earnings and faithful representation of insurance companies in Nigeria. Also, there is an insignificant relationship between earnings persistence and faithful representation of listed insurance companies in Nigeria. On the other hand, there is a significant relationship between accrual earnings and the relevance of listed insurance companies in Nigeria. Also, there is an insignificant relationship between earnings persistence and the relevance of listed insurance companies in Nigeria. Finally, there is a significant influence of firm size on the relationship between earnings management and the quality of financial reporting in listed insurance companies in Nigeria.

RECOMMENDATIONS

Insurance companies in Nigeria's accrual earnings are positive and significantly related. Thus, management should maintain this level of accrual earnings management. The insurance sector should monitor the compliance with the provisions of the Nigerian code of corporate governance by companies. This will help strengthen the faithful representation of financial reports. To make reliable investment decisions by management and other investors, insurance companies should maintain the level of accruals earnings to enhance the quality of financial reports. This study highlights the need for reliable and ethical auditing firms and financial expertise as a means of strengthening the monitoring and the audit committee in financial reporting. Thus, companies and shareholders should appoint more or only members with high integrity and high financial knowledge. The peer review mechanism of audit committees in the industry should be encouraged and implemented vigorously and be used as a platform to set benchmarks for effective monitoring.

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