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Financial Reporting Disclosure and Performance of Deposit Money Banks in Nigeria

Arowolo Oluwafemi Victor[1], Muritala Abdulafiz Oyinkansola[2], Oluwaseun Adebola[3] & Ayokunle Owoniyi[4]
Robert Gordon University, Aberdeen. **Scotland**
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Abstract

This study examines into the effect of financial reporting disclosure on the performance of deposit money banks in Nigeria. The study employed ex-post facto research design and convenience sampling technique to select five deposit money banks in Nigeria. The secondary data was sourced from the audited financial statement of the banks from 2013 to 2022. The panel regression technique was employed to determine the relationship between financial reporting disclosures and financial performance of deposit money banks in Nigeria Findings from revealed that retained earnings, net cash flow and firm size have positive significant effect on Net Interest margin. Firm size has negative significant effect on Net Interest margin. It also revealed that retained earnings and net cash flow have negative significant effect on earnings per share while intangible asset and firm size has positive significant effect on earnings per share. It is therefore recommended banks are advised to prioritize increasing retained earnings and optimizing net cash flow to improve their net interest margin. It's important to manage intangible assets carefully to reduce their negative impact, possibly by closely examining their acquisition and amortization costs.

Keywords: Financial Reporting Disclosure; Earnings per share, Net Cash flow,

Word Count: 247

1. Introduction

Financial reports serve as crucial tools for conveying a company's growth and operational efficiency to investors and other stakeholders. The transparency of these reports plays a vital role in corporate decision-making by providing a foundation for performance evaluation. According to Ojeka et al. (2015), investors depend on financial information to assess the timing and risks associated with both current and future cash flows, which guides their investment strategies and security selection. The quality of financial disclosures can significantly influence a company's sustainability and growth trajectory (Lu, Shin, & Zhang, 2023).

Between 2007 and 2013, Nigeria witnessed a financial crisis that led to the insolvency of nearly ten banks and the removal of eight chief executives by the Central Bank of Nigeria (CBN). This period, marked by unethical management practices and the global economic downturn, revealed a lack of transparency in financial reporting. Inaccurate disclosures failed to alert stakeholders to the true financial condition of the banks (Umobong & Akan, 2015).

Similar to scandals like Enron and WorldCom, Nigeria's challenges stem from manipulative accounting and insufficient disclosure quality. Companies that engaged in fraudulent reporting appeared prosperous on paper while suffering internally (Abata & Amoo, 2020). This led to the collapse of the capital market, heightened economic instability, and an exodus of foreign investors. Diminished investor confidence due to poor disclosure practices forced many to seek safer investment destinations (Nwoye et al., 2017; Ogunmakin et al., 2021; Jubril, 2019).

In Nigeria, several regulatory frameworks support the reliability of financial reporting. These include the adoption of IFRS, Financial Reporting Council standards, corporate governance codes, and auditing regulations. Institutions like the Nigerian Stock Exchange and the Securities and Exchange Commission enforce these standards, especially in the manufacturing sector, ensuring that financial data is presented clearly to guide investment decisions (Hassan & Musa, 2023).

Effective financial reporting enables stakeholders including directors, investors, and regulatory authorities to comprehend an organization's financial health. These reports align with ethical codes and national standards to reduce fraud and facilitate informed decision-making. Core components such as balance sheets, income statements, equity changes, and cash flow reports each provide essential insights for evaluating company performance (Modugu, 2017; Yusuf et al., 2018).

Nonetheless, financial decisions often emphasize short-term goals, neglecting their long-term implications on return on equity. Subpar financial disclosures can hinder performance assessments and mislead stakeholders. Enhanced disclosure practices not only improve corporate goodwill but also drive profitability. Scholars like Saliu and Adetoso (2018) have explored the broader implications of financial reporting on firm performance, prompting this study into how transparency influences Nigerian deposit money banks' outcomes.

2. Literature Review

2.1 Financial Reporting Disclosure

Financial reporting requirements are typically outlined by regulatory authorities to guide corporate disclosures. These disclosures serve as essential communication channels between firms and their stakeholders. Dhaliwal, Khurana, and Pereira (2011) emphasized that disclosure is a core tool for conveying a company's internal information to external stakeholders. Mandatory disclosures are detailed in financial statements, while voluntary disclosures add depth and meet additional user needs. According to Hossain (2008), management decides what to disclose based on a cost-benefit analysis of making such information public. The timeliness of the audit process also affects the value of disclosed information delays reduce the relevance and usefulness of the data for investors (Haixia Wu & Jianping Li, 2023; Hassan & Musa, 2023).

2.2 Theoretical Framework

1. Stakeholder Theory

Freeman (2004) posited that stakeholder theory centers on the importance of various individuals or groups in sustaining an organization. The theory focuses on all entities that can influence or are influenced by a company's goals. Freeman's definition is broader than the one proposed by the Stanford Research Institute in 1963, as it includes anyone who identifies as a stakeholder—even if not formally recognized by the company (Friedman & Miles, 2009). Stakeholders often include shareholders, employees, customers, creditors, suppliers, community groups, and government agencies. Craig (2010) further noted that organizations should provide stakeholders with comprehensive information, even if such data doesn't directly impact organizational survival. This includes environmental effects, employment practices, and community engagement.

2. Voluntary Disclosure Theory

This theory suggests that managers often choose to release additional information beyond what is legally required. Agency theory, as described by Jensen and Meckling (1976), highlights that agents bear the cost of asymmetrical information and act to protect their interests. Voluntary disclosure aims to reduce information gaps and improve market confidence (Healy & Palepu, 2001; Verrecchia, 2001). The SEC and FASB provide the framework for required disclosures, but managers may also choose voluntary reporting to demonstrate superior insights or manage perceptions. According to Grossman (1981), withholding information implies the data might be unfavorable. Verrecchia (1983) argued that companies only disclose information if the expected benefits exceed the costs and that disclosure strategies may vary to prevent competitive disadvantages.

3. Resource Based Theory

Developed by Pfeffer and Salancik in 1978, the Resource-Based View (RBV) highlights the role of corporate boards particularly non-executive directors—as providers of critical resources. These individuals bring expertise, strategic guidance, and access to networks that help organizations adapt and grow. RBV emphasizes the integration of both tangible and intangible assets for strategic advantage. In the Nigerian banking context, this theory supports the idea that combining ethical governance with strategic asset deployment leads to improved financial reporting and corporate performance. Current literature often focuses on governance or ethics in isolation; this framework combines both to offer a more holistic approach to reliable financial disclosures.

2.3 Empirical Review

Hassan and Musa (2023) examined how well Nigerian banks comply with IFRS disclosure standards and how this affects the acceptance of their financial reporting. Using purposive sampling, they analyzed annual reports from selected banks between 2014 and 2020 through content analysis, guided by the 2013 IFRS checklist and an acceptability index. Applying an ex-post facto design and panel regression analysis, they found that pooled OLS yielded the most reliable results. The study emphasized that the quality of disclosures in key financial statements such as profit and loss, comprehensive income, equity changes, and financial position, is crucial for gaining stakeholder acceptance. They recommended that banks ensure their reports are accurate, consistent, and transparent by fully implementing unified reporting standards.

Ogundeyi and Tunji (2021) investigated how the adoption of International Financial Reporting Standards (IFRS) affected the performance of banks listed on the Nigerian Stock Exchange. Using an ex-post facto design, they analyzed financial data from nine banks covering the period

2006 to 2019. Through descriptive and panel regression analysis, the study found that IFRS adoption had a significant positive impact on key performance metrics, including liquidity, return on assets, capital adequacy, and earnings per share. The researchers concluded that IFRS plays a critical role in enhancing bank performance and recommended that regulatory bodies, professional organizations, and the government intensify awareness efforts to fully realize the advantages of IFRS implementation.

Ogunmakin, Fajuyagbe, and Akinleye (2021) analyzed the effect of IFRS adoption on the financial performance of Nigerian banks from 2006 to 2016. Using data from ten randomly chosen banks, they applied pooled OLS, fixed and random effects models, along with F-tests and the Hausman test. Their findings showed that IFRS adoption had a positive but statistically insignificant impact on return on assets (ROA). However, the loan-to-deposit ratio had a significant negative effect on ROA. While the study concluded that IFRS adoption alone did not markedly improve financial performance, it emphasized that full integration of IFRS into reporting systems could yield better results. The authors recommended that regulatory bodies establish a dedicated oversight board to monitor and guide the pace of IFRS implementation in the banking sector.

Kwasau (2021) examined how the adoption of International Financial Reporting Standards (IFRS) has affected the quality of financial reporting in Nigerian Deposit Money Banks. The study compared financial reports prepared under the Nigerian Generally Accepted Accounting Principles (NGAAP) with those produced using IFRS, using data from the annual reports of fourteen listed banks. By testing a hypothesis at a 5% significance level, the study found notable quantitative differences between the two reporting standards. Based on these results, the study concluded that IFRS has had a significant impact on improving financial reporting practices among Nigerian banks.

Titus (2021) explored the influence of International Financial Reporting Standards (IFRS) on the financial performance of Nigeria's manufacturing sector over a 14-year span, divided into pre-IFRS (2006–2012) and post-IFRS (2013–2019) periods. The study analyzed data from ten manufacturing firms listed on the Nigerian Stock Exchange using models such as Ordinary Least Squares and the Wald Test. Findings indicated a weak and statistically insignificant relationship between firms' financial metrics like revenue, profit, total assets, and liabilities and performance indicators such as earnings per share, return on assets, and return on equity before IFRS adoption. Based on these findings, the study advised investors to focus on earnings, equity values, and cash flows in IFRS-based reports when evaluating firms. It also emphasized the importance of cooperation among management, auditors, and regulators to ensure full IFRS compliance, highlighting enforcement as a key factor in successful implementation.

Adeolu and Ayinde (2020) investigated how the adoption of IFRS affects the financial performance of Deposit Money Banks (DMBs) by reviewing ten specific disclosure items from financial statements between 2007 and 2017. Using Analysis of Variance (ANOVA) and Bland Altman Analysis (BAA), the study revealed no significant differences in how profit after tax and return on assets were measured under GAAP versus IFRS. However, a notable difference was found in the measurement of total assets. The study concluded that while IFRS significantly influences how total assets are reported, its effect on profit before tax and return on assets is minimal. These findings highlight the need for a deeper understanding of how IFRS adoption impacts different financial indicators within the banking sector.

Ekwe Abaa and Okrolor (2020) explored how adopting International Financial Reporting Standards (IFRS) affects the financial performance of listed Deposit Money Banks in Nigeria. Using an ex-post facto design, they analyzed secondary data from the annual reports of five banks listed on the Nigerian Stock Exchange. Through Analysis of Variance (ANOVA), the study found that IFRS adoption led to a significant increase in the average performance of the banks, particularly in profit after tax, suggesting improved profitability. However, the adoption had no notable effect on earnings per share, return on assets, or return on equity. The authors recommended ongoing training for bank personnel and emphasized the need for strict regulatory enforcement to enhance long-term financial performance and ensure effective IFRS implementation.

Babatunde and Adeniyi (2019) examined how the quality of financial reporting affects corporate performance in Nigeria, using data from 30 publicly listed companies. They assessed reporting quality through three indicators: earnings quality, accounting conservatism, and accruals quality, applying panel data analysis. The results showed statistically significant relationships between financial reporting quality and corporate performance at both the 1% and 5% significance levels. The study found that corruption negatively affected reporting quality, implying that increased corruption reduces the reliability of financial disclosures. In contrast, the adoption of IFRS and the use of conservative, well-structured accounting systems were positively linked to higher reporting quality. Overall, the study concluded that better financial reporting quality contributes positively to corporate performance in Nigeria.

Oladele, Aribaba, Lateef, and Ajayi (2018) examined the effect of human resource accounting disclosure on the financial performance of listed firms in Nigeria. They used annual financial reports to measure the dependent variable and variables like profitability, firm size, financial leverage, and industry type to assess human resource accounting disclosure. The study used secondary data from 188 firms listed on the Nigerian Stock Exchange between 2011 and 2015, with a sample of 20 firms selected via simple random sampling. The data analysis included descriptive statistics, correlation, and regression. The findings revealed a positive relationship (coefficient of 0.565) between human resource accounting disclosure and financial performance. The study recommends that listed firms disclose human resource expenses and capitalize on such reports to boost productivity, while suggesting that regulatory bodies create minimum standards for human resource accounting disclosure to improve stakeholder valuation.

Yusuf Adebayo and Yusuf (2018) investigated the impact of financial performance on voluntary disclosure among listed financial firms in Nigeria over a period from 2008 to 2017. Using an ex-post facto research design, they selected a sample of 45 financial firms from the 57 listed on the Nigerian Stock Exchange by December 31, 2017. Secondary data from annual reports, accounts, and the Nigerian Stock Exchange Factbook were analyzed using descriptive statistics and probit regression with STATA 13. The study found that financial performance did not significantly influence voluntary disclosure, although control variables like firm size and age did. The authors recommended that regulatory authorities update disclosure requirements to include voluntary disclosures, which could improve transparency, reduce information asymmetry, and enhance credibility in the Nigerian Stock Exchange, potentially attracting more foreign investment and benefiting the Nigerian economy.

Olukayode Philip and Lydia (2017) explored the impact of financial reporting disclosure on the performance of quoted companies in Nigeria. Using both survey and ex-post facto research designs, they gathered data from selected companies through purposive sampling. The study focused on financial reporting transparency (representing disclosure) and performance measures like profit after tax and net profit margin. Hypotheses were tested using SPSS 20, with a 5% significance level. The findings showed a positive correlation between financial reporting transparency and profit after tax (P-value = 0.003 < 0.05%) and a significant link between transparency and return on equity (P-value = 0.004 < 0.05%). The study recommended that quoted companies adopt best practices in financial reporting to enhance organizational performance, as transparency in reporting is directly related to performance outcomes.

Modugu (2017) analyzed data from the annual reports of 60 Nigerian listed firms across various sectors. The study categorized corporate disclosure into mandatory, voluntary, and total disclosure. Descriptive statistics revealed an improvement in mandatory disclosure post-IFRS adoption, while voluntary disclosure remained low. Regression analysis showed no significant relationship between profitability and corporate disclosure, but liquidity had a positive association with both mandatory and total disclosure. However, the combined effect of profitability and liquidity did not significantly impact any disclosure category. The study concluded that while a direct link between performance and disclosure may not exist, companies should still prioritize timely and comprehensive disclosure to stay competitive in the global market.

Ojeka, Mukoro, and Kanu (2015) examined the relationship between financial reporting disclosures in annual reports and the performance of publicly listed manufacturing companies in Nigeria from 2005 to 2009. The study analyzed disclosure variables, including timeliness, board size, auditor's report type, and the proportion of value added retained for expansion, in relation to return on equity (ROE) as a financial performance indicator. Size and age were used as control variables. Using secondary data and Panel Least Square Regression, the study found a significant link between financial disclosures and performance, except for the retention of value added for expansion. The authors recommended that Nigerian regulatory bodies enhance financial disclosures in annual reports to address liquidity issues in the manufacturing sector and boost financial performance.

3. Methodology

The study adopted the descriptive research approach which captures both the inferential and descriptive statistical analysis. The study employed the panel data encompassing both time series and cross-sectional dimensions spanning a five-year period from 2013 to 2022. The population of the study includes twenty-seven deposit money banks that is publicly listed on the Nigeria Stock Exchange, with a sample size of five deposit money banks in Nigeria. The dependent variables include net interest margin and earning per share while the independent variables include retained earnings, intangible asset, Net cash flow and firm size.

3.1 Model Specification

A mathematical model will be created to investigate how financial reporting disclosure impacts the performance of deposit money institutions in Nigeria. These models were adapted and adjusted to suit the present study from the study Ojeka, Mukoro & Kanu (2015), Olukayode, Philip, & Lydia (2017).

The linear equation is given below;

$$P_{t(NIM,EPS)} = f(FRD_t)\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 1$$

$$FRD_{i,t} = f\left(RET_{i,t,}INT_{i,t,}NCF_{i,t,}FS_{i,t,}\right)\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 2$$

The model 3 to 4 presented below captures the effect of net cash flow, intangible assets, and retained earnings on the net interest margin of deposit money banks in Nigeria

$$NIM_{i,t} = f(RET, INT, NCF, FS,)\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3$$

$$NIM_{i,t} = \left(\alpha_0 + \beta_1 RET_{i,t} + \beta_2 INT_{i,t} + \beta_3 NCF_{i,t} + \beta_4 FS_{i,t} + \mu_t\right)\ldots\ldots\ldots\ldots\ldots\ldots 4$$

The model 5 to 6 presented below the influence of net cash flow, intangible assets, retained earnings on the earning per share of deposit money banks in Nigeria

$$EPS_{i,t} = f(RET, INT, NCF, FS,)\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 5$$

$$EPS_{i,t} = \left(\alpha_0 + \beta_1 RET_{i,t} + \beta_2 INT_{i,t} + \beta_3 NCF_{i,t} + \beta_4 FS_{i,t} + \mu_t\right)\ldots\ldots\ldots\ldots\ldots\ldots 6$$

Where:

P= Performance at time t

NIM= Net Interest margin at time t

EPS= Earnings per share time t

FRD= Financial Reporting Disclosure at time t

This study will capture financial reporting disclosure from the disclosure indices has picked in the studies above in retained earnings, net cash flow and intangible asset and firm size

RET= Retained earnings at time t

INT= Intangible asset at time t

NCF= Net cash flow at time t

Control variable

FS= Firm size at time t

U= Disturbance term/White noise at time t

i= nth term

α = Intercept

α1– α6 = Coefficient of the Independent Variables.

4. Results and Discussion

4.1 Descriptive Analysis

	EPS	NIM	NCF	INT	RET	FS
Mean	0.961400	9.542405	0.200128	2.843305	0.400264	12.19659
Median	0.345000	5.129805	2.223305	5.895306	4.061105	12.43839
Maximum	6.900000	0.000751	0.002189	0.000346	0.001505	12.80010
Minimum	0.020000	4.912208	-0.001830	9.342208	-1.244505	11.41609
Std. Dev.	1.769154	0.000134	0.000574	6.586405	0.000393	0.491085
Skewness	2.548213	2.943717	0.726478	3.965605	1.477560	-0.498674
Kurtosis	8.214861	13.28184	7.881863	18.59169	4.122124	1.597396
Jarque-Bera	110.7674	292.4545	54.04931	637.5099	20.81644	6.170837
Probability	0.000000	0.000000	0.000000	0.000000	0.000030	0.045711
Sum	48.07000	0.004770	0.006380	0.001420	0.013209	609.8296
Sum Sq. Dev.	153.3654	8.770807	1.619905	2.122207	7.570906	11.81707
Observations	50	50	50	50	50	50

Authors Compilations, 2022

NIM (Net Interest margin) has a mean value of 9.54%, median value of 5.12 and standard deviation of 0.00. EPS (Earning per share) has mean value of 0.96%, median value of 0.34 and standard deviation of 1.76. NCF (Net cash flow) has a mean value of 2.00%, median value of 2.22, and standard deviation of 0.00%, INT (Intangible asset) has a mean value of 2.84%, median value of 5.89 and standard deviation of 6.58. RET (Retained earnings) has a mean value of 0.40%, median value of 4.06 and standard deviation of 0.00. FS (Firm size) has a mean value of 12.1%, median value of 12.43 and standard deviation of 0.49.

4.2 Correlation Matrix

	EPS	NIM	NCF	INT	RET	FS
EPS	1					
NIM	-0.1630	1				
NCF	0.0017	0.2915	1			
INT	0.6519	0.1991	0.1237	1		
RET	0.4167	0.5722	0.2287	0.4928	1	
FS	-0.30125	-0.6078	-0.2517	-0.4741	-0.7700	1

Authors Compilations, 2022

The table above aid to revealed the level of multi-collinearity among the outcome variable and explanatory variables. The multi-collinearity of 0.90 shows the model would generate a spurious result. Net Interest margin has negative relationship firm size, but has positive relationship with net cash flow, intangible asset, retained earnings. Earnings per share has positive relationship with net cash flow, intangible asset, retained earnings and negative relationship with firm size.

Regression Analysis

4.3 Dependent Variable: Net Interest Margin (NIM)

Variable	Pooled	Fixed	Random
C	0.0014 (0.0193)	0.0019 (0.0000)	2.4522 (0.2172)
RET	0.1006 (0.1090)	0.2529 (0.0000) *	0.2644 (0.0000) *
INT	-0.3347 (0.0151) *	-0.0909 (0.0344) **	-0.0918 (0.5469)
NCF	0.0320 (0.0410) **	0.0195 (0.1006)	0.0289 (0.0662) ***
FS	-0.0001 (0.0228) **	-0.0001 (0.0000) *	0.07823 (0.0010)
R^2	0.5340	0.9056	0.5372
Adjusted R^2	0.5837	0.8872	0.5070
Durbin-Watson	0.2553	1.4056	0.5338
F-Statistics	8.6275	49.1993	17.7989
Prob (F-Statistics)	0.0000	0.000	0.0000
Hausman Test		0.0000	

Significant 1%*; 5%**; 10%***
Author's Compilation, 2022

The Pooled regression model indicated that retained earnings (RET) have a positive but insignificant impact on net interest margin (NIM), suggesting that a percentage increase in RET results in a 0.10 increase in NIM. Intangible assets (INT) negatively and significantly affect NIM, with a percentage increase in INT leading to a 0.33 decrease in NIM. Net cash flow (NCF) positively and significantly impacts NIM, where a percentage increase in NCF causes a 0.03 increase in NIM. Firm size (FS) also negatively affects NIM, though the effect is minimal (a 0.00 decrease). The Fixed effect model showed that RET has a positive and significant effect on NIM (0.25 increase), INT has a negative and significant effect on NIM (0.09 decrease), NCF positively impacts NIM (0.01 increase), and FS negatively affects NIM, though with a negligible impact (0.00 decrease). The Random effect model indicated a positive and significant effect of RET on NIM (0.26 increase), a negative but insignificant effect of INT on NIM (0.09 decrease), a positive and significant effect of NCF on NIM (0.02 increase), and a positive and significant effect of FS on NIM (0.07 increase). Based on the results, the fixed effects model is deemed more suitable as it is uncorrelated with the independent variables ($p > 0.05$), and therefore, it was preferred for further analysis.

4.4 Dependent Variable: Earnings per share (EPS)

Variable	Pooled	Fixed	Random
C	-7.4249 (0.3516)	-10.0831 (0.2041)	0.4579 (0.0241)
RET	1.2131 (0.1342)	-1.6708 (0.8094)	3.9618 (0.4426)

INT	1.6489 (0.0000) *	1.4202 (0.0000) *	1.5249 (0.0000) *
NCF	-2.8378 (0.0213) **	-1.6842 (0.0470) **	-2.6901 (0.0083)
FS	0.6258 (0.0279) **	0.8778 (0.0035) **	1.7878 (0.0000)
R^2	0.5593	0.6923	0.5105
Adjusted R^2	0.5713	0.6323	0.5721
Durbin-Watson	1.0533	1.4494	1.1069
F-Statistics	9.5598	11.5337	10.6817
Prob (F-Statistics)	0.0000	0.0000	0.0000
Hausman Test		0.0002	

Significant 1%*; 5%**; 10%***

Author's Compilation, 2022

The Pooled regression model showed that retained earnings (RET) have a positive but insignificant effect on earnings per share (EPS), indicating that a percentage increase in RET leads to a 1.21 increase in EPS. Intangible assets (INT) have a positive and significant effect on EPS, with a percentage increase in INT resulting in a 1.64 increase in EPS. Net cash flow (NCF) has a negative and significant effect on EPS, with a percentage increase in NCF causing a 2.83 decrease in EPS. Firm size (FS) also has a negative and significant effect on EPS, where a percentage increase in FS leads to a 0.62 increase in EPS. The Fixed effect model revealed that RET has a negative and insignificant effect on EPS, with a percentage increase in RET leading to a 1.67 decrease in EPS. INT has a positive and significant effect on EPS, resulting in a 1.42 increase in EPS for each percentage increase in INT. NCF negatively impacts EPS, with a percentage increase leading to a 1.68 decrease in EPS. FS positively affects EPS, leading to a 0.87 increase in EPS with each percentage increase in FS. The Random effect model showed that RET has a positive but insignificant effect on EPS, resulting in a 3.96 increase in EPS. INT has a positive and significant effect, with a 1.52 increase in EPS for each percentage increase in INT. NCF negatively impacts EPS, with a 2.69 decrease in EPS per percentage increase in NCF. FS positively influences EPS, leading to a 1.78 increase in EPS with a percentage increase in FS. Based on the results, it was concluded that the fixed effects model, being uncorrelated with the independent variables, is more suitable than the random effect model ($p > 0.05$), and therefore, the fixed effect model was chosen for further analysis.

5. Conclusion and Recommendation

The findings from model one revealed that retained earnings has a positive significant effect on Net interest margin. Intangible asset has a negative significant effect on Net interest margin. Net cash flow has a positive significant effect on Net interest margin. Firm Size has a negative significant effect on Net interest margin. This suggests that internal financial health and cash management are crucial for optimizing net interest margins, while reliance on intangible assets and larger firm sizes may require strategic reevaluation to mitigate adverse effects. These insights can guide financial strategies to improve a firm's net interest margin and overall performance. The findings from model two revealed retained earnings have a negative insignificant effect on Earnings per share. Intangible asset has a positive significant effect on Earnings per share. Net cash flow has a negative significant effect on Earnings per share. Firm Size has a positive significant effect on Earnings per share. These insights emphasize the importance of strategic asset and size management to optimize shareholder returns. It therefore recommended that banks should prioritize boosting retained earnings and optimizing net cash flow to enhance their net interest margin. Intangible assets should be managed cautiously to mitigate their negative impact, perhaps by scrutinizing their acquisition and amortization costs. Firms should also address inefficiencies associated with larger size, potentially through streamlining operations or divestitures. Strategic focus on these areas can improve financial performance and maximize net interest margins. Banks should focus on leveraging intangible assets and firm size to enhance earnings per share, as these have significant positive effects. Despite the negative impact of net cash flow on earnings per share, efforts should be made to optimize cash management practices. The insignificant negative effect of retained earnings suggests it should not be a primary focus for improving earnings per share, allowing for prioritization of other impactful factors.

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