International Journal of Economics and Financial Issues

ISSN: 2146-4138

available at http: www.econjournals.com

International Journal of Economics and Financial Issues, 2025, 15(4), 259-272.

Corporate Governance, Ownership and Control Structure and Financial Reporting Quality: A Comparative Study of South African and Nigerian Companies

Amos Olatunbosun Talabi*, Fauziah Md Taib, Dayana Binti Jalaludin

Department of Accounting, Universiti Sains Malaysia, Malaysia, Malaysia. *Email: talabiamoso@student.usm.my

Received: 31 December 2024 **Accepted:** 17 May 2025 **DOI:** https://doi.org/10.32479/ijefi.19212

ABSTRACT

This study investigates the influence of corporate governance, ownership and control structure on financial reporting quality (FRQ) in South African and Nigerian companies. The research employed three accrual-based models to analyze financial reporting quality (FRQ) for a sample of 150 companies selected based on market capitalization, including 75 firms from South Africa and 75 from Nigeria, from 2014 to 2023. The study found that corporate governance and the mix of ownership and control structures had a lesser influence on FRQ in Nigerian firms than in South African ones, which is useful information for regulators, investors, and policymakers. Based on the data, it seems that board size and foreign ownership are the factors that need regulatory attention to boost FRQ in both countries. Nigerian authorities are changing their position and calling for completely independent audit committees, citing the harmful effect of audit committee independence on FRQ. For the 1st time, the effects of ownership and control structure, corporate governance, and FRQ are being empirically compared in the context of two emerging nations.

Keywords: Corporate Governance, Domestic Ownership Control, Foreign Ownership Control, Financial Reporting Quality, Multiple Shareholder Control
JEL Classifications: G3

1. INTRODUCTION

Concerns about the financial reporting quality are common among stakeholders of quoted companies because, according to Madani et al. (2013), financial reporting has always played a crucial role in informing outside parties about the results of a company's internal operations. These parties can then utilize this data to appraise the company's financial health and performance and make sound financial decisions. Recent high-profile corporate failures and scandals have raised skepticism over the reliability and accuracy of financial statements provided by corporations, as well as their capacity to satisfy the requirements and demands of their stakeholders (Gouiaa and Zéghal, 2016). Notable examples include the Enron, WorldCom, Global Crossing, Ansett, Pan Pharmaceuticals, and Cadbury Nig. Plc. In 2006, and Afribank Nig. Plc. 2009. (Araniyar et al., 2017; Gouiaa and Zéghal, 2016; Elyasiani et al., 2017; Kurawa et al., 2021).

The convergence and harmonization of accounting rules, together with economic crises and heightened disclosure obligations, have led to an excessive focus on financial disclosure. Furthermore, the increase in the quantity of financial crises that have occurred all over the globe since the beginning of the twenty-first century has exposed deficiencies in the standard of financial reporting (Humayun and Adelepo, 2012; Bhat et al., 2018).

According to Affan et al. (2017), the significance of accounting reporting is contingent upon the FRQ. There is a strong global demand for a concise and comprehensive definition of FRQ. Ensuring the provision of accurate and reliable financial information is crucial for impacting the investment choices of users and making the market more efficient. The integrity of financial reports is critical to maintaining the efficacy of the financial markets as this data is used to make decisions by market participants such as lenders, investors, and regulators (Yeh et al., 2014; Emmanuel et al., 2019).

The collapse of any organization was linked to a breakdown in corporate governance (CG), which has sparked a rising interest among accounting, finance, and economics scholars in the governance systems of firms. Notable research papers that have investigated the relevant contextual factors in corporate governance include Okeahalam and Akinboade (2003), Vaughn and Ryan (2006), Ezelibe et al. (2017), and Yu-Lin and Yang (2021). Corporate governance focuses on how stakeholders, including managers, directors, and other insiders, implement methods and procedures designed to safeguard the best interests of all participants engaged in the company's activities (Gouiaa and Zéghal, 2016).

However, Alsmady (2018) argued that the board of directors (BoD) had not addressed the agency issue resulting from the separation of modern business ownership and leadership. This has brought corporate ownership and control to the forefront as a more relevant aspect of corporate governance (CG), as emphasized by Indrarini et al. (2019). Pedersen and Thomsen (1999) provided a concise explanation of the effectiveness of ownership control structure in corporate governance. They highlighted three key reasons why corporate ownership structure is important: firstly, potential owners have different characteristics such as goals, economic proficiency, accessibility of data, and vulnerability preference; secondly, legal ownership modes vary in terms of the rights given to the owner; and lastly, the equilibrium between risk distribution and effective monitoring is defined by the degree of ownership concentration (Omaliko et al., 2020).

Ownership structure is an important tool for governance that can improve quality of financial reporting (QFR); other factors that contribute to this include the quantity of stockholders and the distribution of ownership and control across regions (Affan et al., 2017; Yasser et al., 2017; Aldamen et al., 2012). Many ownership and control adjustments and reforms were implemented in South Africa and Nigeria to improve corporate governance (CG) processes, transparency, disclosure, and the quality of financial reporting (Tsamenyi and Uddin, 2008; Okpara, 2010). Countries with developed capital markets and strong regulatory frameworks have been the subjects of much research on corporate governance (Adegbite, 2012; Adegbite and Nakajima, 2012). Regrettably, the economies of less developed countries do not function in the same manner. The lack of sufficient research on the QFR, ownership and control structures, and CG is particularly evident when comparing two developing nations. This is evident from the few studies conducted in these nations, as highlighted by Klai and Omri (2014) and Joseph and Wong (2022).

Developing nations often exhibit worse corporate governance norms, less robust legal and regulatory frameworks, and less enforcement capabilities in comparison to industrialized ones (Kapumpa, 2001). In developing nations, a considerable number of private enterprises are either owned or controlled to a substantial degree by either family members or the state (Dou et al., 2018). Furthermore, the efficacy and independence of boards in these businesses are often poor or non-existent (Brown et al., 2011). Consequently, this study examined the impact of corporate governance procedures and ownership and control structures on the quality of financial reporting in South African and Nigerian companies. Unlike previous studies on CG and ownership control structure, which were conducted separately in a single country and either developed or developing countries (Othman and Zeghal, 2008). This research contributed to the existing information on CG and the structure of ownership control in emerging nations by undertaking a comparative investigation of the disclosure of financial reporting as regards CG practices, ownership and control structures in South African and Nigerian companies. Most of the studies on CG and ownership control structure in developing nations have focused on a particular country as a case study (Othman and Zeghal, 2008). However, this research extended beyond the single-nation case study to investigate corporate governance, ownership, and control methods and their impact on QFR in two different nations.

2. CONCEPTUAL AND THEORETICAL REVIEW

2.1. Ownership Control Structure in South Africa and Nigeria

Since Marx's (1867) economic theory was established, scholars have mostly focused on studying the function of capital in the creation and distribution of wealth within a given society (Adebiyi and Olowookere, 2016). This muddle arises from the fact that the original intent of property law was to define ownership in terms of possession of assets in their tangible form (Agrawal and Chadha, 2005; Alsmady, 2018). However, in today's corporations, managers and employees, not shareholders, are considered to have the closest physical possession of the firms, assets. Elyasiani et al. (2017) noted that majority of shareholders do not possess the necessary expertise to effectively oversee the utilization of complex assets, like large-scale production facilities and research laboratories, owned by contemporary corporations. As a result, they are unable to ascertain whether these assets are being utilized appropriately or efficiently.

Moreover, most shareholders own a very insignificant portion of the overall shares issued by the company and encounter significant expenses while attempting to carry out efficient supervision. San and Reyna (2018) and Junaidu et al. (2021) argue that categorizing the key individuals in a company along with their specific responsibilities helps to address concerns, especially over ownership of the corporation. A modern corporation is seen as a substantial organization with four main groups of people: shareholders, senior managers, board of directors, and chief executives. Shareholders are considered the legal owners of the business since they give capital and, in exchange, get obligation-based promises of financial profits generated by the company's activities (Ismail and Ali, 2020). Directors serve as fiduciaries of the business, with the authority to develop or endorse certain strategies and investment choices (Junaidu et al., 2021). However, their primary role seems to be recruiting and termination of top-level management. Managers oversee the operations of the organization, make key business decisions, and hire and oversee staff. Workers perform essential tasks that generate the firm's production, leading to financial and economic gains (Bhat et al., 2018; Madani et al., 2013).

Tannenbaun (1962) has described control as a process in which one person, group, or organization dictates the actions of another person, group, or organization. This definition has been used by Tsegba and Sar (2012). The concept implies that an individual or collective has the authority to decide which actions should be performed in a certain scenario. The research seemed to corroborate the argument that the contemporary business is controlled by shareholders, rather than professional management as proposed by Yaghoobi and Khansalar (2016). The choices made by shareholders to change the ownership structure of the company might result in either a loss or a strengthening of control over professional management.

Despite the inconsistent conclusions, Nigeria has implemented various and even contradictory strategies throughout the years to address the poor performance of state-owned companies (SOEs) by addressing their ownership and control. For example, when Nigeria gained independence in 1960, it inherited a corporate ownership and control structure that was mostly controlled by foreign entities. In the early 1970s, the Federal Government of Nigeria (1972) implemented an indigenization initiative that aimed to promote indigenous ownership. This information was cited in Kurawa et al. (2021). In the late 1980s, the federal government promoted a dispersed ownership structure as part of its privatization and commercialization efforts. Since the late 1990s, the policy approach has been focused on encouraging concentrated and foreign ownership (Omaliko et al., 2020). The presence of contrasting and contradictory regulations raises the issue of whether alternative company ownership and control structures have superior positive characteristics that might enhance the FRQ.

South Africa's state-owned corporations (SOCs) have been a prominent and enduring aspect of the South African economy since the early 1900s. During the 1980s and 1990s, when there was a significant global movement towards liberalization and privatization, there were demands for the privatization of these entities. In 1987, the apartheid government responded to this request and began to dismiss certain strategic state-owned companies (SOCs). This was supposedly done to decrease the government's involvement in the economy, decrease government expenditure, and strengthen the government's financial resources. At the time, the government was facing international sanctions and growing isolation from the international community. Nevertheless, the privatization efforts failed to make significant progress as a result of the ongoing discussions that were being conducted in anticipation of the establishment of a new democratic system (San and Reyna, 2018).

Historical research showed that uneven business ownership structures make minority shareholders vulnerable to majority judgments (Wahyu et al., 2016). Boards regularly manipulated ownership before the King Reports on CG in South Africa. The implementation of these immoral business practices posed challenges in terms of providing legal protection to minority owners under different regulations. The King Reports (King I Report, 1994; King II Report, 2002; King III Report, 2009) are widely recognized as the foremost and efficacious compilation of optimal global standards in corporate ownership and CG practices in South Africa (West, 2006; Araniyar et al., 2017).

2.2. Corporate Governance in South Africa and Nigeria

In Nigeria, the progress of CG has been skewed and weakened due to pervasive corruption, insufficient disclosure and transparency protocols, and significant interference by political forces in corporate governance matters (Ndiweni, 2008; Hasan et al., 2022; Adegbite, 2012). There have been recent efforts in Nigeria to change its corporate governance to enhance procedures. Several reforms have been instituted, such as the establishment of the 2003 Code of Conduct for Corporate Governance, the compulsory adoption of the 2006 Code of Conduct for Nigerian Banks post-consolidation, the introduction of the 2007 Code of Conduct for Shareholders Associations in Nigeria, the merger of Nigerian banks, and a rise in the requirement for a minimum capital. These measures were implemented to avert a recurrence of the incident wherein the Central Bank of Nigeria (CBN) intervened to rescue multiple banks due to their failure to fulfil banking obligations stemming from financial turmoil, fraudulent conduct by bank managers, and dubious business practices. In 2015, corporate governance rating system (CGRS) was introduced to access the effectiveness of CG. However, CGRS is viewed as a mechanism to strengthen CG practices and draws the attention of foreign stocks investors (Adebiyi and Olowookere, 2016; Jelilov et al., 2020).

The narrative in South Africa has a striking resemblance. South Africa is a notable example among developing nations for studying the advancements made in corporate governance reforms (West, 2006). In their study, Yasser et al. (2017) emphasized many government policies aimed at enhancing and establishing control over CG in South Africa. The listed legislations are the Companies Act of 1973, the Insider Trading Act of 1998, the Public Finance Management Act of 1999 and the Securities Services Act of 2004. The sources that include these references are Vaughn and Ryan (2006), the King IV Report (2016), and West (2006).

In addition, South Africa took the lead in introducing CG principles and codes of conduct via the King IV Reports (2016), which Sparked substantial international attention in the field of corporate governance in Africa. The King IV report underscores the improvement of accountability by requiring the disclosure of executive remuneration in three segments of the financial report: The summary of the remuneration policy, background statement, and implementation report. South Africa has seen significant instances of corporate governance failures in recent years, despite the implementation of several comprehensive legal measures meant to bring about reforms in corporate governance (Araniyar et al., 2017). According to Gstraunthaler (2010), the insolvency of Macmed, Regal Treasury Bank, and Leisurenet are very consequential. Moyo (2010) argued that CG challenges in South Africa can be resolved through reform. He suggested that addressing the deliberate imposition of excessive regulations and bureaucratic obstacles on small and medium-sized businesses, as well as strengthening the board structure to enhance competence, effectiveness, and independence, are crucial steps in this process.

South African banks have a more advanced and resilient financial infrastructure compared to Nigerian banks (Mensah, 2001). Their financial system is extensive and advanced, with a banking sector that is fiercely competitive and controlled by both domestic and international banks. The entire value of assets in the financial sector is around 298% of the gross domestic product (GDP), which is higher than the assets in the financial sector of many emerging nations such as Nigeria, where it is estimated to be around 208% of GDP. The assets of commercial banks alone account for over 112% of the country's GDP, while the gross assets of the insurance industry make up around 67% of GPD. According to the South Africa Reserve Bank (SARB), Assets held by South African banks increased between 2011 and 2014 at a pace of 7.2%/year on average, reaching a total of US$362 billion by December 2014. In comparison, Nigeria's banking sector assets grew at a pace of 5.1% during the same period, reaching US$268 billion by December 2014. In general, banks in Southern Africa have strong capitalization and often exhibit lower nonperforming loan ratios compared to Nigeria (Okafor et al., 2016; Boachie and Mensah, 2022).

2.3. Agency Theory

According to Saftiana et al. (2017), economists combined agency, property rights, and finance theories to establish a firm ownership structure theory. Agency theory was used by Agrawal and Knoeber (2020) to investigate the subject of CG and corporate integrity. The agency hypothesis assumes managers (agents) and owners (principals) have conflicting interests. Managers and directors want to optimize their financial resources, authority, and social standing while safeguarding their public image, while shareholders aim to maximize the worth of their stocks and investments (Bhat et al., 2018).

This interest misalignment has caused serious conflict between agents and principals. According to Osman and Samontaray (2022), these conflicts of interest might cause "agency loss." Agency loss occurs when residual claimants (owners) get lower returns than if they controlled the business directly (Hasan et al., 2022). According to agency theory, principals have created policy incentives to align agents' interests with theirs to resolve these conflicts and discrepancies (Adegbite et al., 2013). Certain policy ideas propose compensating managers for enhancing shareholder value. Top executives may align their financial interests with shareholders by purchasing business shares at a discount via these schemes (Eisenhardt, 1989). Additionally, they can boost corporate governance transparency (Klapper and Love, 2002), therefore reducing the information asymmetry between directors and stakeholders.

2.4. Institutional Theory

Samaha et al. (2012) defined institutions as variables that have the dual function of facilitating and constraining human conduct. Institutions are defined as structured frameworks of written regulations, laws, and norms that are obligatory to adhere to (Al-Jaifi et al., 2019). Failure to adhere to certain regulations and statutes results in sanctions such as monetary fines or charges, depending upon the severity of the transgression. Institutional theory suggested that the effectiveness of institutions may influence the way corporations are governed (Amin et al., 2015). This phenomenon is especially noticeable in less developed countries, when the quality of institutions is poor. As a result, the processes for corporate governance are often adversely impacted (Adegbite and Nakajima, 2012; Klapper and Love, 2002). Corporate governance is greatly impacted by several factors, including lax regulations, weak investor protection, insufficient contract enforcement, pervasive corruption in the public and private sectors, and unstable political institutions (Adegbite et al., 2013; Samaha et al., 2012).

According to institutional theory, a company can only thrive in an ideal setting where there are clear rules and regulations in place to safeguard investors' and companies' resources, and where red tape is kept to a minimum so that operations run smoothly and efficiently (Adegbite and Nakajima, 2012). According to Kim et al. (2021), institutions may create and enforce rules that force firms to comply to societal norms and maintain legitimacy. According to Amin et al. (2015), institutional theory proposes that the conduct of commercial organizations is primarily shaped by factors at several levels, rather than by market forces and processes. Nevertheless, institutional theorists have faced criticism for their neglect of explanations and impacts at the individual's level, as well as their consequences on firms (Amin et al., 2015; Khatib et al., 2022; Alsmady, 2018; Uche et al., 2016).

2.5. Empirical and Hypotheses Development

2.5.1. Corporate governance and financial reporting quality

The literature on CG in underdeveloped countries is far fewer than that in industrialized ones. The existing body of research on CG disclosure primarily addresses issues such as the degree to which companies adhere to both domestic and international regulations, the level of disclosure overall as measured by an index derived from these studies, and the institutional factors that limit or impede this disclosure (Arowolo and Che-Ahmad, 2017; Elsa and Dewi, 2018; Tsamenyi and Uddin, 2008). According to studies conducted by Agyei-Mensah (2016) and Klai and Omri (2014), many developing nations have a poor or minimum degree of compliance and transparency when it comes to corporate governance.

Shehu (2013) looked at the listed industrial companies in Nigeria and how they reported their finances and what kind of monitoring they had. Elements such as leverage, audit committee, independent directors, institutional, block, and management shareholdings are all part of the monitoring process. Pertinent research conducted by Ezelibe et al. (2017) examined CG and the high-quality of financial reporting across publicly listed firms in Nigeria. The findings indicated that the independence of the audit committee had a little effect on the audit delay encountered by corporate organizations. Furthermore, audit delays faced by business entities in Nigeria were negatively correlated with board size.

In their study, Gouiaa and Zegha (2016) investigated the impact of board of directors' attributes on the quality of accounting information (QAI) released by Canadian companies. To determine the board's quality, they compared these traits to governance indexes. Most board attributes have a positive and significant effect on the levels of accounting conservatism and earnings management. Nevertheless, it was found during the examination of the QAI that the influence of governance indices, which assessed the quality of board of directors, was not completely demonstrated. Using multifactor commercial and academic governance indices were shown to be ineffective in detecting and explaining the QAI when compared to examining characteristics of boards of directors (Mikalilu e al., 2005).

In a similar vein, Albring et al. (2014) examined the effects of four different approaches to CG. The size and composition of the board, the CEO's position, and the availability of an audit committee were the most important considerations. A statistical analysis using panel technique and ordinary least squares (OLS) as the estimation method revealed no correlation between the composition of the board and the two independent variables, Return on equity and profit margin (PM). The findings indicated that the attendance of an external director on the board did not have any impact on corporate performance under examination. There was also a significant and robust relationship between PM and CEO status, as shown by the results. However, the research found no clear correlation between the two-performance metrics and the composition of the audit committee or board. Both Agyei-Mensah (2016) and Aldamen et al. (2012) found results that were comparable to these.

Research carried out by Hasan et al. (2022) explored how CG impacts the accuracy of financial reports in Pakistan and the United Kingdom. The research analyzed 1,550 firm-year data from 2009 to 2018. The sample included 78 Pakistani companies and 77 UK firms. According to the research, firms in Pakistan and the UK benefited from foreign ownership, whereas FRQ suffered from large boards. There was also evidence that board autonomy improves financial reporting quality (FRQ) for Pakistani firms, while board meeting and audit committee independence reduce it. The research also found that FRQ of UK firms was negatively affected by a high degree of ownership concentration and a lack of gender diversity on corporate boards. However, when looking at Pakistani businesses, no such association emerged. Joseph (2019) discovered a positive correlation, though not a statistically significant between independent boards and high-quality financial reporting.

Klai and Omri (2014) investigated the impact of governance frameworks on the financial reporting quality (FRQ) of a sample of Tunisian firms. The study analyzed the characteristics of the board of directors and the ownership structure of companies listed on the Tunis Stock Exchange from 1997 to 2007. The results revealed that the FRQ held by Tunisian businesses is affected by the governance systems. The quality of reporting is negatively impacted by the presence of foreign firms, important families, and major shareholders, but high-quality financial reporting was associated with government and ownership control. Bako (2018) investigated the impact of corporate governance (CG) on financial reporting quality in Nigeria's consumer goods industry. All enterprises listed on the Nigeria Stock Exchange as of December 2012 were included in the population being studied. The research utilized a random sample of five organizations during a 5-year period, from 2008 to 2012. The financial statements and annual reports of the selected businesses served as secondary sources of the information obtained. Using regression and correlation analysis, the research found a positive relationship between the dimensions CG structure and QFR in Nigeria's consumer goods companies. It was wise to have an optimum audit committee with five or six members since it significantly affected the performance of the firms. It was also advocated that the financial reporting quality of the Nigerian Consumer Goods Industry be improved by increasing the number of non-executive directors on the board.

The corporate governance framework should also promote accountability, independence, openness, and integrity (Mensah, 2001; Othman and Zeghal, 2008). Internal CG metrics, such as ownership concentration, board compositions, board committees, and others, have been separately investigated in the few cross-country studies on African corporate governance to determine their effect on business performance. However, these processes do not operate independently; instead, they function in conjunction, hence enhancing each other's effectiveness (Goel et al., 2022). A limited number of studies have used a corporate governance index to comprehensively capture the essential aspects of corporate governance in Africa.

Using data from the Nigerian Stock Exchange covering the years 2013-2018, Ezelibe et al. (2017) analyzed the impact of board of characteristics on the credibility and transparency of financial reports for twenty consumer products businesses. Two criteria were used before a sample of 13 firms was selected utilizing census methodology. The work employed an ex-post facto methodology, gathering panel data from the studied population's annual reports and income statements. The proposed theories were tested using the Ordinary Least Squares (OLS) regression model. The board's expertise was positively and significantly correlated with financial reporting quality at the 5% level of statistical significance. Financial reporting on the quality of consumer products businesses may be enhanced by increasing the number of specialists on the board, according to this. In contrast, at the 5% level of significance, there was no discernible correlation between financial reporting quality and board diversity or independence. It follows that the research found that board competency and other board attributes significantly affect financial reporting quality.

According to Moyo (2010), Vaughn and Ryan (2006), Afolabi (2015), and Hasan et al. (2022), South Africa successfully implemented and reviewed corporate governance norms based on voluntary compliance. In 2003 and 2006, Nigeria also introduced CG voluntary disclosure, although it was hardly noticeable (Bako, 2018). While several studies have used an index of corporate governance that considers board size, audit committee independence, and board independence, few have been able to prove a substantial relationship between corporate governance and these three factors. Our goal is to provide light on the extent of adherence to corporate governance (CG) best practices and principles in South Africa and Nigeria, as previous research has only looked at one aspect of CG within the framework of a single nation (Goel et al., 2022). The following major hypotheses may emerge:

H_{01}: There is no significant association between board size and financial reporting quality among listed corporations in South Africa and Nigeria.

H_{02}: There is no substantial association between board independence and financial reporting quality among listed corporations in South Africa and Nigeria.

H_{03}: There is no substantial association between audit committee independence and financial reporting quality among listed corporations in South Africa and Nigeria.

2.5.2. Ownership control structure and financial reporting quality

According to research by Dou et al. (2018), firms' value and foreign institutional investors' shareholdings were positively correlated. This suggested that foreign institutional investors have the ability and courage to supervise the activities of companies, hence enhancing the monitoring system. Foreign shareholders, as prominent institutional investors, have a crucial role in monitoring. The presence of significant institutional investors, particularly foreign investors, might restrict management's ability to make discretionary choices about the publication of financial information. This can reduce earnings management (Affan et al., 2017) and enhance the overall quality of financial reports. Foreign investors, meanwhile, may be astute traders seeking to invest in certain firms, such as large organizations that demonstrate strong performance and provide significant dividends.

Kao et al. (2019) have asserted that inadequately managed firms sometimes engage in concealing the full scope of their governance issues and expropriation operations. They do this by using tactics such as presenting obscure financial statements and manipulating profits (Okafor et al., 2016). According to San and Reyna (2018), investors effectively reduce the value of shares in companies with weak governance, ensuring that all investors obtain a fair return. As a result, there is no impact on holdings (Junaidu et al., 2021). Nguyen et al. (2020) and Al-Jaifi et al. (2019) provided empirical support for the notion that Asian companies with significant differences in ownership control had a more pronounced decline in their stock prices during the Asian crisis.

An important counterargument to concentrated ownership, as emphasized by Yurisandi and Puspitasari (2015), was that it granted significant discretionary authority to the biggest shareholders, allowing them to use company resources in a manner that benefits their own interests while harming other shareholders. Put simply, the dominant owners may gain more control without having to invest much cash, thereby facilitating the process of tunneling. Tunneling refers to the process of diverting company resources for the personal gain of the majority owners (Yurisandi and Puspitasari, 2015). Kao et al. (2019) and San and Reyna (2018) found that several business scandals in Taiwan's capital markets included unrestricted major shareholders misappropriating company resources. The potential for tunneling via the manipulation of controlling shareholders presents concentrated ownership as having both positive and negative implications, which may impact the performance of organizations in many ways.

The existing body of literature on foreign ownership, which refers to the involvement of individuals or organizations from other countries in a company's shares, is limited.

Nonetheless, there are two main reasons to support foreign ownership of firms in emerging or transition economies. Foreign organizations are seen to have greater business experience and entrepreneurship than home-grown companies, resulting in a more dynamic leadership style. Khatib et al. (2022) contended that corporations managed by dynamic foreign CEOs often outperform other types of organizations.

Yasser et al. (2017) investigated the Eastern region to find out whether there was any link between ownership structure and financial reporting quality. From 2011 to 2013, they looked at the ownership changes of several firms in Pakistan, Malaysia, and Australia. According to the results, the quality of financial reporting was negatively correlated with ownership concentration. Earnings management and individual or group ownership had a negative correlation in Pakistan but a positive one in Malaysia. Furthermore, the research found that when companies are owned by the state, their performance tends to be worse. Firms with larger boards had a positive link with earnings management (Biswas et al., 2022), but bigger companies had an adverse association with financial reporting, according to the control factors. These findings were like those of Yanida and Widyatama's (2019) study.

The effect of ownership structure on the quality of Nigerian financial reports was studied by Kurawa et al. (2021). Data was collected from 41 non-financial firms listed on the Nigerian Stock Exchange (NSE) between 2011 and 2019, this study provides valuable insights. This study made use of the Generalized Method of Moments (GMM) approach, which successfully deals with endogeneity and heteroskedasticity. The study's findings showed that when companies are owned by institutions or by foreigners, profits management is reduced, and financial reporting is of higher quality. However, the results showed that managerial ownership and earnings management had a weak negative association.

Abosede and Kajola (2020) investigated the correlation between the ownership structure of organizations and their profitability in Nigeria. They conducted their study using a sample of thirty companies that were listed between 2001 and 2008. After using pooled ordinary least squares (OLS) as an estimate approach and accounting for four unique features of the company, our findings indicated a strong and inverse correlation between the ownership structure (specifically, director's shareholding) and the financial performance of the firm (measured by return on equity, ROE). This statement is in favour of the Entrenchment theory.

In their study, Klai and Omri (2014) found that there is a negative relationship between corporate governance and managerial ownership. They also discovered that managerial ownership may improve financial reporting quality (FRQ) by lowering the extent of earnings management (EM). However, past investigations do not necessarily align with the notion. Akintunde (2021) and San and Reyna (2018) found that inadequate oversight of high degrees of management ownership may lead to a decrease in the financial reporting quality (FRQ). Saftiana et al. (2017) and Affan et al. (2017) concluded that managerial ownership did not have a substantial influence on earnings management (EM) or financial reporting quality (FRQ).

Emmanuel et al. (2019) and Gugong et al. (2014) found that family ownership had a detrimental impact on financial performance. Daniel et al. (2021) also discovered that family ownership had a negative impact on the quality of profits. Klai and Omri (2014) discovered that family ownership decreases the FRQ. Hasan et al. (2022) research found that board size had a detrimental effect on financial reporting quality (FRQ), whereas foreign ownership had a beneficial effect for enterprises in Pakistan and the United Kingdom. The data also indicated that having an independent board had a beneficial effect on the financial reporting quality (FRQ) of Pakistani companies. However, the frequency of board meetings and the independence of the audit committee had an adverse effect.

Adebiyi and Olowookere (2016) conducted a study that examined the impact of different forms of ownership on the FRQ. Their findings revealed a detrimental effect of institutional ownership on the FRQ, which contradicts earlier research. However, Madani et al. (2013) found no significant correlation between institutional ownership and FRQ. Some scholars had contended that institutional proprietors possess little efficacy in overseeing the agents (Meyer, 2007; Agrawal and Knoeber, 2020). Moreover, a study by Akintunde (2021) had identified a detrimental impact, while another study by Adeyemo et al. (2023) had shown a positive impact, on the relationship between institutional ownership and FRQ. In addition, there is currently no existing empirical research that has examined the comparative financial reporting quality of companies in South Africa and Nigeria, specifically focusing on the influence of foreign, domestic, and multiple shareholder control. This research aims to expand the existing body of empirical information in this field.

The following hypotheses have been proposed:

H_{04}: There is no significant correlation between foreign ownership control and the quality of financial reporting by listed companies in South Africa and Nigeria.

H_{05}: There is no significant correlation between domestic ownership control and the quality of financial reporting by listed companies in South Africa and Nigeria.

H_{06}: There is no significant correlation between multiple shareholder control and the quality of financial reporting by listed companies in South Africa and Nigeria.

3. RESEARCH METHODOLOGY

The research used secondary data from 2014 to 2023 to conduct a data panel study on South Africa and Nigeria. The financial reporting quality is the dependent variable, which is assessed using the total accrual basis as a proxy variable. The formula TA = N.I−CFO represents the calculation of the total assets (TA) by subtracting the net income (N.I) from the cash flow from operations (CFO). Where: TA represents the total accrual in year t, N.I represents the net income in year t, and CFO represents the cash flows from operating activities in year t. The factors that are being manipulated in this study include corporate governance and ownership structure. Three aspects of corporate governance mechanisms are the subject of this study: Board size (BS), board independence (BI), and audit committee independence (ACI). However, in practice, there are three parts to an ownership and control structure: Ownership and control structure (FOC), Domestic ownership and control (DOC), and MSC, which stand for multiple shareholders' control (Table 1).

3.1. Model Specification

The study's econometric model may be expressed as:

$$\text{Financial reporting quality } (frq) = f(brds, brdi, aci, foc, doc, msc) \quad (1)$$

The model is then written as:

$$FRQit = \beta_0 + \beta_1 BRDS_{it} + \beta_2 BRDI_{it} + \beta_3 ACI_{it} + \beta_4 FOC_{it} + \beta_5 DOC_{it} + \beta_6 MSC_{it} + \mu_{it} \quad (2)$$

Equation (2) is the panel and time series research model. In the equations, FRQ indicates financial reporting quality, BRDS for board size, BIND represents Board Independence, and ACI is audit committee independence. In the model, there are many components such as foreign ownership and control (FOC), domestic ownership and control (DOC), multiple shareholder control (MSC), the error term (μ), panel cross sections (i), time-period (t), and intercept (Ɛ0).

The two nations studied using panel and time series methods. The panel study used Levin, Lin and Chin (Albring, 2014), Fisher Philips-Perron (PP) (Maddala and Wu, 1999), Im-Pesaran Shim (IPS) (Im et al., 2003), and Fisher Augmented Dickey Fuller (ADF) tests to confirm stationarity. The time series unit root test used the ADF test. The null hypothesis states that variables have unit roots and are not stationary. Because they examined homogeneity and heterogeneity, unit root tests were utilized.

Cointegration tests verified the long-run link among panel variables (Kao and Chiang, 2001), which allowed us to examine long-run coefficients, after unit root tests verified stationarity (Pedroni, 2004). Finding the coefficients at which independent factors affect dependent variables was the next step in using the research models. Nevertheless, a variety of models were investigated, including linear regression, panel dynamic OLS, multiple linear (ML) random effects, and linear regression fixed effects. As far as time series research results were concerned, the vector error correction approach was thought to provide strong and statistically significant conclusions.

4. RESULTS AND DISCUSSION

4.1. Summary Statistics

Table 2 displayed the summary statistics of the panel variables that were utilized in the study to compare South Africa and

Table 1: Variable measurements

Variable	Variables description	Source	References
FRQ	Financial reporting quality utilizing total accrual: TA=N.I-CFO Where TA is total accrual, N.I is net income, and CFO is operational cash flows in year t.	Annual reports and accounts/Company Registrars.	Junaidu et al. (2021); Adeyemo et al. (2023)
BDS	Corporate Governance Attributes: The Board Size: The total number of directors serving throughout an accounting year.	Annual reports and accounts	Osman and Samontaray (2022); Elsa and Dewi (2018)
BIND	Board Independence: Non-executive director ratio to total board members.		
ACI	Audit committee Independence: This constitutes the audit committee which the member must be independent of the corporate entity.		
	Ownership and Control Structure:	Annual reports and accounts	Affan et al. (2017); Alsmady (2018); Kurawa et al. (2021)
FOC	Foreign ownership and control (FOC): A binary variable with a value of 1 (one) when the company is owned and controlled by foreigners.		
DOC	Domestic ownership and control (DOC): If the company is owned and controlled domestically, the value of this dichotomous variable is zero.		
MSC	Multiple shareholder control (MSC): If the company is controlled by two or more shareholders, the value of this dichotomous variable is zero.		

Table 2: Summary statistics for panel (South Africa and Nigeria)

Panel	FRQ	BRDS	BRDI	ACI	FOC	DOC	MSC
Mean	1.643	1.732	6.211	2.538	0.863	4.213	0.323
Median	1.836	1.923	6.352	2.543	0.772	4.271	0.228
Maxi	3.383	3.576	7.647	3.646	2.254	5.338	0.509
Mini	0.063	0.522	6.871	1.783	−0.445	2.336	−0.094
Standard deviation	0.745	0.977	0.463	0.381	0.721	0.812	0.151
Skewness	−0.397	0.450	0.165	0.621	0.355	−0.386	0.107
Kurtosis	2.813	1.711	1.746	5.447	2.219	2.132	2.271
Jarque-Bera	1.065	4.363	3.192	13.803	2.043	2.473	1.070
Probability	0.590	0.125	0.204	0.001	0.360	0.290	0.489

Source: Researcher's computation 2024 (Eviews 10)

Nigeria. The standard deviation was homogeneously connected, and the median and mean were quite similar in value. Since the majority of the variables were positive, the skewness test revealed that the variables were positively skewed, and the bulk of the distribution was on the right. All the variables, however, were positive and leptokurtic, which means they were excessively tall, according to the kurtosis test. Lastly, except for ACI, all of the variables were found to be in a normal distribution according to the Jarque-Bera test. Table 3 contained the summary data for Nigeria and Table 4 had the same information for South Africa in the time series research. According to Tables 3 and 4, there was a strong correlation between the mean and median, and there was no significant difference in the standard deviation.

In contrast to panel variables, skewness tests for South Africa and Nigeria showed that the variables were negatively skewed, with a left-to-right distribution. Kurtosis tests indicated that the variables were leptokurtic, and Jarque-Bera tests showed that, with the exception of ACI, all of the variables for both countries were in normal distribution. Table 4, which related to South Africa, indicated that the means and standard deviations indicated a lack of variety. This suggested that, in contrast to Nigeria, South Africa placed a high importance on corporate governance compliance.

4.2. Unit Root Tests (Panel and Time series)

Unit root tests were used to examine whether the variables were stationary for both the panel and time series approaches, so that erroneous regression could not happen. Levine, Lin, and Chi (LLC), Im-Pesaran Shim (IPS), Fisher ADF, and Fisher PP are the panel unit root tests that are taken into consideration. The time series approach used Augmented Dickey Fuller (ADF). According to the findings shown in Table 5, the panel unit root tests revealed that, at the level of FRQ and ACI, BRDS was stationary with IPS, DOC was stationary with LLC and PP-fisher tests, and MSC, FOC, and BRDI had unit root. Except for DOC, which became stationary without an intercept and trend at first difference, all the other variables became stationary with intercepts. Time series analysis revealed that FRQ, BRDS, ACI, and DOC all reached level form stationary for South Africa, while ACI did the same for Nigeria.

4.3. Panel Cointegration Tests

Seven tests were carried out using the Pedroni tests technique to ascertain if the variables in the panel study were cointegrated: The panel v-statistic, panel rho-statistic, panel PP statistic, panel ADF statistic, group rho-statistic, group PP statistic, and group ADF statistic (Table 6).

Cointegration was confirmed by the findings, which indicated significance in four out of seven tests. Additionally, the findings

Table 3: Summary statistics (Nigeria)

Nigeria	FRQ	BRDS	BRDI	ACI	FOC	DOC	MSC
Mean	2.235	2.523	7.550	2.526	0.848	4.224	0.400
Median	2.126	2.431	7.613	2.584	0.547	4.132	0.365
Maxi	3.341	3.679	7.349	3.248	1.538	5.114	0.602
Mini	0.558	1.356	7.143	2.269	−0.555	3.079	−0.086
Standard deviation	0.634	0.687	0.384	0.343	0.428	0.676	0.192
Skewness	−0.439	−0.059	−0.331	1.623	0.638	−0.147	−0.755
Kurtosis	3.734	2.547	1.386	5.135	2.707	1.687	2.213
Jarque-Bera	1.250	0.187	2.766	14.061	1.468	1.648	2.725
Probability	0.559	0.916	0.271	0.002	0.479	0.459	0.357

Source: Researcher's Computation 2024 (Eviews 10)

Table 4: Summary statistics (South Africa)

South Africa	FRQ	BRDS	BRDI	ACI	FOC	DOC	MSC
Mean	1.539	0.942	7.106	2.721	1.378	4.116	0.176
Median	1.492	0.903	7.037	2.692	1.416	0.174	0.174
Maxi	2.560	1.358	7.603	3.131	2.353	5.231	0.278
Mini	0.091	0.532	6.807	1.793	−0.045	2.326	0.096
Standard deviation	0.694	0.178	0.295	0.258	0.781	0.923	0.068
Skewness	−0.342	0.492	0.402	−1.069	−0.383	−0.372	0.436
Kurtosis	2.302	3.367	1.657	4.074	1.562	1.954	1.986
Jarque-Bera	0.892	0.917	2.216	4.916	2.110	1.554	1.569
Probability	0.620	0.642	0.320	0.085	0.466	0.487	0.424

Source: Researcher's Computation 2024 (Eviews 10)

Table 5: Unit root tests

Variables	FRQ	BRDS	BRDI	ACI	FOC	DOC	MSC
Panel - Level							
LLC	−2.883**	−1.210	1.582	−2.554**	−0.326	−2.962**	0.311
IPS	−2.563**	−1.323*	2.753	−2.262**	−0.129	−0.937	0.763
ADF - Fisher	12.559**	7.577	0.651	11.010**	3.248	6.281	1.942
PP - Fisher	12.425**	6.581	0.568	11.806**	2.932	10.406**	2.369
First difference							
LLC	−8.309***	−4.646***	−3.143***	−4.568***	−6.489***	−2.078**	−3.065***
IPS	−6.116***	−3.873***	−2.604**	−4.502***	−5.406***	−4.525***	
ADF - Fisher	37.541***	18.961***	13.635**	22.445***	28.473***	8.345*	23.643***
PP - Fisher	71.486***	18.484***	12.535**	25.562***	27.461***	7.201*	23.592***
Time series -South Africa							
Level - ADF	−3.598**	−2.737*	1.438	−3.262**	−1.370	−2.552*	−1.691
First difference	−6.344***	−3.373**	−2.570*	−5.047***	−3.869**	−2.929**	−4.625**
Time series- Nigeria							
Level - ADF	−2.532	−2.062	−0.822	−2.632*	−1.847	−1.521	−0.341
First difference	−5.984***	−4.583**	−3.610**	−3.710**	−6.137***	−2.734**	−4.294**

*** denotes a significance level of 1%, ** denotes a level of 5%, and * denotes a level of 10%. While DOC became stationary with no intercept and trend at the first difference, it did so with an intercept and trend in South Africa and Nigeria.

Table 6: Panel cointegration tests

Alternative hypothesis: common AR Coefs. (Within-dimension)				
Pedroni Cointegration test	Statistic	Probability	Weighted	
			Statistic	Probability
Panel v -Statistic	−0.637	0.745	−0.648	0.748
Panel rho- Statistic	0.887	0.832	0.962	0.839
Panel PP-Statistic	−6.972	0.000***	−5.869	0.000***
Panel ADF-Statistic	−2.880	0.002**	−2.592	0.005**
Alternative hypothesis: individual AR Coefs. (between-dimension)				
	Statistic	Prob.		
Group rho-Statistic	1.553	0.947		
Group PP-Statistic	−8.083	0.000***		
Group ADF-Statistic	−2.967	0.002**		
Kao Cointegration test				
t-Statistic	t-Statistic	Prob.		
ADF	−3.872	0.000***		

** denotes a 5% significance level and ***denotes a 1% significance level of the Kao cointegration test agreed with a significance level of 1%, leading to the rejection of the null hypothesis.

4.4. The Impact of Corporate Governance and Ownership and Control Structure on Financial Reporting Quality (Panel Results)

This section of the study looked at how ownership, control structure, and corporate governance affect the quality of financial reporting. The panel study used four alternative regression models: linear regression fixed effects, multiple linear random effects, dynamic ordinary least squares, and generalized least squares random effects. In all models (Table 7), coefficients of 0.85, 0.43, 0.45, and 0.87 suggest that board size (BRDS) has a negative and statistically significant influence on financial reporting quality (FRQ).

A percentage increase in board size increases financial reporting quality by 0.85%, 0.43%, 0.45%, and 0.87%. The bigger the board, the more credible the financial reporting. This is comparable to Affan et al. (2017) but contradicts Hasan et al. (2022), who found that board size lowered FRQ for Pakistani and UK enterprises.

With DOLS, GLS, ML, and fixed effects values of 1.16, 0.76, 0.79, and 0.97, respectively, Table 7 demonstrates that audit committee independence (ACI) significantly and positively affects financial reporting quality (FRQ). A percentage increase in ACI strengthens FRQ by 1.06%, 0.79%, 0.78%, and 0.93%. In accordance with Yu-Lin and Yang (2021), audit committee independence increased financial reporting quality. Financial reporting quality improved statistically with board independence (BIND). According to the coefficient of BIND with FRQ, a percentage increase in BIND improved FRQ by 4.97%, 1.54%, 1.74%, and 3.61.

Moreover, when considering domestic ownership and control (DOC) as a potential factor influencing financial reporting quality (FRQ), DOC did not have a significant influence. The four models confirmed that a percentage increase in foreign ownership control (FOC) would boost financial reporting quality by 0.95%, 0.47%, 0.50%, and 0.49%, respectively, and demonstrated positive and statistically significant results of 1% and 5% with coefficients of 0.95, 0.47, 0.50, and 0.49. These results supported the work of Hasan et al. (2022) found that foreign ownership control improved FRQ for Pakistani and UK companies.

To analyze their influence on financial reporting quality (FRQ), multiple shareholder control (MSC) exhibited a negative and statistically significant 1% with DOLS, GLS, and ML but was insignificant with the fixed effects model. The coefficients of the three significant models are 7.27, 3.37, 3.57, and 2.23, indicating a 7.27%, 3.37%, 3.57%, and 2.23% decline in financial reporting quality due to a percentage fall in multiple shareholder control. They employ dynamic ordinary least square (DOLS), generalized least square (GLS), multiple linear (ML), and linear regression fixed effects. Table 7 showed that all independent factors explained 82% of the systematic variance in financial reporting quality with an adjusted R-square of 0.82. The results of Adeyemo et al. (2023) and Adebiyi and Olowookere (2016) validated these findings.

4.5. The Impact of Corporate Governance and Ownership and Control Structure on Financial Reporting Quality (Time Series Study)

The research compares corporate governance levels in South Africa and Nigeria and how ownership and control structure affect financial reporting quality. Table 8 shows the vector error correction model findings. The regression analysis of three corporate governance attributes showed that board size (BRDS) has a positive and 1% statistically significant impact on financial reporting quality in South Africa and Nigeria with coefficients of 3.83 and 0.96. A percentage increase in board size will improve financial reporting quality by 3.75% in South Africa and 0.96% in Nigeria. Board independence has a negative effect on financial reporting quality in both countries but is insignificant; audit committee independence (ACI) had a good influence in South Africa but a negative one in Nigeria, therefore a percentage increase in ACI would raise financial reporting quality in South Africa by 3.94% and lower it in Nigeria by 2.81%. Perhaps this is because Nigeria's CG compliance is very lacking. According to Akintunde's (2021) research in Nigeria, voluntary CG compliance is ineffective, but it is working in South Africa.

Foreign ownership and control (FOC) also showed 1% significance and a positive impact with coefficients of 3.37 for South Africa and 0.47 for Nigeria, respectively, which means that a percentage increase in FOC will lead to 3.37% and 0.47% improvements in financial reporting transparency. However, the results of the two countries are not statistically significant, possibly due to CG compliance weaknesses. Several researchers argued that

Table 7: The results of panel data (DOLS, GLS and ML random effects and fixed effects)

Variables	DOLS	GLS-random effects	ML-random effects	Fixed effects
Brds (−4.42)***	−0.85 (−1.89)**	−0.43 (−2.64)**	−0.45 (−2.48)**	−0.87
bind (4.85)***	4.97 (1.67)*	1.54 (2.42)**	1.74 (2.35)*	3.61
aci (5.31)***	1.16 (2.25)**	0.76 (2.73)**	0.79 (2.37)**	0.97
foc (−7.56)***	0.95 (−3.42)***	0.47 (−3.95)***	0.50 (−2.71)**	0.49
doc (−1.52)	−0.89 (−0.02)	−0.00 (−0.24)	−0.07 (0.79)	0.92
msc (6.77)***	−7.27 (3.91)***	−3.37 (4.40)***	−3.57 (1.62)	−2.23
R^2		0.84		
Adjusted R^2		0.82		
F-statistics				8.93***
Wald chi2		56.55***	41.07***	

*** denotes 1% significant level, ** denotes 5% significant level, * denotes 10% significant and Z-statistics are in parentheses

Table 8: Times series results (vector error correction model)

Variables	South Africa	Nigeria
Brds	0.96 (5.08)***	3.83 (6.09)***
bind	−2.53 (−3.33)***	−42.77 (−7.91)***
aci	3.94 (18.34)***	−2.81 (−4.52)***
Foc	3.37 (9.37)***	0.47 (5.52)***
doc	−0.63 (−2.49)**	18.79 (6.38)***
Msc	−4.61 (−6.84)***	0.53 (0.15)
ce_1 chi2	1958.79***	158.68***

***denotes 1% significant level, **denotes 5% significant level. Z-statistics are in parentheses

institutional owners have limited efficiency in monitoring agents and are pressure-indeterminate investors. These investors own <1% of businesses' shares and do not actively watch management, therefore they have little impact.

Domestic ownership and control (DOC) affected South Africa negatively but positively for Nigeria, with coefficients of −0.63 and 18.79 respectively. A percentage increase in domestic ownership and control would reduce South Africa's financial reporting quality by 0.63% and enhance Nigeria's by 18.79%. It suggested domestic ownership control had not improved South African financial reporting. MSC had a detrimental influence on financial reporting quality in South Africa but a little favourable impact in Nigeria. Financial reporting quality declined by 4.61% in South Africa but not in Nigeria as multiple shareholder control increases.

5. CONCLUSION

The research examined the influence of corporate governance and ownership and control structure on the quality of financial reporting in South Africa and Nigeria from 2011 to 2023, using a panel and time series analysis. The study used board size, audit committee independence, and board independence as proxy corporate governance metrics. Foreign ownership and control, domestic ownership and control, and multiple shareholders' control were all employed in the modern ownership and control structures. The panel discovered that the dependent variable, FRQ, had a positive and significant correlation with the independent audit committee and board. The quality of financial reporting is negatively and significantly affected by board size in all the models. All four models indicated that FOC had a positive and statistically significant effect on financial reporting quality, proving that a higher FOC percentage would improve both nations' financial reports.

According to time series analysis conducted in Nigeria, financial reporting quality was observed to be negatively affected by domestic ownership and control, and positively and significantly affected by all proxies of corporate governance, including foreign ownership and control, control by multiple shareholders, and overall corporate governance. However, although panel research revealed that board independence improved financial reporting quality in South Africa and Nigeria, a time series result found the reverse, with −2.53 and −42.77 respectively. In a panel analysis and a time series study, audit committee independence improved financial reporting quality in South Africa (3.94), whereas in Nigeria, it had the opposite effect (−2.81). Panel survey results showed that domestic ownership and control had no effect on the quality of financial reports, whereas in Nigeria it had a positive effect and in South Africa it had a negative one. Financial reporting quality was positively affected by multiple shareholder control in panel research, but this effect was negative in South Africa and statistically negligible in Nigeria.

Conclusively, the study found that corporate governance and the mix of ownership and control structures had a lesser influence on FRQ in Nigerian firms than in South African ones, which is useful information for regulators, investors, and policymakers. Based on the data, it seems that board size and foreign ownership are the factors that need regulatory attention to boost FRQ in both countries. Nigerian authorities are changing their position and calling for completely independent audit committees, citing the harmful effect of audit committee independence on FRQ. According to the research, businesses should provide enough shares to institutions and foreigners so that they may increase their ownership and influence. Because of their extensive background and expertise, they can assist businesses in achieving their objectives and promote high-quality financial reporting. Conversely, businesses should limit the percentage of their shares held by various owners to a minimum to avoid excessive control. They should not own more than 10% of the company's shares since this is one factor that lowers the quality of financial reports in both countries.

6. RESEARCH LIMITATIONS/ IMPLICATIONS

Since the research just looked at companies in South Africa and Nigeria, its findings may not be applicable to other established or developing countries.

7. PRACTICAL IMPLICATIONS

The results showed that CG and the mix of ownership and control structures have a less effect on FRQ of Nigerian businesses than South African ones, which is useful information for regulators, investors, and policymakers. Based on the results, it seems that the characteristics that need regulatory attention to boost FRQ are foreign ownership and board size. Nigerian policymakers are reevaluating their approach and are demanding completely independent audit committees considering the detrimental effect of audit committee independence on FRQ.

REFERENCES

Abosede, A.J., Kajola, S.O. (2020), Ownership structure and firm performance: Evidence from Nigerian listed companies. Corporate Ownership & Control, 8(4), 14-47.

Adebiyi, W.K., Olowookere, J.K. (2016), Ownership structure and the quality of financial reporting: Evidence from Nigerian deposit money banks. International Journal of Economics, Commerce and Management, 4(1), 541-552.

Adegbite, E. (2012), Corporate governance regulation in Nigeria.

Corporate Governance, 12, 257-276.

Adegbite, E., Amaeshi, K., Nakajima, C. (2013), Multiple influences on corporate governance practice in Nigeria: Agents, strategies and implications. International Business Review, 22, 524-538.

Adegbite, E., Nakajima, C. (2012), Institutions and institutional maintenance: Implications for understanding and theorizing corporate governance in developing economies. International Studies of Management and Organization, 42(3), 69-88.

Adeyemo, K.A., Omole, I.I. and Adewumi, A.D. (2023), Effect of financial reporting quality and ownership structure on performance of the non-financial listed companies in Nigeria. Journal of Pharmaceutical Marketing and Management, 4(3), 1-20.

Affan, W.M., Rosidi, S.E., Purwanti, L. (2017), The effect of ownership structure on the quality of financial reporting of manufacturing companies listed in the IDX. Imperial Journal of Interdisciplinary Research, 3(7), 34-46.

Afolabi, A.A. (2015), Examining corporate governance practices in Nigerian and South African Firms. European Journal of Accounting Auditing and Finance Research, 3(7), 10-11.

Agrawal, A., Chadha, S. (2005), Corporate governance and accounting scandals. Journal of Law and Economics, 48(2), 371-406.

Agrawal, A., Knoeber, C.R. (2020), Firm performance and mechanisms to control agency problems between managers and shareholders (Revised). Journal of Financial and Quantitative Analysis, 31(3), 377-397.

Agyei-Mensah, B.K. (2016), Internal control information disclosure and corporate governance: Evidence from an emerging market. Corporate Governance, 16(1), 79-95.

Akintunde, A.J. (2021), Effect of financial reporting quality on the performance of Nigerian Capital Market. Bingham University Journal of Accounting and Business, 7(1), 402-412.

Albring, S., Robinson, D., Robinson, M. (2014), Audit committee financial expertise, corporate governance, and the voluntary switch from auditor provided to non-auditor-provided tax services. Advances in Accounting, 30(1), 81-94.

Albring. (2014), Audit committee financial expertise, corporate governance, and the voluntary switch from auditor-provided to non-auditor-provided tax services. Advances in Accounting, 30(1), 81-94.

Aldamen, H., Duncan, K., Kelly, S., McNamara, R., Nagel, S. (2012), Audit committee characteristics and firm performance during the global financial crisis. Accounting and Finance, 52(4), 971-1000.

Al-Jaifi, H.A., Al-Rassas, A.H., Al-Qadasi, A. (2019), institutional investor preferences: Do internal auditing function and audit committee effectiveness matter in Malaysia? Management Research Review, 22(1), 108-122.

Alsmady, A.A. (2018), Ownership structure and its endogeneity effect on the quality of financial reporting. International Journal of Academic Research in Business and Social Sciences, 8(3), 509-526.

Amin, A.S., Dutta, S., Saadi, S., Vora, P.P. (2015), Institutional shareholding and information content of dividend surprises: Re-examining the dynamics in dividend-reappearance era. Journal of Corporate Finance, 31, 152-170.

Araniyar, C., Isukul, A.C., Chizea, J.J. (2017), Corporate governance disclosure in developing countries: A comparative analysis in Nigerian and South African Banks, SAGE Open, 7, 1-17.

Arowolo, R.O., Che-Ahmad, A. (2017), Block-holders and monitoring mechanisms in Nigeria. Asian Journal of Accounting and Governance, 78(8), 71-78.

Asiedu, M.A., Emmanuel, M. (2023), Re-examining the corporate governance-firm performance nexus: Fresh evidence from a causal mediation analysis. Cogent Economics and Finance, 11(1), 2223414.

Bako, M.A. (2018), The impact of corporate governance on the quality of financial reporting in the Nigerian chemical and paint industry. Research Journal of Finance and Accounting, 9(7), 42-59.

Bhat, K.U., Chen, Y. Jebran, K., Bhutto, N.A. (2018), Corporate governance and firm value: A comparative analysis of state and non-state-owned companies in the context of Pakistan. Corporate Governance, 18(6), 1196-1206.

Biswas, S., Bhattacharya, M., Sadarangani, P.H., Jin, J.Y. (2022), Corporate governance and earnings management in banks: Empirical evidence from India. Cogent Economics and Finance, 10(1), 2085266.

Boachie, C., Mensah, E. (2022), The effect of earnings management on firm performance: The moderating role of corporate governance quality. International Review of Financial Analysis, 83, 102270.

Brown, J.R., Falaschetti, D., Orlando, M.J. (2010), Auditor Independence and the quality of information in financial disclosures: Evidence for market discipline Versus Sarbanes-Oxley Proscriptions. American Law and Economics Review, 12(1), 39-68.

Daniel, S., Nuraddeen, U., Ahmad, A. (2021), Impact of ownership structure on financial performance of listed pharmaceutical firms in Nigeria. Journal of Conflict Resolution and Social Issues, 2(1), 69-88.

Dou, Y., Hope, O.K., Thomas, W.B., Zou, Y. (2018), Blockholder exit threats and financial reporting quality. Contemporary Accounting Research, 35(2), 1004-1028.

Eisenhardt, K.M. (1989), Agency theory: An assessment and review. The Academy of Management Review, 14, 57-74.

Elsa, I., Dewi, A.P. (2018), Capital Structure, Corporate Governance, and Agency Costs. In: ICEBM Untar 2018-International Conference on Entrepreneurship and Business Management (ICEBM) Untar.

Elyasiani, E., Wen, Y., Zhang, R. (2017), Institutional ownership and earning management by bank holding companies. Journal of Financial Research, 40(2), 147-178.

Emmanuel, O.G., Okon, R., Afor, H. (2019), Effect of ownership structure on earnings management of listed industrial goods companies in Nigeria effect of ownership structure on earnings management of listed industrial goods companies in Nigeria. Journal of Business and Management, 21(1), 47-54.

Ezelibe, C.P., Nwosu, O., Orazulike, S. (2017), Empirical investigation of corporate governance and financial reporting quality of quoted companies in Nigeria. International Journal of Economics, Business and Management Research, 1(5), 117-137.

Federal Government of Nigeria. (1972), Indigenization: Nigerian Enterprises Promotion Decree 1972 & 1977.Available From: https://stoplearn.com/indigenization-nigerian-enterprises-promtion-decree-1972-1977/#google_vignette.

Goel, A., Dhiman, R., Rana, S., Srivastava, V. (2022), Board composition and firm performance: Empirical evidence from Indian companies. Asian-Pacific Journal of Business Administration, 14(4), 771-789.

Gouiaa, R., Zéghal, D. (2016), An Analysis of the effect of board characteristics and governance indices on the quality of accounting information. Journal of Governance and Regulation, 3(3), 104-119.

Gstraunthaler, T. (2010), Corporate governance in South Africa: The introduction of King III and reporting practices at the JSE ALT-X. Corporate Ownership and Control, 7(3), 146-154.

Gugong, B.K., Arugu, L.O., Dandago, K.I. (2014), The impact of ownership structure on the financial performance of listed insurance firms in Nigeria. International Journal of Academic Research in Accounting, Finance and Management Sciences, 4(1), 409-416.

Hasan, A., Aly, D., Hussainey, K. (2022), Corporate governance and financial reporting quality: A comparative study. Corporate Governance: The International Journal of Business in Society, 22, 1308-1326.

Humayun, K., Adelepo, I. (2012), Corporate governance disclosure practices by Swaziland public enterprises. African Journal of Business Management, 6, 7136-7148.

Im, K.S., Pesaran, M.H., Shin, Y. (2003), Testing for unit roots in heterogeneous panels. Journal of Econometrics, 115(1), 53-74.

Indrarini, S., Chandrarin, G., Subiyantoro, G. (2019), Managerial ownership, earnings predictability and firm value on Indonesia stock exchange. Journal of Business and Management, 11(2), 39-46.

Ismail, A., Ali, U. (2020), Ownership structure and financial performance of quoted financial firms in Nigeria. International Journal of Accounting Research, 5(4), 116-124.

Jelilov, G., Abdullahi, A.J., Bilal, C., Abdurrahman, I. (2020), Impact of oil price fluctuation on the economy of Nigeria, the core analysis for energy producing countries. In: Global Market and Global Trade. London: Intechopen.

Joseph, M. (2019), Users' Perception of financial reporting quality in Ghana. Journal of Accounting and Finance Research, 8(3), 187-196.

Joseph. H.F., Wong, T.J. (2022), Corporates ownership structure and the informativeness of accounting earnings in East Asia. Journal of Accounting and Economics, 33(3),401-425.

Junaidu, M.K., Alhassan, I., Anwarul, K.M., Haque, S. (2021), Ownership structure and financial reporting quality in listed non-financial firms in Nigeria. International Journal of Accounting and Finance Review, 9(1), 1285-1293.

Kao, C., Chiang, M.H. (2001), On the estimation and inference of a cointegrated regression in panel data. In: Baltagi, B.H., Fomby, T.B., Carter, H.R., editors. Nonstationary Panels, Panel Cointegration, and Dynamic Panels (Advances in Econometrics. Vol. 15. Leeds: Emerald Group Publishing Limited. p179-222.

Kao, M.F., Hodgkinson, L., Jaafar, A. (2019), Ownership Structure, Board of Directors and Firm Performance: Evidence from Taiwan. Bangor Business School Working Paper.

Kapumpa, M.S. (2001), Corporate Governance: The Role and Status of Capital and Financial Markets in Africa. In: Paper Presented at Pan African Consultative Forum on Corporate Governance, Johannesburg, South Africa.

Khatib, S.F.A., Abdullah, D.F., Elamer, A., Hazaea, S.A. (2022), Development of corporate governance literature in Malaysia: A systematic literature review and research agenda. Corporate Governance, 22(5), 1026-1053.

Kim, M.P., Pierce, S.R., Yeung, I. (2021), Why firms announce good news late: Earnings management and financial reporting timeliness. Contemporary Accounting Research, 38(4), 2691-2722.

King I Report. (1994), The King Report on Corporate Governance. Johannesburg: The Institute of Directors in Southern Africa.

King II Report. (2002), The King Report on Corporate Governance for South Africa. Johannesburg: King Committee on Corporate Governance, Institute of Directors in Southern Africa.

King III Report. (2009), The King Report on Corporate Governance for South Africa. Johannesburg: King Committee on Corporate Governance, Institute of Directors in Southern Africa.

King IV Report. (2016), The King Report on Corporate Governance for South Africa. Johannesburg: King Committee on Corporate Governance, Institute of Directors in Southern Africa.

Klai, N., Omri, A. (2014), Corporate governance and financial reporting quality: The case of the Tunisian firms. International Business Research, 4(1), 69-77.

Klapper, L.F., Love, I. (2002), Corporate governance, investor protection and performance in emerging markets. Journal of Corporate Finance, 10, 703-728.

Kurawa, J.M., Alhassan, I., Islam, K.M.A., Haque, M.S. (2021), Ownership structure and financial reporting quality in listed non-financial firms in Nigeria. International Journal of Accounting and Finance Review, 9(1), 57-73.

Madani, M., Moein, A.M., Rad, A.A. (2013), Impact of family ownership, state ownership and major shareholders on the financial reporting quality of the firms listed on the Tehran Stock Exchange. Interdisciplinary Journal of Contemporary Research in Business, 5(5), 5-12.

Maddala, G.S., Wu, S. (1999), A comparative study of unit root tests with panel data and a new simple test. Oxford Bulletin of Economics and Statistics, Special Issue, 61, 631-652.

Marx, K. (1867), Das Kapital. Kritik der politischen Ökonomie. Bd. 1: Der Produktionsprocess des Kapitals. Otto Meissner: Hamburg.

Mensah, S. (2001), Corporate Governance: The Role of Financial Market. Being a Paper Presented at pan African Consultative Forum on Corporate Governance. Johannesburg, South Africa

Meyer, J.W. (2007), Reflections on institutional theories of organizations. In: Greenwood, R.C., Oliver, R.S., Sahlin- Andersson, K., editors. The SAGE Handbook of Organizational Institutionalism. Los Angeles, CA: Sage. p790-811.

Mikalilu, A.S., Sanda, A.U., Tukur, G. (2005), Corporate Governance Mechanism and Firm Financial Performance in Nigeria. AFRC Research Paper 149 Nairobi. p1-41.

Moyo, N.J. (2010), South African Principles of Corporate Governance: Legal and Regulatory Restraints on Power and Remuneration of Executive Directors. A Thesis Submitted for Masters of Laws at the University of South Africa.

Ndiweni, E. (2008), Towards a theoretical framework of corporate governance perspective from Southern Africa. In corporate governance in less developed and emerging economies. Research in Accounting in Emerging Economies, 8(5), 335-357.

Nguyen, A.H., Doan, D.T., Nguye, L.H. (2020), Corporate governance and agency cost: Empirical evidence from Vietnam. Journal of Risk Financial Management, 13(103), 1-15.

Okafor, I. G., Ugochukwu, U. S., Chijindu, E. H. (2016), Foreign capital inflows and Nigerian economic growth nexus: A Toda Yamamoto approach. European Journal of Accounting, Auditing and Finance Research, 4(3), 16-26.

Okeahalam, C.C., Akinboade, O.A (2003), A Review of Corporate Governance in Africa: Literature, Issues and Challenges. In: Paper Prepared for the Global Corporate Governance Forum.

Okpara, J.O. (2010), Perspective on corporate governance challenges in a Sub-Saharan African Economy. Journal of Business and Policy Research, 5(1), 110-122.

Omaliko, E., Nwadialor, E., Nweze, A. (2020), Effect of non-financial disclosures on performance of non-financial firms in Nigeria. Journal of Accounting and Financial Management, 6(1), 16-39.

Osman, M.A.M., Samontaray, D.P. (2022), Corporate governance and performance of insurance companies in the Saudi market. The Journal of Asian Finance, Economics and Business, 9(4), 213-228.

Othman, H.B., Zeghal, D. (2008), A study of corporate governance, disclosure and its country-level determinants in the emerging markets. In Corporate governance in less developed and emerging economies. Research in Accounting in Emerging Economies, 8(2), 125-155.

Pedroni, P. (2004), Panel cointegration: Asymptotic and finite sample properties of pooled time series tests with an application to the PPP hypothesis. Econometric Theory, 20(3), 597-625.

Saftiana, Y., Putri, K.W., Ferina, I.S. (2017), Corporate governance quality, firm size and earnings management: Empirical study in Indonesia stock exchange. Investment Management and Financial Innovations, 14(4), 105-120.

Samaha, K., Dahawy, K., Hussainey, K., Stapleton, P. (2012), The extent of corporate governance disclosure and its determinants in a developing market: The case of Egypt. Advances in Accounting, 28(1), 168-178.

San, M., Reyna, J.M. (2018), The effect of ownership composition on earnings management: Evidence for the Mexican stock exchange.

Journal of Economics, Finance and Administrative Science, 23(46), 289-305.

Shehu, U.H. (2013), Financial reporting quality, does monitoring characteristics matter? An empirical analysis of Nigerian manufacturing sector. The Business & Management Review, 3 (2), 147-158.

Tannenbaum, A.S. (1962), Control in Organizations. McGraw-Hill: New York.

Tsamenyi, M., Uddin, S. (2008), Introduction to corporate governance in less developed and emerging economies. In corporate governance in less developed and emerging economies. Research in Accounting in Emerging Economies, 8(3), 1-11.

Tsegba, I.N., Sar, J.I. (2012), Impact of corporate ownership and control on firm performance: The Nigerian experience. Corporate Ownership and Control, 9(2), 94-104.

Uche, C.O., Adegbite, E., Jones, M. (2016), Institutional shareholder activism in Nigeria: An accountability perspective. Accounting Forum, 40(2), 78-88.

Vaughn, M., Ryan, L.V. (2006), Corporate governance in South Africa: A bellwether for the continent? Corporate Governance International, 14(5), 504-512.

Wahyu, A.A., Budiyanto, S.N., Nur, F.A. (2016), Ownership structure in the effect of diversification strategy on capital structure and financial performance of companies listed in Indonesia stock exchange. International Journal of Economics, Commerce and Management, 6(7), 344-371.

West, A. (2006), Theorizing South Africa's corporate governance. Journal of Business Ethics, 68, 433-448.

Yaghoobi, A., Khansalar, E. (2016), Review of the relationship between ownership structure and economic performance criteria in companies listed on Tehran stock exchange. International Journal of Economics and Finance, 8(6), 89-99.

Yanida, M., Widyatama, A. (2019), Does corporate governance increase financial reporting quality? Journal of Business: Theory and Practice, 3(5), 16-30.

Yasser, Q.R., Al Mamun, A., Hook, M.M. (2017), The impact of ownership structure on financial reporting quality in the East. International Journal of Organizational Analysis, 25(2), 178-197.

Yeh, Y.M.C., Chen, H.W., Wu, M.C. (2014), Can information transparency improve earnings quality attributes? Evidence from an enhanced disclosure regime in Taiwan. Emerging Markets Finance & Trade, 50(4), 237-253.

Yu-Lin Hsu, Y., Yang, Y. (2021), Corporate governance and financial reporting quality during the COVID-19 pandemic. Finance Research Letters, 47, 1-13.

Yurisandi, T., Puspitasari, E. (2015), Financial reporting quality before and after IFRS adoption using Nice qualitative characteristics measurement. Procedia-Social Behavioral Sciences, 21(1), 644-652.