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FINANCE**

**The Effects of Corporate Governance on the Quality of Financial Reporting:
The case of some selected private commercial Banks**

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Declarations

I Genet Kefyalew, I.D. Number GSE/3411/15, do hereby declare that this Thesis is my original work and that it has not been submitted partially; or in full, by any other person for an award of a degree in any other university/institution.

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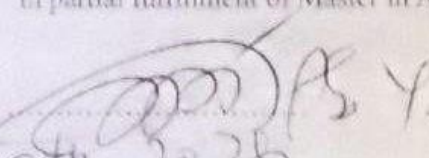
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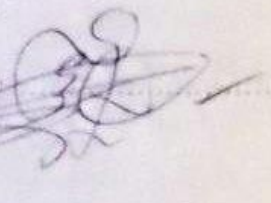
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Abstract

This paper examines how the procedures of corporate governance have effects on the financial reporting in the Ethiopian private commercial banks, namely, Bank of Abyssinia, Awash Bank, and Dashen Bank. The quantitative research methodology was used to collect primary data by way of administration of structured questionnaires to 136 members of the finance department leading to a response rate of 88 percent. The study has considered five key variables of governance, including audit committees, board size, board independence, disclosure transparency, and the frequency of the board meetings. The outcomes of the multiple regression analysis revealed that the factors that positively influence the quality of financial reporting are, in turn, audit committees ($b = 0.359$, $p < 0.001$), board independence ($b = 0.314$, $p < 0.001$) and disclosure transparency ($b = 0.278$, $p = 0.003$), which explain 78.9 percent of the changes in the quality of financial reporting ($R^2 = 0.789$). On the other hand, the board size and meeting frequency did not have any significant impact ($p > 0.05$), which means that the structural governance issues override the procedural ones. The model was tested on the basis of diagnostic assessments, and there were no violations of the conditions of regression. The findings underscore the importance of Ethiopian banks focusing on good audit control, true board independence, and enhanced transparency and not the token compliance. The recommendations include the need to have financial competence in audit committees, the improvement of the standard of independence, and the standard of disclosure that is tiered. This research contributes to the existing body on corporate governance in emerging markets by determining situation-dependent variables that affect the quality of financial reporting, which could be useful to regulators and bank management that may want to strengthen accountability and stakeholders confidence.

Keywords: Corporate governance, financial reporting quality, audit committees, board independence, Ethiopian banks.

Chapter 1: Introduction

1.1 Background of the Study

Corporate governance has been a pivotal point of stability, transparency, and accountability of financial institutions, particularly within the banking industry where correct financial reporting is the pillar to maintaining the depositor confidence and economic stability (Patel and Gupta, n.d.). The worldwide financial crises in the early 2000s and 2008 have shown that there are major gaps in the corporate governance structure, which lead to massive financial failures and regulatory changes throughout the world (Tufa & Teshu, 2014; Fanta et al., 2013). The crises demonstrated the fundamental importance of the mechanisms of governance: independent boards, audit committees, and transparent financial disclosure to reduce the agency conflict, decrease earnings manipulation and enhance the credibility of financial statements (Once & Cavus, 2019; Abiodun et al., 2024). Strict governance systems have been put in place in developed economies to improve the quality of financial reporting, but in emerging markets, including Ethiopia, corporate governance behaviors are still at an infantile stage, with significant variances in terms of compliance and effectiveness (Ayele, 2013; Chanie et al., 2024).

The Ethiopian banking market is largely controlled by the commercial banks that operate in a unique regulatory environment characterized by poorly developed capital markets, significant government presence, and absence of a regulated stock exchange (Fanta et al., 2013; Tesemma, 2016). This set of structural constraints adds significance to the fact that there should be robust internal governance strategies to correct the lack of external control. The existing studies of the Ethiopian banks have shown that the corporate governance framework produces a significant impact on the financial performance; nevertheless, the influence on the quality of financial reporting has not been properly examined (Kotiso et al., 2023; Bayu and Hunde, 2020). The quality of financial reporting is a complex concept comprising of accuracy, timeliness, and transparency of financial reporting, which in turn are influenced by the characteristics of governance, such as board composition, the effectiveness of the audit committee, and disclosure policy (Liao and Yang, 2007; Wild and Wild, 2023).

The existing body of literature provides inconclusive data on the relationship between the type of governance and the quality of financial reporting. Some of them claim that bigger

boards enhance control and reduce earnings management because of diverse skills (Upadhyay and Sriram, 2011), yet some believe that oversized boards are inefficient and make non-optimal decisions (Katuse et al., 2013). It is believed that board independence is an essential aspect of fair oversight (Rizavi et al., 2024), and in Ethiopian banks, this issue is unpredictable because of the presence of family and political pressures regarding board appointments (Ayele, 2013; Berhe, 2023). Audit committees are necessary when properly staffed to enhance the integrity of the financial accounting reports as they oversee the internal controls and ensure that the accounting standards are followed (Turley and Zaman, 2004; Krishnan et al., 2011). Audit committees in Ethiopia are not always technical and their meetings are few, which reduces their effectiveness (Abdurazak, 2017).

Transparency in disclosure is one of the fundamental governance attributes and ensures that the financial reporting provides sufficient information that allows stakeholders to make informed decisions (Abed et al., 2022). Even though some Ethiopian-based banks have improved their disclosure policies, some remain obscure, in part due to the poor enforcement of reporting regulations (Chanie et al., 2024). Traditional board meeting frequency that is often considered to represent the level of board diligence has been linked to better monitoring of finances (Vafeas and Vlittis, 2024). Unproductive meetings that do not involve any meaningful interaction can lead to a lack of genuine control and instead a form of ritualistic compliance (Kyei et al., 2022).

The paper intends to critically examine the effects of corporate governance practices such as audit committees, the number of members on board, independence of boards within these companies, disclosure transparency, and frequency of board meetings on quality of financial reporting in Ethiopians private commercial banks. The proposed study aims at filling these gaps thus contributing academic literature and practical policy-making, and insights that could assist in enhancing the governance frameworks and financial accountability in the banking industry in Ethiopia.

1.2 Statement of the Problem

Regardless of the growing recognition of the role of corporate governance in the quality of financial reporting, Ethiopian privately-owned commercial banks continue to exhibit irregularities in financial transparency, thus raising an interest in the role of their governance structures (Tesemma, 2016; Abdurazak, 2017). Despite the fact that the role of governance on

the financial performance has been previously studied, fewer studies have been conducted rigorously to examine how governance contributes to the assurance of high-quality financial reporting in the specific regulatory and institutional environment of Ethiopia (Kotiso et al., 2023; Molla, 2019). Of great concern is this research vacuum because the sector is prone to risks associated with governance like the manipulation of profits, inadequate disclosures, and internal controls (Ayele, 2013; Fanta et al., 2013).

Another important issue of governance in Ethiopian banks is the unproductiveness of audit committees. Although an audit committee is needed to oversee financial reporting, internal audits, and internal audit committee effectiveness has been repeatedly compromised by financial incompetence, infrequent meetings, and top management pressure (Turley and Zaman, 2004; Abed et al., 2022). Other studies in emerging economies have shown that well structured audit committees significantly reduces financial misstatements (Krishnan et al., 2011), despite the fact that the Ethiopian banks treat such committees as mere ritualistic instead of actual oversight bodies (Abdurazak, 2017). This raises vital questions of whether audit committees in Ethiopian banks are truly effective in enhancing the quality of financial reporting or it is just a form of compliance.

Another sensitive topic is the size of the board. Even though it is assumed that a larger board will lead to increased oversight because of the inclusion of numerous perspectives (Upadhyay and Sriram, 2011), the results of empirical studies in Ethiopia indicate that excessively large boards may cause coordinating problems and undermined accountability (Katuse et al., 2013; Berhe, 2023). Some Ethiopian banks have unevenly balanced boards of directors that are dominated by insiders and politically related persons hence undermining the ability to make independent decisions (Ayele, 2013). This paper will focus on determining whether the magnitude of boards in banks in Ethiopia encourages or hinders financial reporting transparency.

Another issue is board independence, which is one of the pillars of good governance. Independent directors are supposed to provide an unbiased oversight and eliminate management opportunism (Rizavi et al., 2024). In Ethiopia, many independent directors have strong ties with important owners or management, which compromises their independence (Tesemma, 2016). Past studies are inconclusive as some studies show that board independence improves financial reporting (Porter and Sherwood, 2023), and other studies

argue that nominal independence without real autonomy has less effect (Fuji et al., 2016). The present research will examine whether the board independence in Ethiopian banks leads to the higher quality of financial reporting or some facade feature of governance.

The disclosure transparency has continued to be a problem of concern. Despite the fact that some Ethiopian banks have adopted the international disclosure requirements, some provide only the basic and generic financial information, making the stakeholders unable to assess their true financial health (Chanie et al., 2024). The lack of transparency is further hindered by poor enforcement of regulations and lack of incentives to make voluntary disclosure (Wild and Wild, 2023). The research will examine whether the Ethiopian banks which are more open to disclosures have a higher quality of financial reporting compared to their less disclosed counterparts.

Board meetings are controversial governance measures that are determined by their frequency. Some people claim that high frequencies of meetings are indicative of a careful supervision (Vafeas and Vlittis, 2024), whereas others affirm that high meeting rates can be a sign of inefficiency or crisis management, rather than proactive governance (Kyei et al., 2022). In Ethiopia, the regularity of board meetings differs greatly, where some of the banks only conduct them as a form of regulation (Molla, 2019). This research will examine whether meetings frequency is associated with the standard of financial reporting or just simple compliance.

1.3 Research Questions

This research aims to address the following research topics due to these unresolved issues:

1. How do audit committee characteristics influence financial reporting quality in Ethiopian private commercial banks?
2. Does board size have a significant impact on the accuracy and transparency of financial statements?
3. To what extent does board independence affect financial reporting quality?
4. How does disclosure transparency affect the reliability of financial reports?
5. Is board meeting frequency associated with improved financial reporting quality, or does it merely signify procedural compliance?

1.4 Objective of the study

1.4.1 General objective

The main objective of this study is to examine how corporate governance mechanisms are applied to quality of financial reporting of sampled private commercial banks in Ethiopia, where the focus is put on audit committees, board size, board independence, disclosure transparency and frequency of board meetings.

1.4.2 Specific objectives

1. To examine how the various attributes of audit committee (size, independence, skill, and frequency of meetings) affect the quality of financial reporting in Ethiopian private commercial banks.
2. To identify the relationship between board size and the quality of financial reporting, it will be necessary to determine whether the bigger boards increase oversight or cause inefficiencies.
3. To assess the effects of board independence on fair financial reporting, it is desirable to investigate whether the claims of independent directors are genuine in the Ethiopian banks.
4. To investigate the effect of disclosure transparency on the quality of financial reporting by evaluating whether voluntary and required disclosures by Ethiopian banks increase the reliability.
5. To examine the relationship between the frequency of board meetings and quality of financial reporting, it is essential to consider whether the increase of the number of meetings implies strict observation or compliance with the procedures.

1.5 Significance of the Study

Various stakeholders would find it important to conduct this research because it provides the much needed information on how the quality of financial reporting of Ethiopian private commercial banks is influenced by corporate governance practices. This research fills a conspicuous research gap since it explores a limited area of research by examining the relationship between governing structures (audit committees, board independence, and disclosure transparency) and the quality of reporting in the unique banking setting of Ethiopia, which in turn contributes to the agency and stakeholder theories. The results give practical

advice to the management of banks regarding how to optimise the board size, the strengthening of audit committees, the improvement of the quality of disclosure to enhance financial transparency and strengthen the trust of stakeholders. The findings can be used by regulators, particularly the National Bank of Ethiopia (NBE) to improve the corporate governance policies, i.e. increasing the knowledge of the audit committee, providing board size limits and more tough disclosure requirements, to mitigate the risks of financial misreporting. Also, the investors and depositors will benefit due to trustworthy financial statements that will enable them to make better decisions. This research aims at improving the governance within the Ethiopian banking system, instill accountability and sustainable economic growth through theoretical concept, as well as practical application.

1.6 Scope of the Study

The paper is an investigation of how corporate governance processes have impacted the quality of financial reporting in three Ethiopian largest private commercial banks namely Bank of Abyssinia, Dashen Bank, and Awash Bank. These organisations were selected because of their dominance in the market, the scale of their operations and the fact that they have been able to stick to the acceptable standards of corporate governance thus making them an appropriate sample in analysing the governance practices within the banking industry in Ethiopia. The paper discusses five key features of governance, the effectiveness of audit committee, board size, independence of board, disclosure transparency and the frequency of board meetings. The factors were chosen on the basis of their theoretical and practical significance in influencing the quality of financial reporting. The information was collected with the help of the standardised questionnaires that were sent to the members of the finance department, such as accountants, auditors, and financial reporting officers, who were directly involved in the process of the financial statements and the process of governance compliance compilation.

Though the research presents considerable information into the effectiveness of corporate governance, it is inherently limited with regard to these three banking organisations. Therefore, the results might not be fully applicable to the entire Ethiopian financial institutions. However, given the fact that the sample banks represent a considerable proportion of the Ethiopian banking industry regarding private banks, the results present a rich insight to banking practitioners, regulators and policymakers who seek to improve financial reporting practices through improved governance practices. The omission of state-

owned banks and small financial institutions sets an artificial boundary of this investigation and has allowed a focused study of major privately owned commercial banks with well-established governance frameworks.

1.7 Limitations of the Study

It is a research with some inherent limitations which should be admitted. Such reliance on the self-reported questionnaire data of the bank workers can lead to the concern of response bias since the respondents can provide the socially preferred response rather than the full objective assessment of the governance practices. The focus on only three large banks in the country (Bank of Abyssinia, Dashen Bank, and Awash Bank) limits the extrapolation of the results to smaller or state-owned banks, which might operate within different sets of governance. To a great extent, the study explores the governance practices through the internal perspective and fails to consider the regulatory requirements or market pressures that can also influence the quality of financial reporting. Despite these limitations that limit the range of conclusions, it is true that the research provides a valuable input into the dynamics of corporate governance within the major banking institutions in Ethiopia.

1.8 Organization of the Study

In this study, it is systematically organized in a systematic manner in five chapters to enable a comprehensive study on the impact of corporate governance on the quality of financial reporting in Ethiopian secret commercial banks.

Chapter One provides the background by providing the background of the study, the background of corporate governance in the banking sector, presenting the problem statement, and identifying the research questions and objectives. In addition, it highlights the importance of the study and the scope of the study with respect to Bank of Abyssinia, Dashen Bank and Awash Bank, and identifies key limitations in respect of the methodology as well as generalisability.

Chapter Two is an in-depth literature review of the relevant literature, which combines the theoretical backgrounds (including the agency theory and stakeholder theory) with the empirical data on the process of corporate governance and the quality of financial reporting. This chapter also expounds the conceptual framework which guides the analysis of the study.

In Chapter Three, the method of research is introduced giving the quantitative methods used. It presents the research design, study population (the personnel of the finance departments of selected banks), data collection procedures, and data analysis procedures using statistics. In this chapter, the author covers the steps taken to ensure reliability, validity, and ethical concerns in the management of data.

Chapter Four expounds further and analyses the data collected, applying appropriate methods of statistics to examine relationships between all the governance features (audit committees, board structure, disclosure standards) and quality of financial reporting. Findings are systematically synthesised and analysed in order to achieve every purpose of the research.

Chapter Five concludes the research by summarising the main results, drawing up evidence-based inferences on the efficacy of governance in Ethiopian banks, and giving practical suggestions to bank management, regulators (especially the National Bank of Ethiopia), and potential researchers. The chapter also provides research opportunities on how to improve the understanding of corporate governance in emerging financial landscape.

Chapter 2: Literature review

2.1 Theoretical Literature Review

The three theories in this study form the basis of explaining how corporate governance, and quality of financial reporting are related, they are agency theory, stakeholder theory, and institutional theory. These models provide complementary information regarding the importance of governance arrangements to financial transparency and accountability.

2.1.1 Agency Theory Perspective

The theory of agency (Jensen and Meckling, 1976) is the cornerstone of the scholarly work on corporate governance, particularly within the banking organisations. The concept holds that the split of ownership and control creates fundamental conflicts between the shareholders (principals) and managers (agents). It is especially relevant to the context of the Ethiopian banking industry since ownerships are highly concentrated, and shareholders have limited action (Ayele, 2013; Tesemma, 2016). The concept assumes that governance mechanisms, such as independent boards and audit committees act as monitoring tools that can ensure that managerial interests are in line with shareholder interests (Tufa & Teshu, 2014; Molla, 2019). However, these processes might not be effective in the developing economies like Ethiopia due to the weak institutional frameworks and family ownership systems (Berhe, 2023).

2.1.2 Stakeholder Theory Considerations

Stakeholder theory (Freeman, 1984) extends the theory of governance by claiming that banks need to service a number of stakeholders other than shareholders, and they include depositors, regulators, and financial system in general. This is particularly crucial in Ethiopia where the stability of banking largely determines the economic development (Fanta et al., 2013; Chanie et al., 2024). The theory also informs of the importance of transparency and quality of disclosure, not only to investors but also to maintain systemic confidence (Wild and Wild, 2023; Abed et al., 2022). However, the situational conflict situation may occur between stakeholders when the disclosure requirements collide with managerial discretion (Once & Cavus, 2019).

2.1.3 Institutional Theory Lens

The institutional theory (DiMaggio, Powell, 1983) explains the way in which the banks adopt the governance strategies in response to the regulatory pressure and the normative

expectations. In Ethiopia, where the compliance with the laws of corporate governance is novice and partially unexploited (Tesemma, 2016), banks can be involved in the shallow implementation of the governance framework without substantial implementation (Ayele, 2013). This gap between official policy and actual behaviours is possibly the reason behind the difference in quality of financial reporting between organisations (Kotiso et al., 2023).

2.2 Review of Empirical Literature

The empirical research body that has investigated the association between corporate governance and financial reporting quality is abundant, but situation-specific. Whereas in the developed market meta-analyses make strong correlations, the results of emerging markets such as Ethiopia are characterized by higher variability and nuance. The review that follows synthesizes evidence that is particular to the core independent variables of the current study, critically assesses the empirical relationship strength, and determines the institutional variables that moderate these relationships in the Ethiopian banking market. This conclusion shows the urgency of situating research in the context of its operations to prevent the fallacy of general prescriptions of governance.

2.2.1 Audit Committee Characteristics

The effectiveness of the audit committee is always determined as the most significant factor in determining the integrity of financial reporting. The international studies find a positive relationship between certain committee characteristics and the quality of reporting. As Krishnan, Wen, and Zhao (2011) showed, the quality of financial reporting among U.S. firms with audit committee members with legal expertise was significantly higher in terms of a higher quality of accruals, and a lower level of discretionary accruals. This observation is supported by Turley and Zaman (2004), who opined that effectiveness of monitoring by the committee depends on its active involvement and autonomy rather than its presence. Elsewhere, Abed et al. (2022) have discovered that in Iraqi commercial banks an efficient audit committee actively mediated the factors that affected creative accounting hence improving the quality of financial reporting.

The Ethiopian evidence is more qualified. Although Chanie, Malhotra, and Aggarwal (2024) did record that audit committee independence significantly negatively impacted the level of financial disclosure of Ethiopian banks, which is also surprising and may be associated with tokenism or limited financial expertise, Abdurazak (2017) also found that the number of local audit committees are not well versed in the financial aspect and their meetings are quite infrequent, which considerably restricts their functional independence. This suggests a

potential gap between the formal establishment of audit committees and their substantive operational effectiveness in the Ethiopian context.

2.2.2 Board Size

The empirical correlation between the size of the board of directors and firm outcomes is extremely non-linear, which is sometimes referred to as an inverted U-shape. Upadhyay and Sriram (2011) discovered that bigger boards in the S&P 1500 companies were related to the clearer corporate information atmosphere as well as reduced cost of money, which was especially to less transparent firms, indicating a monitoring advantage. On the other hand, Katuse et al. (2013) and other scholars who followed him warn that after an optimal size (usually 7-9 size), then it becomes counter-optimal, as the decision-making processes become inefficient because of the loss of accountability, coordination, and diluted accountability.

In the banking industry of Ethiopia, a study conducted by Berhe (2023) on 14 commercial banks revealed that the board size has a significant adverse impact on the performance of banks (using ROA and ROE as the measures of performance). This helps to argue that most Ethiopian banks might be operating boards of sizes that they do not need because the costs of poor performance in coordinating their activities and possible insider domination or domination by political interests (Ayele, 2013) are high than the hypothetical benefits of having diverse expertise.

2.2.3 Board Independence

The agency theory is a concept based on the independence of the board, and it assumes that the independent directors can offer objective supervision. Empirical validation is, however, ambivalent. Porter and Sherwood (2023) discovered that American companies that attained more independent boarding, especially by increasing board size, related to better financial reporting quality. In a bibliometric review, Rizavi, Rehman, Ali, and Arshad (2024) have found that board independence is more and more questionable in relation to improving transparency and limiting earnings management.

The most crucial caveat, particularly to Ethiopia is that nominal independence does not necessarily mean substantive independence. According to Fuzi, Halim, and Julizaerma (2016), compliance with independence quotas, in itself, is not a promise of improved firm performance. Tesemma (2016) and Ayele (2013) emphasize that in Ethiopia, independent

directors are frequently either relatives, businesspeople, or political allies of controlling shareholders or the management, which essentially weakens their independence and raises the question of the mechanic enforcement of this measure of governance.

2.2.4 Disclosure Transparency

Transparency is a straight line whereby governance influences the trust of the stakeholders. Wild and Wild (2023) have determined that there is a positive correlation between corporate social responsibility (CSR) ratings as a proxy of further transparency commitments and the degrees of disaggregation in the financial statements, a measure of disclosure transparency. Oino (2019) has shown in the banking sector that an increase of disclosure and transparency was positively and significantly influencing the financial performance (profitability, liquidity, loan quality) of financial institutions.

Ethiopia-specific research by Chanie et al. (2024) also determined that the bank-specific nature of profitability and size had a significantly positive impact on financial disclosure levels, whereas leverage made a negative impact. This suggests that the financial health of a bank has an impact on its capacity to be transparent. Nevertheless, the study also mentions the presence of asymmetrical practices, implying that although some banks adopt the concept of transparency much higher, other banks focus on the minimum requirements they are required to follow, a discrepancy also presented in the article by Abed et al. (2022) on the relationship between transparency and creative accounting determinants.

2.2.5 Frequency of Board Meetings

Board meeting frequency is used as a proxy of diligence, but there is ambiguous interpretation of the same. Vafeas and Vlittis (2024) discovered that the lower the quality of earnings of a U.S. firm, the more board meetings they had, indicating that the meetings served as a form of compensatory monitoring in cases of less credible financial information. On the other hand, 635 African banks gave evidence by Kyei, Werner, and Appiah (2022), who claimed that more frequent meetings (the average of 6 meetings per year) actually had a negative impact on bank performance in Sub-Saharan Africa, assuming that they may indicate an underlying issue in the operations of the bank or inefficient governance.

In the case of Ethiopia, Molla (2019) and others have stated that the number of board meetings is not statistically significant in most cases, regarding financial performance indicators. This supports the idea that the quality and content of the board deliberations such as the quality of the agenda controlled, the pre-meeting information quality and the follow through in the decisions are much more important than the frequency of the deliberations. Ritualistic meetings or those that are dominated by management reporting do not provide much value in governance.

2.3 Board Composition and Diversity Dynamics

The empirical investigations are going beyond structural independence and exploring the effects of board make up (gender diversity and director expertise) on the governance outcomes. In a research of 15 Ethiopian commercial banks conducted between 2010 and 2022, Hordofa (2023) discovered that an increased gender diversity in boards was positively related to an increase in Return on Equity (ROE). The implication of this is that the various boards can improve the level of decision-making and risk management, which in turn helps in promoting the integrity of financial reporting since there is a more stringent monitoring environment. Equally, Kotiso, Marimuthu, and Maama (2023) considered in their analysis of Ethiopian banks a corporate governance variable of the level of the board education and, as such, suggested the notion of collective board competency as a pertinent variable, whereas their research associates the governance with such financial performance indicators as ROA and ROE but does not directly correlate the quality of reporting.

Contrastingly, Assfaw and Sharma (2024) in a research on the performance of intellectual capital (IC) in Ethiopian banks, discovered that there is no statistically significant contribution of board gender diversity to the performance of IC efficiency. This confusing data means that although diversity can positively affect some performance areas, its direct and systematic effects on subtle outcomes such as financial reporting quality deserve a more specific study. Diversity of opinions can disrupt the groupthink process and, as such, may result in more conservative accounting decisions and extensive review of financial reports, yet such a route can be tamed by the cultural and institutional acceptance of multivocality in the boardroom.

2.4 The Interplay of External Governance and Regulatory Environment

Governance of a firm does not exist in a vacuum but is highly influenced by the external regulatory environment and market forces. The interaction is always emphasized in the

ethnographic studies in Ethiopia. According to Fanta, Kemal, and Waka (2013), lack of coordinated stock exchange, intrusive government, and poor legal regimes were cited as some of the primary externalities that negatively affect corporate governance and performance of banks in Ethiopia. This result is essential as it implies that the effectiveness of even the most well-structured internal governance systems (e.g., a fully independent audit committee) can be limited in cases when the external enforcement and market discipline is low. Ayele (2013) also cast doubt on the quality of the Ethiopian banking regulatory landscape by highlighting that the rules are applied rather discriminatory between the state and the private banks, undermining the sense of a level playing field that the idea of governance standards being taken seriously.

In terms of reform, Patel and Gupta (n.d.) developed an analysis of post-2008 crisis reforms around the world, pointing out that the effective corporate governance on the banking sector requires a synergy between the internal controls (e.g., effectiveness of the board) and the outside regulative pillars (e.g., strict disclosure policy and effective supervision). The empirical lesson for Ethiopia is that measuring the impact of internal governance variables must account for the constraining or enabling role of the National Bank of Ethiopia's (NBE) regulatory rigor and the overall transparency of the business environment, as examined by Oino (2019).

2.5 Synthesis and Identified Gaps in the Ethiopian Context

An overview of the existing empirical literature shows that there are a number of common themes and significant gaps peculiar to Ethiopia. To start with, it is widely agreed that the audit committee quality and substantive board independence are strongly correlated with improved governance practices in the world but Ethiopian literature often attributes the failure of implementation as a problem of more committees being created in name than substance. Second, there is an inconclusive or even negative correlation between board size and performance in Ethiopia, which should not be assumed that bigger boards positively affect performance. Third, transparency is also widely promoted, although its application is not evenly distributed and commonly attached to the current financial performance of a bank.

The most conspicuous gap concerns the relative lack of empirical research directly relating these governance mechanisms to the quality of financial reporting in Ethiopia. The current literature mainly considers financial performance (ROA, ROE) as a dependent variable, as

Tufa and Teshu (2014), Molla (2019) and Bayu and Hunde (2020) do. Although the construct of performance and reporting quality are related, the two are different. Financial reporting quality is concerned with the faithfulness, reliability and transparency of financial statements rather than with the bottom-line outcomes reported by them. The given study therefore covers this gap directly, making the financial reporting quality the main dependent variable, which will offer more specific evidence to the accountants, auditors, and regulators interested in the veracity of financial disclosures in the Ethiopian banking sector.

2.6 Conceptual framework

The conceptual framework of this paper constitutes the correlation between five major features of corporate governance and the quality of financial reporting in the panel of Ethiopian private commercial banks as per the agency theory and stakeholder theory perspectives.

Audit Committees: They are the necessary control bodies whose mandate is to enhance the integrity of financial reporting by undertaking their monitoring roles. The effectiveness of such committees will depend on factors like autonomy of members, financial expertise and frequency of meetings, which together with others influence the ability of such committees to detect and prevent misreporting. Existing literature shows that properly structured audit committees improve the reliability of financial reports because of strengthening internal controls, as well as providing an assurance of compliance with accounting regulations.

The Board Size: It refers to the number of directors within the governing board of a bank and a direct impact on the dynamics of decision-making. Bigger boards could offer diverse experience; however, too big could cause coordination challenges and reduced accountability. The best board structure is one that balances a deep level of monitoring and operational effectiveness in maintaining the quality of financial reporting.

Board Independence: It refers to the percentage of non executive directors that could provide unbiased evaluations to financial matters. The independent directors supposedly eliminate the conflicts of interest by offsetting the influence of managers, however, it depends on whether they are truly independent of the controlling shares or political interests.

Disclosure Transparency: It is an indicator which gauges the level at which banks provide explicit, broad, and prompt financial details to the interest groups. The transparent reporting methods reduce the asymmetry of information and create trust, whereas the lack of disclosures can mask the true performance of the finances and risk exposure.

Board Meeting Frequency: It shows the frequency at which the board meets to evaluate the performance of the financial performance and governance matters. Active monitoring with frequent meetings can be done, however with too many of them it is possible to say that this is an inefficient government and not a good one.

The combination of the independent variables affects the quality of financial reporting in such aspects as reliability of earnings, timeliness of reporting, and adherence to the disclosure standards. The method appreciates the fact that their impact can be conditioned by the unique institutional environment of Ethiopia which includes the levels of regulatory implementation and the ownership concentration. By examining these relationships, the paper presents a systematic review of the operations of corporate governance mechanisms in the banking industry in Ethiopia.

Independent Variables

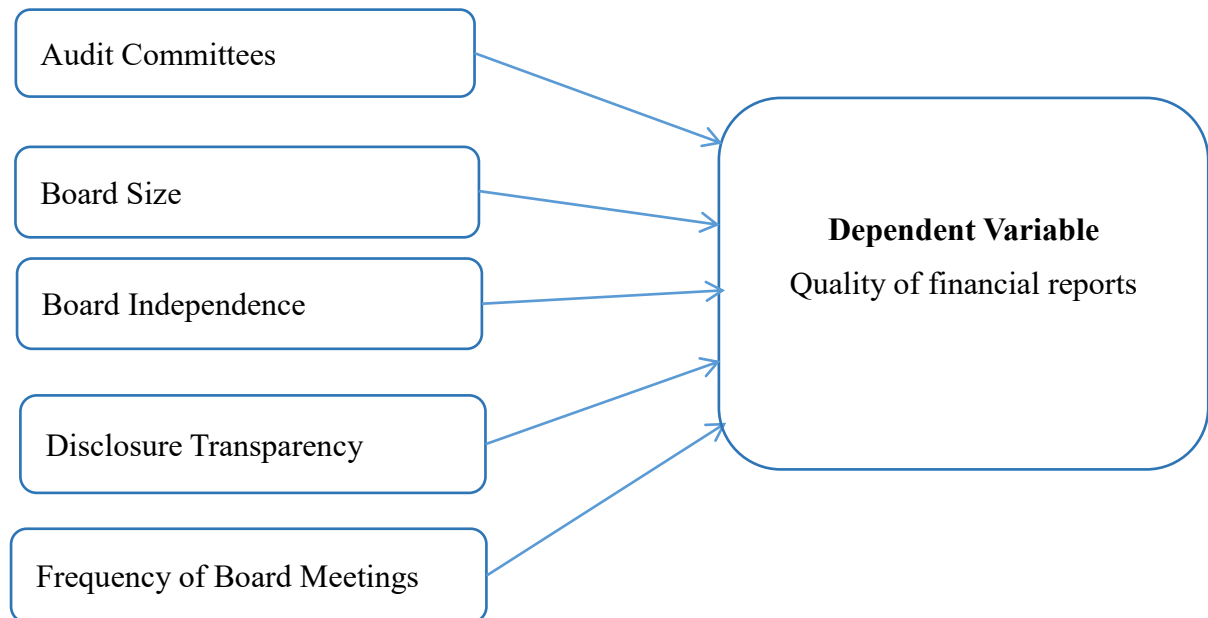


Figure 1: the conceptual framework of the study

2.7 Hypothesis of the study

H₁: A favourable correlation exists between the efficacy of audit committees (size, independence, expertise, and meeting frequency) and the quality of financial reporting in Ethiopian private commercial banks.

H₂: Board size exhibits a non-linear (inverted U-shaped) correlation with financial reporting quality, wherein boards of intermediate size enhance oversight, while overly large boards diminish reporting quality due to inefficiencies.

H₃: Increased board independence correlates positively with the quality of financial reporting in Ethiopian private commercial banks.

H₄: Banks exhibiting high levels of both voluntary and mandatory disclosure transparency demonstrate enhanced financial reporting quality in comparison to their less transparent counterparts.

H₅: Regular board meetings enhance the quality of financial reporting to an ideal level, after which further meetings result in diminishing returns or just ritualistic compliance.

Chapter 3: Research Methodology

3.1 Research Approach

This paper also uses quantitative research methodology to deeply examine the connection between corporate governance mechanisms and quality of financial reporting in Ethiopian privately governed commercial banks. Quantitative method is appropriate because it will help to objectively measure the aspects of governance (e.g., board size, independence of audit committee, level of disclosure, etc.) and their statistical correlation with measures of financial reporting quality. In this methodology, the researcher uses numerical data and econometric analysis in enhancing the reliability and generalisability of results, therefore supporting evidence-based conclusions about the performance of governance in the banking industry of Ethiopia.

3.2 Research Design

The study is descriptive and explanatory in nature and thus achieves its objectives. The descriptive part summarizes the features of corporate governance practices (e.g., the frequency of board meetings, the ratio of independent directors) and financial reporting quality measures (e.g., the degree of earnings management, disclosure scores) of the chosen banks. This is a brief description of the conditions of governance at hand.

The explanatory aspect focuses on examining causal relationship between variables on governance (independent variables) and quality of financial reporting (dependent variable) using regression analysis. It is a design that allows testing the hypotheses about the effect of specific governance mechanisms- the efficacy of audit committees or independence of boards- on the reporting outcomes. The research combines both descriptive and explanatory analysis, which aims at recording the existing governance practices and explaining the impact of such practices on financial transparency.

3.3 Population and Sampling Techniques

3.3.1 Target Population

The target population targeted by the study is the finance professionals working in three large Ethiopian private commercial banks namely, Bank of Abyssinia (60 employees), Awash Bank (70 employees), and Dashen Bank (80 workers) totaling 210 individuals. This population was carefully selected because these professionals are the ones who are directly involved in financial reporting processes, internal controls and compliance in governance procedures hence making them the best informed sources on the correlation between corporate governance practices and financial reporting quality in their respective institutions. The unit of analysis was the finance departments of these banks since they are the operational centres of the implementation of the governance policies and preparation of financial statements. In this research, particular focus is given to three leading banks which share the significant market share in the banking sector in Ethiopia so that the results of the research could be relevant to policy-makers and the banking professionals.

3.3.2 Sampling Technique

This paper will employ the use of stratified random sampling technique to ensure that adequate sample is represented by all the three banks and various levels of professionalism in their respective finance departments. The stratification of banks is an imperative fact because it considers possible institutional differences in the governance structures and reporting systems that could be existing between these structures. The respondents will be selected randomly based on the different functional areas (financial reporting, internal audit, compliance) and hierarchies (officers, managers, directors) in each bank strata to have a diversified perspective on the effectiveness of governance. This process will decrease selection bias as well as ensuring that the sample is a true reflection of the actual composition of the financial workforce in each institution. This study is particularly the best case of the stratified random approach because it enhances the external validity of findings and allows making meaningful comparisons between banks without losing the advantage of probability sampling.

3.3.3 Sample Size Determination

The sample size is calculated using Krejcie and Morgan's (1970) formula for finite populations.

$$n = \frac{X^2 \cdot N \cdot p \cdot (1 - p)}{e^2 \cdot (N - 1) + X^2 \cdot p \cdot (1 - p)}$$

n = Required sample size

X^2 = Chi-square value for 1 degree of freedom at 95% confidence (3.841)

N = Population size (210)

p = Proportion of population (0.5 for maximum variability)

e = Margin of error (5%)

$$n = \frac{3.841 \times 210 \times 0.5 \times 0.5}{0.05^2 \times 209 \times 3.841 \times 0.5 \times 0.5} = 136$$

Using the formula of Krejcie and Morgan (1970) and applying it to a population of 210 finance professionals, 95 percent confidence level and 5 percent margin of error, the sample size of 136 responses is obtained. This sample will be distributed in the three banks proportionally based on the size of their respective finance department.

- i. Bank of Abyssinia: 39 respondents (60/210 x 136)
- ii. Awash Bank: 45 participants (70/210 x 136)
- iii. Dashen bank: 52 (80/210 x 136) participants.

The proportionate allocation ensures that every bank has a representation based on its real importance in the population and the statistical integrity of the sample is maintained. This approach provides sufficient data to be analyzed fully but at the same time, it is viable to gather data.

3.4 Sources and Instruments of Data Collection

The research uses exclusively primary data collected through the use of a standardised questionnaire in form of a Google Forms survey that was given to the staff of finance departments in the selected banks. The questionnaire will collect the ideas and experiences of the respondents in relation to the corporate governance practices used (e.g. audit committee efficacy, board independence) and their impact on the quality of financial reporting. The instrument uses a five-point Likert scale to measure the important variables, which will guarantee standardised responses to quantitative analysis. Google Forms simplifies the process of data collection, which enables them to monitor responses in real-time and limit the errors that might occur due to human factors. The approach will ensure that the data is relevant to the research objectives and at the same time maintain respondent confidentiality and the comfort of participating in the research.

3.5 Method of Data Analysis

Data that was collected was analysed using SPSS (Statistical Package of the Social Sciences) to determine the relationship between corporate governance processes and financial reporting quality. The characteristics of the key variables were summarized using descriptive statistics

(mean, standard deviation, frequency distributions), whereas the inferential statistics (Pearson correlation, multiple regression analysis) will be used to examine the suggested associations. The consistency of the questionnaire will be determined through reliability tests (Cronbachs alpha) and regression tests (test of multicollinearity and international heteroscedasticity) will be used to test the assumptions of the model. The research will determine the significance and strength of the relationship between governance factors (like audit committees and board independence) and quality of financial reporting, and will provide empirical evidence to support the findings of the research.

3.6 Model Specification

The study incorporates the use of a multivariate linear regression model to test the relationship between the corporate governance variables (independent variables) and the financial reporting quality (dependent variable). The model tested the effect of variations in the effectiveness of the audit committee, board size, board independence, disclosure transparency, and frequency of board meetings to the reporting quality with the effect of possible confounding factors. The form of the regression equation was expressed as usual:

$$y_1 = \alpha_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \varepsilon$$

Where:

y_1 represents Quality of Financial Reporting (dependent variable)

x_1 = Audit Committees

x_2 = Board Size

x_3 = Board Independence

x_4 = Disclosure Transparency

x_5 = Frequency of Board Meetings

α_0 : Intercept

β_1 to β_5 : Coefficients measuring each variable's impact

ε : Error term

3.8 Reliability and Validity

The research instrument was tested on 15 respondents in the finance departments of banks not included in the main study to make sure that it was robust. The reliability coefficient was the Cronbach alpha and the standard of this was 0.7 or higher that indicates acceptable internal consistency of the questionnaire scales. Validity was evaluated through construct validity (factor analysis to test compatibility to theoretical dimensions). The pilot results helped in clarifying on unclear questions and improving precision in measurement before the full data

was collected. The measures ensure that the data collected will yield reliable and valid results to be used in measuring the hypothesis of the study.

Table 1 shows the pilot test result

Variables	Number of items	Cronbach alpha (reliability coefficient)
Audit Committees	5	0.96
Board Size	5	0.90
Board Independence	5	0.93
Disclosure Transparency	5	0.93
Frequency of Board Meetings	5	0.97
Quality of Financial Reporting	5	0.85
overall	30	0.96

Source: Authors computation based on respondents using SPSS 25 (2025)

3.9 Ethical Considerations

In this study, the ethical standards were observed to the latter. All respondents signed an informed consent form through a web-based disclosure of the Google Forms questionnaire, clearly stating the purpose of the study, the voluntary character of their involvement, and the importance of using the information. Anonymity and confidentiality were ensured by not collecting personally identifiable information and by combining the responses during the analysis. The participants were informed of their right to leave at will without consequences. Access was made secure using passwords, as well as securely stored in the clouds. The study process avoided delicate questions and minimized potential pain. Such actions are in line with the accepted academic research ethics that protect the rights of the participants and safeguard the integrity of the study results. The data collection was preceded by institutional approval and all the procedures were conducted following the national research ethics of Ethiopia. The benefits of the study in improving the standards of corporate governance were evaluated against insignificant risks of the participants.

Chapter 4: Result, Analysis and Discussion

4.1 Introduction

This chapter presents the findings, analysis and discussion of the research project that aimed at establishing the effect of corporate governance on quality of financial reporting in Ethiopian private commercial banks. Such conclusions are made on the basis of measurable data collected by the means of the questionnaires distributed to the financial department employees of a number of banks. The analysis uses descriptive statistics to give the summary of the most significant aspect of governance and inferential statistics (multiple regression analysis) to test the proposed relationships between the systems of governance and the quality of reporting. The commentary gives an interpretation of these findings with regard to the existing body of literature and the banking environment in Ethiopia, with emphasis being laid on the extent of consistency as well as the extent in which these findings are in conflict with the past ones. The aim of the chapter is to offer independent research information on how corporate governance arrangements affect financial transparency in the growing banking industry in Ethiopia. These are insights given by the strategic analysis of the data.

4.2 Non-Response bias and Response Rate respondents

In the study, the response rate was 88 percent of the total number being 120 out of 136 distributed questionnaires returned. The response rate is very high and goes a long way to address the concerns on non-response bias because it shows a solid participation of the target population. In order to assess the possible non-response bias, early and late respondents were compared regarding significant demographic and substantive variables using independent samples t-tests. There were no statistically significant differences ($p > 0.05$) observed between these groups based on job position, years of experience or judgements of corporate governance efficacy. This means that there were no likely differences between non-respondents and respondents and the sample is representative enough of the target population. The high response rate enhances the reliability and generalisability of the result of the study to the context of Ethiopian private commercial banks at large.

The high response rate could be attributed to several reasons: the usage of a concise, professionally drawn Google Forms questionnaire; clarified details of the research purpose;

and multiple reminder messages sent to the non-responders. These were measures that enabled comprehensive data collection and maintained an ethical principle of voluntary participation.

4.3 Individual Demographic data

The study obtained answers to 120 employees who worked in the financial departments of three privately-run commercial banks within Ethiopia which had a response rate of 88%. We had a fairly balanced gender representation (55.8% male respondents and 44.2% female respondents) with a total population of 67 and 53 respectively. The majority of the respondents were between 26-35 years old, which constituted 58.3% (n=70) and then the younger population of 18-25 years old that constituted 27.5% (n=33). On the other hand, age had fewer representatives, with 36-45 years standing at 10% (n=12), and 46+ years standing at 4.2% (n=5). The level of education showed that, 58.3 percent (n=70) of them had received bachelors degree and 41.7 percent (n=50) received master degree or higher indicating a highly educated sample. There was a wide range of work experience with 43.3% (n=52) of the sample having a tenure of between 2-5 years and 27.5% (n=33) having a tenure of less than 2 years and the rest having a tenure of between 6-10 years (11.7 percent, n=14) and above (17.5 percent, n=21).

The respondents were randomly selected at the three banks as follows; Bank of Abyssinia (28.3, n=34), Awash Bank (33.3, n=40), and Dashen Bank (38.3, n=46). This proportional representation will ensure that findings are effectively reflective of opinions in different institutional settings in the Ethiopian banking sector privately. The demographic description shows that the sample is diverse in terms of experience, education, and age, therefore, increasing the generalisability of the study findings.

Table 2 shows the statistics for demographic data

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	67	55.8	55.8	55.8
	Female	53	44.2	44.2	100.0
	Total	120	100.0	100.0	

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 - 25	33	27.5	27.5	27.5
	26 - 35	70	58.3	58.3	85.8
	36 - 45	12	10.0	10.0	95.8
	46 and above	5	4.2	4.2	100.0
	Total	120	100.0	100.0	
Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor's Degree	70	58.3	58.3	58.3
	Master's degree or higher	50	41.7	41.7	100.0
	Total	120	100.0	100.0	
Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 years	33	27.5	27.5	27.5
	2 - 5 years	52	43.3	43.3	70.8
	6 - 10 years	14	11.7	11.7	82.5
	more than 10 years	21	17.5	17.5	100.0
	Total	120	100.0	100.0	
Company					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bank of Abyssinia	34	28.3	28.3	28.3
	Awash Bank	40	33.3	33.3	61.7
	Dashen Bank	46	38.3	38.3	100.0
	Total	120	100.0	100.0	

Source: Authors computation based on respondents using SPSS 25 (2025)

4.4 Descriptive Statistics of Variables

4.4.1 Audit Committees

The mean of 4.225 (regarding a 5-point Likert scale) indicates that the respondents mostly perceive audit committees as performing well in their overseeing roles; however, the standard deviation of 1.0488 shows that the results are rather diverse. This implies that there are still gaps in the effectiveness of audit committees of various banks though most of the banks have well-functioning audit committees. A statistical mean greater than 4.0 is a favorable indication that the audit committees are perceived to be largely competent and active; however, the inconsistency in responses might be an indicator of differences in the composition of the audit committee (e.g., financial competence, independence) or the activity (e.g. frequency of meetings, complete review) across institutions.

Table 3 shows the descriptive statistics for Audit Committees

Descriptive Statistics				
	N	Range	Mean	Std. Deviation
The audit committee in this bank actively reviews financial statements for accuracy.	120	4.00	4.3167	1.05307
The audit committee ensures compliance with accounting standards (e.g., IFRS).	120	4.00	4.0250	.93001
The audit committee effectively identifies and mitigates financial misstatements.	120	4.00	4.4250	1.04248
The audit committee maintains independence from management influence.	120	4.00	4.2833	1.19652
The audit committee's recommendations lead to improved financial reporting.	120	4.00	4.0750	1.02213

Mean	120	4	4.225	1.0488
Valid N (listwise)	120			

Source: Authors computation based on respondents using SPSS 25 (2025)

4.4.2 Board Size

The respondents gave a neutral to moderately positive assessment in respect of impact of board size on governance with a mean value of 3.5666. The standard deviation (1.06687) means that there was a lot of difference between the respondents with this being possibly due to different experiences with the board functionality. Some banks might have boards of a right size to make effective decisions and others might have boards that are too large (becoming inefficient) or too small (not representative). The mean is relatively low (the only one which falls below 4.0) implying that the board size is not a major determinant of financial reporting quality compared to other systems of governance.

Table 4 shows the descriptive statistics for Board Size

Descriptive Statistics				
	N	Range	Mean	Std. Deviation
The current size of the board is optimal for effective decision-making.	120	4.00	3.5417	1.06823
A larger board enhances diverse expertise in financial oversight.	120	4.00	3.3750	1.14541
The board size allows for efficient monitoring of financial reporting.	120	4.00	3.6250	.98785
Board members have sufficient time to review financial reports thoroughly.	120	4.00	3.6250	1.04570
The board size does not hinder timely financial disclosures.	120	4.00	3.6667	1.08723
Mean	120	4.00	3.5666	1.06687

Valid N (listwise)	120			
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Source: Authors computation based on respondents using SPSS 25 (2025)

4.4.3 Board Independence

The mean (4.535) and standard deviation (0.7572) are high indicating a strong agreement on the effectiveness of board independence and its impact in Ethiopian private banks. This implies that most respondents see independent directors to be playing a crucial role in providing an impartial supervision and alleviating conflict of interests. The narrow distribution of values (low SD) indicates that this is a steady strength among the analyzed banks, which could be explained by the fact that regulatory limits restrict the members of the board.

Table 5 shows the descriptive statistics for Board Independence

Descriptive Statistics				
	N	Range	Mean	Std. Deviation
Independent directors provide unbiased oversight of financial reporting.	120	4.00	4.5833	.75128
Independent board members challenge management when necessary.	120	4.00	4.5417	.82905
The presence of independent directors improves financial reporting credibility.	120	4.00	4.5917	.76142
Independent directors ensure compliance with regulatory requirements.	120	3.00	4.6000	.69088
Board independence reduces the risk of financial misrepresentation.	120	4.00	4.3583	.75366
Mean	120	3.80	4.535	0.7572

Valid N (listwise)	120			
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Source: Authors computation based on respondents using SPSS 25 (2025)

4.4.4 Disclosure Transparency

The almost equal mean (4.50668) and standard deviation (0.804776) in terms of board independence imply that disclosure practices are also respected, and most banks provide complete and transparent financial data. The slight difference in responses could be reflective of the differences in voluntary disclosure processes (e.g. some institutions are beyond minimal requirements) or internal reporting cultures. The results suggest that Ethiopia banks have openness as a priority, and it is in line with global trends in governance.

Table 6 shows the descriptive statistics for Disclosure Transparency

Descriptive Statistics				
	N	Range	Mean	Std. Deviation
This bank provides clear and sufficient financial disclosures.	120	4.00	4.5500	.78697
Financial reports include all necessary notes for clarity.	120	4.00	4.5750	.82668
The bank voluntarily discloses additional performance metrics.	120	4.00	4.5417	.87827
Stakeholders can easily understand the bank's financial position.	120	4.00	4.5500	.77622
The bank's financial reports are free from misleading information.	120	4.00	4.3167	.75574
Mean	120	4.00	4.50668	0.804776
Valid N (listwise)	120			

Source: Authors computation based on respondents using SPSS 25 (2025)

4.4.5 Frequency of Board Meetings

The average of 4.3600 implies that boards meet quite frequently, however, the standard deviation (1.03203) is really high, which is the indication of inconsistent procedures. Some banks might hold frequent, meaningful meetings and others may hold fewer or less effective meetings. This diversity can denote the difference in maturity of governance or the issue of shallow observation before the true involvement.

Table 7 shows the descriptive statistics for Frequency of Board Meetings

Descriptive Statistics				
	N	Range	Mean	Std. Deviation
The board meets frequently enough to review financial reports.	120	4.00	4.3833	1.07831
More board meetings improve financial oversight.	120	3.00	4.4083	.96577
Board discussions on financial reports are thorough and detailed.	120	4.00	4.2667	1.04305
Frequent board meetings lead to timely financial disclosures.	120	4.00	4.3167	1.15942
The board's meeting schedule ensures accountability in financial reporting.	120	3.00	4.4250	.91360
Mean	120	3.60	4.3600	1.03203
Valid N (listwise)	120			

Source: Authors computation based on respondents using SPSS 25 (2025)

4.4.6 Quality of Financial Reporting(Dependent Variable)

The standard deviation (0.6691) is also very low indicating that the respondents are relatively in agreement that quality of financial reporting is robust at the evaluated banks. The small variance suggests that there is consistency in the reporting accuracy, timeliness, and compliance with regulation. This is in consonance with the positive audit committee ratings,

board independence and transparency, which implies that all these governance instruments support reliable reporting.

Table 8 shows the descriptive statistics for Quality of Financial Reporting

Descriptive Statistics				
	N	Range	Mean	Std. Deviation
The bank's financial reports are reliable and accurate.	120	3.00	4.4917	.73331
Financial statements comply with international standards (IFRS).	120	3.00	4.2833	.68824
The bank minimizes earnings manipulation in financial reports.	120	4.00	4.0167	.56484
External auditors confirm the fairness of financial statements.	120	4.00	4.6167	.63753
Financial reports provide useful information for decision-making.	120	4.00	4.3167	.72162
Mean	120	3.600	4.34502	0.6691
Valid N (listwise)	120			

Source: Authors computation based on respondents using SPSS 25 (2025)

4.5 Correlation Analysis

The correlation research suggests that the variables of independent governance are positively correlated with the quality of financial reporting with different levels of strength. The strongest association (0.759) is found between audit committees, which is included into the extensive range (0.60-0.79), meaning that the efficacy of audit committees is closely associated with the high quality of financial reporting. This is in line with theoretical proposals, where good audit committees enhance control and reduce risks of misreporting. Similarly, there is a strong correlation between board independence (0.772) and the critical role played by independent boards in ensuring fair governance and reliable financial

reporting.

There is a high degree of association between disclosure transparency (0.629) which states that banks that have more transparent reporting procedures are prone to produce higher quality financial statements. It is a somewhat weaker relationship than the ones between audit committees and board independence, perhaps because both the transparency measures rely on the governance and external regulatory factors.

There is a weak relationship between the frequency of board meetings (0.221) which is in the weak category (0.20-0.39) indicating that as often as board meetings are conducted it does not have a direct effect on supervision as compared to structural factors like board independence. Finally, the weakest and statistically insignificant correlation (0.075) is observed with board size supporting the existing research that size is not that important as board composition and board engagement are.

Table 9 shows the correlation analysis

Correlations							
		AC	BS	BI	DC	FBM	FRQ
AC	Pearson Correlation	1	.386**	.481**	.546**	.826**	.752**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	120	120	120	120	120	120
BS	Pearson Correlation	.386**	1	.001	-.019	.515**	.221*
	Sig. (2-tailed)	.000		.988	.837	.000	.015
	N	120	120	120	120	120	120
BI	Pearson Correlation	.481**	.001	1	.848**	.395**	.759**
	Sig. (2-tailed)	.000	.988		.000	.000	.000
	N	120	120	120	120	120	120
DC	Pearson Correlation	.546**	-.019	.848**	1	.351**	.772**
	Sig. (2-tailed)	.000	.837	.000		.000	.000
	N	120	120	120	120	120	120

FBM	Pearson Correlation	.826**	.515**	.395**	.351**	1	.629**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	120	120	120	120	120	120
FRQ	Pearson Correlation	.752**	.221*	.759**	.772**	.629**	1
	Sig. (2-tailed)	.000	.015	.000	.000	.000	
	N	120	120	120	120	120	120
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Source: Authors computation based on respondents using SPSS 25 (2025)

4.6 Assumptions of Linear Regression

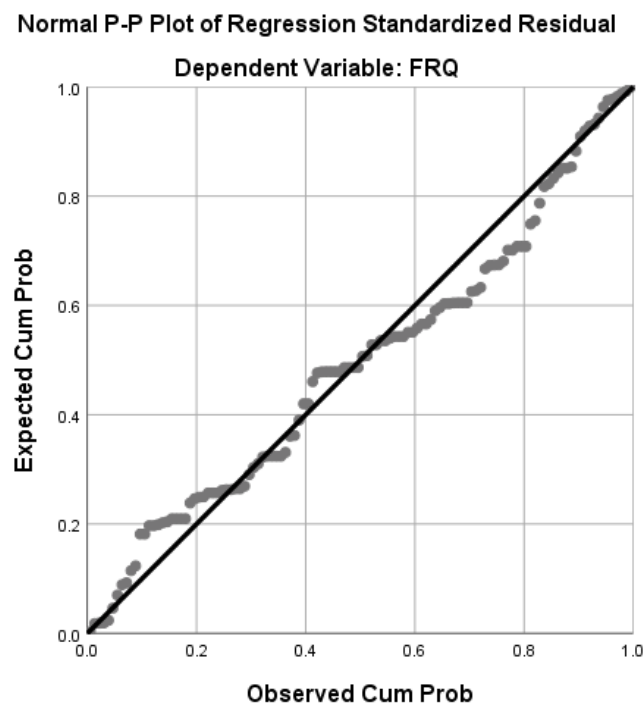
Linear regression analysis requires a number of basic assumptions that have to be met to ensure quality and authenticity of the results. These include the assumption of linearity (relation between independent and dependent variables should be linear), the assumption of homoscedasticity (residual values should have equal variance across predicted values), the assumption of normality of the residuals (residual values should be nearer to a normal distribution), assumption of no serial correlation (against time-series data, residual values should not autocorrelate), and the assumption of no severe multicollinearity (the independent variables should not be highly correlated among themselves). Violation of such assumptions can lead to biased estimates of coefficients, false standard errors, and false hypothesis tests. In order to test these assumptions, diagnostic statistics such as scatter plots of residuals versus fitted values (linearity and homoscedasticity), Q-Q plots tests (normality), Durbin-Watson tests (serial correlation), and Variance Inflation Factor (VIF) analysis (multicollinearity) are normally run. Assuming these proves the results of regression analysis into the soundness and validates the justifiable inferences of the association between corporate governance frameworks and quality of financial reporting.

4.6.1 Linearity Test

The linearity assumption in regression is an assumption that the relationship between the independent variables (corporate governance mechanisms) and the dependent variable (financial reporting quality) is a linear model. Residual-fitted value plot was analysed to

assess this assumption. The graphical analysis has shown that the residuals (the differences between measured and expected values) are clustering around the diagonal reference line with no apparent curvilinear tendencies or systematic deviations. This correspondence shows that the linear regression model is a good reflection of the underlying relationships between governance attributes and reporting quality. The non-existence of any noticeable curves or non-heteroscedastic trends among the residuals supports the reasonableness of using a linear model to conduct the analysis. Even though the small differences were observed, they were not significant enough to violate the linearity assumption and hence it can be stated that the regression coefficients successfully represent the effect of audit committees, board independence, and other factors related to governance on financial reporting outcomes. These findings confirm ordinary least squares (OLS) regression to be used to test the hypothesis in this study.

Figure 2 shows the graph for Linearity Test

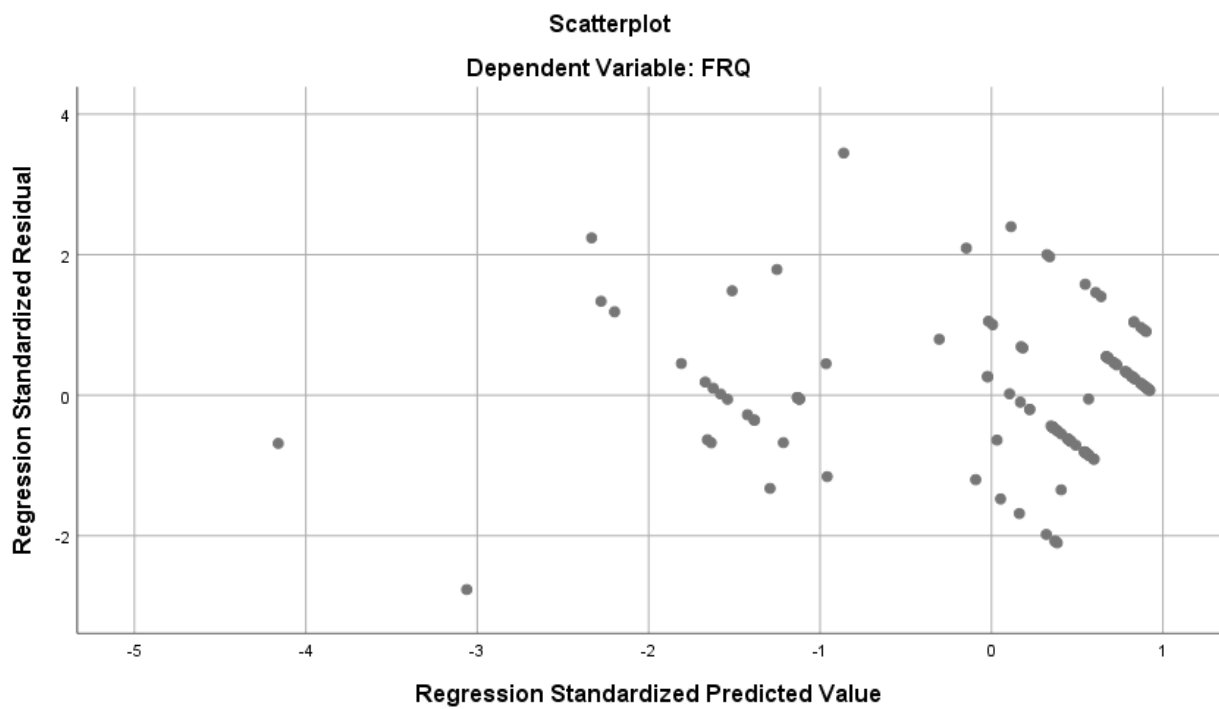


4.6.2 Homoscedasticity Test

Homedascasticity is a requirement in the linear regression model, which requires the homogeneity of the residual values of all levels of the predictor. The assumption was carefully examined by a scatter plot of the residual against fitted values. The plot showed that the residuals were randomly distributed around the horizontal axis (zero line), and no specific

patterns could be observed like funnel-like distributions, which would indicate heteroscedasticity, or clustering. The absence of such patterns implies that the dispersion of the error terms do not change regardless of whether the scores of the expected financial reporting are of small or large scale. This research supports the fact that the regression model meets the homoscedasticity assumption, thus, ensuring the accuracy of the standard errors of the coefficients estimations as well as the validity of the statistical conclusions made based on the model (e.g., p-values, confidence intervals). The stochastic distribution of residual also supports the idea of the use of ordinary least squares (OLS) regression to analyze the impact of corporate governance practices on the quality of financial reporting in Ethiopian private banks.

Figure 3 shows the graph for Homoscedasticity Test



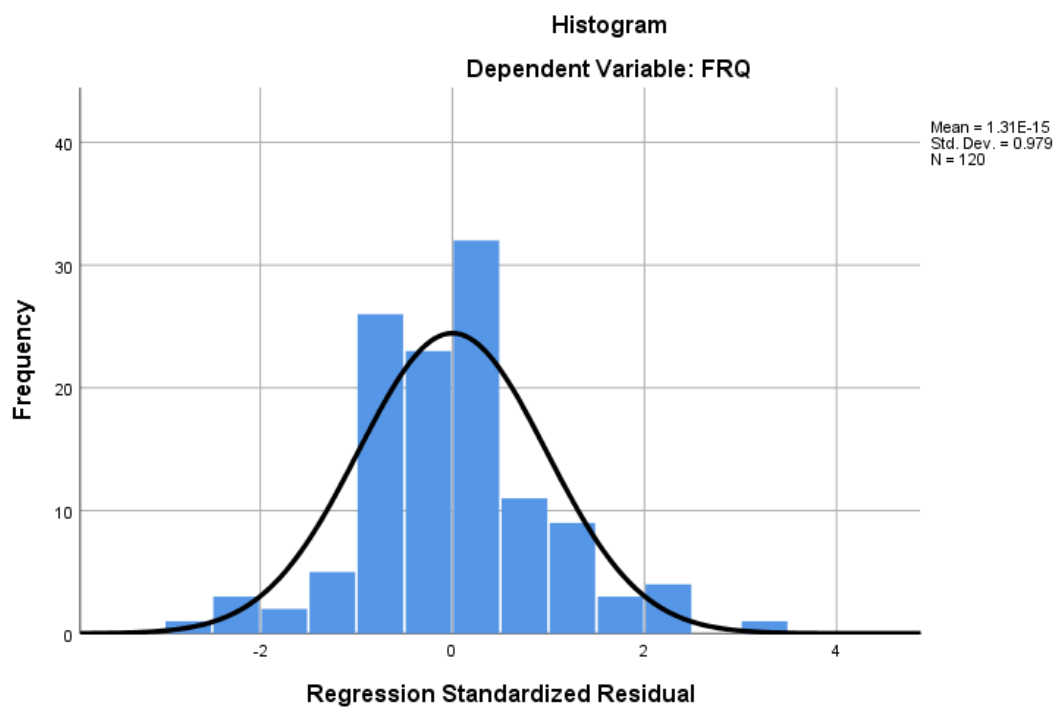
4.6.3 Normality Test

The linear regression normality requirement means that the residual values follow a more or less normal distribution that is important to test the hypothesis correctly and make reliable confidence intervals. In order to measure this assumption, visual inspection of a Q-Q (Quantile-Quantile) plot was applied. The Q-Q plot indicated that the majority of points of the residual distribution were near the line of reference density (i.e., that most of the points were located close to the line of reference), and there were some minor deviations on the tails.

This is a positive indication that the residuals are well represented in terms of regularity showing a small amount of skewness/kurtosis.

Perfect normality is not common in empirical data, although the results indicate that the non-observations of normality are not enough to violate the assumptions of regression or are not enough to statistically infer skewed results. The fact that regression analysis is less affected by minor departures of normality particularly when the sample size is moderate ($n=120$) is another way of supporting the validity of the model.

Figure 4 shows the graph for Normality Test



4.6.4 Serial Correlation Test

The tests were conducted by the Durbin-Watson test to determine if the regression model had serial correlation (autocorrelation) in their residuals that might be violating the assumption of independent mistakes. The statistic of the test was 1.76 which falls within the optimal range of 1.5 to 2.5 indicating that there is no significant first-order serial correlation of the residual values. The value of approximately 2.0 means that the residuals are not systematically related to both the neighbouring observations. Since the calculated statistic (1.76) does not exceed the acceptable limits, we can determine that the model does not have the problem of autocorrelation. This result increases the confidence of the regression estimates, since, under

serial correlation, the understated standard errors and inflated Type I error rates (false positives) could occur.

Table 10 shows Serial Correlation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.888 ^a	.789	.780	.25065	1.762
a. Predictors: (Constant), FBM, DC, BS, BI, AC					
b. Dependent Variable: FRQ					

Source: Authors computation based on respondents using SPSS 25 (2025)

4.6.5 Multicollinearity Test

Tolerance and Variance Inflation Factor (VIF) were analysed and used to test the possibility of multicollinearity between the independent variables. According to the results, all VIF values are much less than the conservative of 5 and the tolerance level is over 0.2 (ranging between 0.225 to 0.682). These values show that multicollinearity is not a serious problem with the regression model. The minimum of VIF at 1.466 refers to the board size, which is the least affected by the relationship with other variables, whereas the maximum VIF of 4.447 of disclosure transparency is not out of the norm. No serious multicollinearity (VIF [?]). 10) ensures the stability and interpretability of regression coefficients, which prohibits inflated standard errors that can be used to hide statistical significance. This is in line with best practices in regression analysis, where VIFs of 5 or less are considered exemplary of maintaining model strength.

Table 11 shows the Multicollinearity Test

Collinearity Statistics	
Tolerance	VIF
.233	4.301
.682	1.466
.257	3.886
.225	4.447
.246	4.058

Source: Authors computation based on respondents using SPSS 25 (2025)

4.7 Multiple Regression

The effect of the combination of corporate governance measures on the quality of financial reporting of Ethiopian private commercial banks was examined using a multiple regression analysis. The model delivered a R value of 0.888, which indicates a strong association among the independent variables (audit committees, board size, board independence, disclosure transparency and frequency of board meetings) and the dependent variable (financial reporting quality). The model is excellent in explaining financial reporting quality, as evidenced by the R² of 0.789, which implies that nearly 78.9 percent of the financial reporting quality variation can be explained by the combined effect of the factors of governance. That the number of predictors has been considered as high as 0.780 ensures that the model is robust and is not overfitted. The value of standard error of the estimate (0.25065) implies that the average deviation of observed values out of the regression line is insignificant, therefore, the correctness of the model. All the results indicate that corporate governance principles of Ethiopian banks have a significant impact on the quality of financial reporting, and the model explains most of the systematic variance in the data. The high R² and Adjusted R² values demonstrate the importance of holistic governance improvement to foster the financial transparency of the banking industry.

Table 12 shows the model summary

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.888 ^a	.789	.780	.25065
a. Predictors: (Constant), FBM, DC, BS, BI, AC				
b. Dependent Variable: FRQ				

Source: Authors computation based on respondents using SPSS 25 (2025)

4.7.1 Significance of the model

ANOVA was used to determine the overall importance of the multiple regression model and the F-statistic was 85.174 and the p-value 0.000. The obtained outcome ($p < 0.001$) proves that the regression model is statistically strong, and the combination of the corporate governance variables (audit committees, board size, board independence, disclosure transparency, and frequency of board meetings) has a significant impact on the quality of

financial reporting. The F-statistic which compares the model explained with the unexplained variance is much larger than the crucial value hence the attestation that the model is significantly better than a model with no predictors. The significant statistical value ($p < 0.001$) confirms the hypothesis that the relationship between the methods used in governance and financial reporting quality is not due to pure luck, thus confirming that the model could be applied in the explanatory and the predictive role. These observations imply the critical role of corporate governance in determining financial reporting performance in the Ethiopian private banks and should be further explored to determine the contributions made by each of the variables.

Table 13 shows the ANOVA test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.755	5	5.351	85.174	.000 ^b
	Residual	7.162	114	.063		
	Total	33.917	119			
a. Dependent Variable: FRQ						
b. Predictors: (Constant), FBM, DC, BS, BI, AC						

Source: Authors computation based on respondents using SPSS 25 (2025)

4.7.2 Significant and Non-Significant Predictors

The regression analysis found out the existence of three statistically significant predictors and two non-significant predictors of financial reporting quality among the analysed corporate governance factors. Audit committees ($b = 0.359$, $p = 0.000$), board independence ($b = 0.314$, $p = 0.000$), and disclosure transparency ($b = 0.278$, $p = 0.003$) were the main predictors that have strong positive relationships with financial reporting quality with significant beta coefficients and highly significant p-values (all below the 0.05 threshold). The results show that sufficient performance of audit committee, board independence and high disclosure standards are critical determinants of high financial reporting in Ethiopian private banks.

Conversely, non-significant predictors were found to be the board size ($b = 0.041$, $p = 0.439$) and the rate of board meetings ($b = 0.090$, $p = 0.301$) since their p-values did not exceed the standard 0.05 significance level. The fact that the beta coefficients of these variables are

insignificant implies that they do not have a high explanatory power to the model. This aligns with the current literature to the effect that the board size and the frequency of meetings, though essentially relevant, might not have any direct impact to reporting quality unless they are reinforced by other effective governance mechanisms, like that of independent oversight or vigorous audit functions.

Table 14 shows the coefficients for the regression model

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.145	.185		6.187	.000
	AC	.198	.049	.359	4.024	.000
	BS	.024	.031	.041	.777	.439
	BI	.249	.067	.314	3.705	.000
	DC	.207	.068	.278	3.062	.003
	FBM	.049	.047	.090	1.040	.301

a. Dependent Variable: FRQ

Source: Authors computation based on respondents using SPSS 25 (2025)

4.8 Discussions of Results

4.8.1 The Effect of Audit Committees on Quality of Financial Reporting

The study found that audit committee effectiveness is the most important predictor of financial reporting quality ($b = 0.359$, $p < 0.001$) and it has a crucial role in terms of oversight in Ethiopian private banks. This strong positive relation is in line with both the agency theory and empirical studies (Krishnan et al., 2011; Turley and Zaman, 2004) proving the fact that effective audit committees enhance financial integrity through careful monitoring of internal controls and compliance. The high average score (4.225/5) is an indication that most of the banks have an operational audit committee, however, its standard deviation (1.0488) shows that there is a variation in their effectiveness across institutions. The results indicate that Ethiopian banks tend to meet the legal requirements to their governance, but the difference in the quality of reporting can be explained by differences in the knowledge or participation of

the committee. Increasing the qualification (e.g., the mandatory financial competence) and performance of the audit committee (e.g., more in-depth scrutiny of complex transactions) might additionally contribute to the reporting reliability.

4.8.2 The Effect of Board Size on Quality of Financial Reporting

Board size did not have a statistically significant impact ($b = 0.041$, $p = 0.439$), which confirms the claim that the size of the board does not have a definite impact on the outcome of governance (Katuse et al., 2013; Berhe, 2023). The insignificant mean score (3.5666) along with the high variability ($SD = 1.06687$) allow concluding that the increase in boards cannot guarantee greater oversight, in particular, a conclusion that is particularly significant in the case of Ethiopia as boards that are too large can lead to the erosion of accountability through difficulties in coordination (Ayele, 2013). The size alone is likely of lesser importance than the makeup and dynamics of the board including diversity of skills and independence. This insignificance underscores the need by the banks to improve the board set ups by balancing the size with the skills of the banks as opposed to using the number of directors as a solution to governance challenges.

4.8.3 The Effect of Board Independence on Quality of Financial Reporting

Board independence was also an important predictor of reporting quality ($b = 0.314$, $p < 0.001$), which was supported by the mean of this predictor (4.535) and a low variance ($SD = 0.7572$). These results support the claim of the agency theory that independent directors act as a remedy to managerial opportunism. However, Ethiopian banks need to ensure that the independence is not symbolic but substantial, according to previous research the banks are overly dominated by the majority of owners (Tesemma, 2016). The findings show that independent directors who are really independent without any political or family ties are needed when it comes to the blank-slate financial supervision. This could be reinforced by regulators through the promotion of independent standards and an occasional review of the impartiality of directors.

4.8.4 The Effect of Disclosure Transparency on Quality of Financial Reporting

Disclosure transparency significantly enhanced the quality of reporting ($b = 0.278$, $p = 0.003$), which is in line with the stakeholder theory that accounts to the different stakeholders (Freeman, 1984). The increased mean (4.50668) shows that there is a prevalence of Ethiopian

banks meeting the transparency standards and it is likely that this was a result of regulatory forces. The intermediate range of variability ($SD = 0.804776$) implies the inconsistency in adopting best practices, including voluntary ESG reporting. There is also an opportunity with the compliance-plus gap: banks that go beyond the minimum requirements in disclosure can increase the trust of stakeholders and gain a competitive edge, which is proven worldwide (Wild and Wild, 2023). Such breakthroughs can be encouraged by the policymakers through tiered reporting standards or recognition efforts.

4.8.5 The Effect of Frequency of Board Meetings on Quality of Financial Reports

No meaningful correlation was found between the number of meetings ($b = 0.090$, $p = 0.301$), which is indicative of concerns about the so-called ritualistic compliance (Kyei et al., 2022). The average result means regular meetings (4.3600), although the discrepancy ($SD = 1.03203$) is high, which implies the different degrees of quality of involvement-some banks can perceive meetings as formal gatherings instead of strategic conversations. The insignificance entails that the regulators should focus on the content of governance rather than strict compliance with their meeting quota, which highlights the need to have pre-meeting documents, agenda-setting by an independent party and the sense of accountability by means of following-up to transform discussions into effective oversight.

4.8.6 Hypothesis Testing

In the study, five hypotheses were put in place to examine the relationship between corporate governance practices and financial reporting quality of Ethiopian private commercial banks. The regression findings provide real data to either support or contradict these forecasts and provide the critical information on what governance principles contribute significantly to financial transparency and what can require reevaluation. Each hypothesis is tested based on the statistical data, and the results of research are compared to the theoretical expectations and other cases of empirical research. The study confirms the conceptual framework of the study and determines practicable governance improvement opportunities of the Ethiopian banking sector. The research contributes to the general debate on the effectiveness of corporate governance in the emerging markets by strictly evaluating these assertions as institutional environments often affect the implementation and impact of governance reforms.

Table 15 shows the hypothesis test

Hypothesis	Result	Justification
H₁: A favourable correlation exists between the efficacy of audit committees (size, independence, expertise, and meeting frequency) and the quality of financial reporting in Ethiopian private commercial banks.	Accepted	$\beta = 0.359, p < 0.05$
H₂: Board size exhibits a non-linear (inverted U-shaped) correlation with financial reporting quality, wherein boards of intermediate size enhance oversight, while overly large boards diminish reporting quality due to inefficiencies.	Rejected	$\beta = 0.041, p > 0.05$
H₃: Increased board independence correlates positively with the quality of financial reporting in Ethiopian private commercial banks.	Accepted	$\beta = 0.314, p < 0.05$
H₄: Banks exhibiting high levels of both voluntary and mandatory disclosure transparency demonstrate enhanced financial reporting quality in comparison to their less transparent counterparts.	Accepted	$\beta = 0.278, p < 0.05$
H₅: Regular board meetings enhance the quality of financial reporting to an ideal level, after which further meetings result in diminishing returns or just ritualistic compliance.	Rejected	$\beta = 0.090, p > 0.05$

Source: Authors computation based on respondents using SPSS 25 (2025)

Chapter 5: Summary, Conclusion and Recommendations

5.1 Summary of Key Findings

The study examined the effects on the quality of financial reporting in the Ethiopian private commercial banks due to corporate governance processes, and it made several important conclusions. The multiple regression model ($R^2 = 0.789$, Adjusted $R^2 = 0.780$, $F = 85.174$, $p < 0.001$) had significant explanatory power and the statistically significant predictors of the quality of financial reporting were audit committees, board independence and disclosure transparency ($b = 0.359$, $p < 0.001$, $b = 0.314$, $p < 0.001$, and $b = 0.278$, $p =$ The factors showed high mean score (4.225, 4.535, and 4.50668 respectively), middle- range to low standard deviation indicating consistency in the positive perception of respondents. On the other hand, board size ($b = 0.041$, $p = 0.439$), the frequency of board meetings ($b = 0.090$, $p = 0.301$) were found to be insignificant meaning that structural and qualitative elements of governance outweigh the procedural ones in the determination of reporting outcomes. The model was tested using diagnostic assessments, and it showed no violation of the assumption of linearity, homoscedasticity, normalcy, or lack of multicollinearity (all VIFs < 5 , Durbin-Watson = 1.76). All these findings illustrate the importance of audit oversight, independent governance, and transparency in disclosure in ensuring high-quality financial reporting.

5.2 Conclusion

The research established that corporate governance measures do not have the same impact on the quality of financial reporting in Ethiopian privately owned banks. The reliability of reporting requires the presence of audit committees, board independence, and disclosure transparency, but it appears that the size and frequency of board meetings do not have as much influence as they should, until improved with effective governance practices. The results are in line with the emphasis of the agency theory on oversight and the stakeholder theory on accountability, as well as reveal contextual nuances, including the insignificant role of board meetings, that demonstrate the unique nature of the Ethiopian governance context, in which formal compliance can sometimes override functional efficacy. The high explanatory power of the model (78.9% variance explained) highlights the importance of specific governance reforms rather than some blanket attempts to improve financial transparency. The analysis finally goes on to affirm that competence-based monitoring including professional audit committees and genuine independence are more relevant than symbolic compliance, which is the case exemplified by regular and superficial meetings in the Ethiopian banking sector.

5.3 Recommendations

The findings provided the following evidence-based recommendations in the study:

1. **Enhance Audit Committees:** Financial institutions and regulations ought to enforce financial expertise on the audit committee members and compose clear charters spelling out their role in oversight (e.g., in evaluation of risks, in assessment of internal controls). Regular training regarding new standards in accounting (e.g., IFRS) may help to increase their effectiveness.
2. **Increase Substantive Board Independence:** The National Bank of Ethiopia (NBE) should raise the criteria of an independent director by introducing more strict rules on conflict of interest and term limits, as well as requiring yearly evaluations of the independence of the independent director.
3. **Encourage Tiered Disclosures:** Other than playing up to minimum regulatory disclosure levels, banks should strive to adopt voluntary best-practice disclosures (e.g., ESG reporting), which they may be rewarded with regulatory treatment.
4. **Maximise Board Structures:** Banks need to optimise boards to 7-9 members, rather than focus on size, and increase skill variety (e.g., financial, IT, and risk management expertise) to improve the quality of the decision-making process.
5. **Reform Meeting Protocols:** To prevent the sham-like compliance, the boards should adopt outcome-based meeting format, which includes pre-meeting analysis, independent agenda development, as well as post-meeting monitoring of actions.

5.4 Future Research

Further studies are required in the future to build on this study by exploring the effects of interactions of governance structure, in particular the joint effect of audit committee expertise and board independence on the quality of financial reporting. The application of qualitative approaches, including the board member interview, can provide in-depth information about the challenges of introducing the reforms in the area of governance implementation in the unique institutional context of Ethiopia. Furthermore, cross country studies of privately owned and state-owned banks can help clarify how political pressures affect the efficacy of governance. Causal connections between reporting quality before and after governance reforms would be easier to establish with longitudinal analysis of reporting quality, whereas the exploration of future technologies (e.g. AI-based audits, blockchain reporting) could assess their ability to enhance transparency. Such measures would improve governance frameworks of Ethiopia and other similar emerging markets.

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Appendix

Survey- Quality of financial reporting

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Institution: ADDIS ABABA UNIVERSITY, COLLEGE OF BUSINESS AND ECONOMICS, DEPARTMENT OF ACCOUNTING AND FINANCE

Introduction

Dear Respondent,

We are grateful that you took part in this research study. The questionnaire will measure the impact of corporate governance on quality of the financial reporting of the selected Ethiopian private commercial banks in Ethiopia (Bank of Abyssinia, Dashen Bank, and Awash Bank). The responses will be kept confidential and will not be used in any other way.

Instructions

Tick the answer to the question that indicates your agreement with the best Likert scale (1-5) that would be given underneath each question.

There are no right or wrong answers—your honest opinion is highly valued.

Section 1: Demographic Information

1: Gender:

- Male
- Female

2. Age:

- 18-25
- 26-35
- 36-45
- 46-55
- Above 55

3. Highest Educational Qualification:

- Diploma
- Bachelor's Degree
- Master's Degree and above

4. Years of Work Experience in the Banking Sector:

- Less than 2 years
- 2-5 years

- 6-10 years
- More than 10 years

5. Which company do you work for?

- Bank of Abyssinia
- Awash Bank
- Dashen Bank

Section 2: Corporate Governance and Financial Reporting Quality

A. Audit Committees

6. The audit committee in this bank actively reviews financial statements for accuracy.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

7. The audit committee ensures compliance with accounting standards (e.g., IFRS).

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

8. The audit committee effectively identifies and mitigates financial misstatements.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

9. The audit committee maintains independence from management influence.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

10. The audit committee's recommendations lead to improved financial reporting.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

B. Board Size

11. The current size of the board is optimal for effective decision-making.

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree

12. A larger board enhances diverse expertise in financial oversight.

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree

13. The board size allows for efficient monitoring of financial reporting.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

14. Board members have sufficient time to review financial reports thoroughly.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

15. The board size does not hinder timely financial disclosures.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

C. Board Independence

16. Independent directors provide unbiased oversight of financial reporting.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

17. Independent board members challenge management when necessary.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

18. The presence of independent directors improves financial reporting credibility.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

19. Independent directors ensure compliance with regulatory requirements.

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree

20. Board independence reduces the risk of financial misrepresentation.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

D. Disclosure Transparency

21. This bank provides clear and sufficient financial disclosures.

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree

22. Financial reports include all necessary notes for clarity.

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree

23. The bank voluntarily discloses additional performance metrics.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

24. Stakeholders can easily understand the bank's financial position.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

25. The bank's financial reports are free from misleading information.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

E. Frequency of Board Meetings

26. The board meets frequently enough to review financial reports.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

27. More board meetings improve financial oversight.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

28. Board discussions on financial reports are thorough and detailed.

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree

29. Frequent board meetings lead to timely financial disclosures.

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree

30. The board's meeting schedule ensures accountability in financial reporting.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

F. Financial Reporting Quality (Dependent Variable)

31. The bank's financial reports are reliable and accurate.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

32. Financial statements comply with international standards (IFRS).

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

33. The bank minimizes earnings manipulation in financial reports.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

34. External auditors confirm the fairness of financial statements.

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree

35. Financial reports provide useful information for decision-making.

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree