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Impact Profitability on Financial Reporting Timeliness of Listed Consumer Goods Firms in Nigeria

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ABSTRACT
This study investigates the impact of profitability and financial timeliness of listed consumer goods firms in Nigeria. The study formulated two objectives of the study to examine the effect of return on total assets (ROA), and sales on financial reporting timeliness of listed consumer goods firms in Nigeria. Based on these objectives, two research hypotheseswere formulated. The study employed correlational and quantitative research design to carry out the research. Multiple regression and correlation were adopted as a technique of data analysis to examine the objectives of the study via STATA 13.0. The study reveals that sales has significant positive effecton the financial reporting timeliness. Also, the study reveals that ROA has no significant effect on the financial reporting quality of listed consumer goods firm in Nigeria during the period under review. The study recommends that management of listed consumer goods firm in Nigeria should try to continue improving in the profitability of the firms through waste reduction and increase efficiency.

Keywords: Profitability, ROA, Sales, Timeliness.

I. INTRODUCTION

Financial reporting timeliness is the open interval of the number of days from the year end to the date recorded as the opening signature date in the auditors' report.Financial reporting timeliness is the time taken to capture complete fieldwork, generally measured as the number of days between a company's financial year end and the audit report date. Firms are obligated to provide judicious financial information to all users of its financial statement. financial reporting timeliness is the duration of time to conclude an audit which measured from the fiscal year's ending date until the date of independent financial reporting. Thus, it is important for firms to publish their financial reports in an appropriate manner in accordance with the requirements of regulatory bodies. This will benefit investors and other stakeholders to make lucid investment decisions.

1. The profitability of a firm is a measure of its performance during the financial year. Previous researches have instituted positive association between profitability and the financial reporting.

On the contrary, studies have also testified a negative association between profitability and the financial reporting timeliness In general, firms incline to announce robust financial results and delay the announcement of weak results. Notwithstanding an extensive set of accounting standards and regulations aiming to guarantee a harmonized and fair financial reporting, there seems to be large amount of varying practices concerning the timing and quality of reporting. It is against this background, the study on the firm attributes and financial reporting timeliness of listed goods firms in Nigeria is embark upon.

Appropriateness of audited annual report is a predominant problem in financial reporting for decades. Some researchers estimate errors that may increase when there is long financial reporting timeliness as it may imply the presence of difference between external auditors and management team. Particularly, accounting statements lack placidity under this situation since their relevance and reliability have been compromised when users cannot retrieve financial information at the right time.There is existing law that mandates these firms to prepare and audit financial statements every twelve calendar months.

2. The study has revealed thatprofitability has a positive significant association with financial reporting timeliness while other shows a negative association. This crease a gap between the pervious study without a generally accepted factor influencing financial reporting timeliness. Researches from different countries have also pinpointed the factors that influence financial reporting timeliness. Results from these studies contradict one another among countries and sectors especially on the factors that influence financial reporting timeliness. In spite of the foregoing, not much is encountered in literature regarding empirically documented works about the influence of financial reporting timeliness in consumer goods firms in Nigeria. This void in literature needs to be filled in order to increase the understanding of the relative influence of financial reporting timeliness. However, influence of financial reporting timeliness is yet to have a universally accepted explanation upon the research conducted on it for many decades. In view of this, the present study is undertaken to provide information regarding the influence of financial reporting timeliness, while at the same time attempting to fill the identified gaps in literature.

It is therefore, becomes important to examine the influence of profitability on financial reporting timeliness in order to enhance the relevance of audit in Nigeria.

The study therefore examine the influence of profitability on financial reporting timeliness of listed consumer goods firms in Nigeria. The specific objectives are to: -

i. examine the effect of return on total assets on financial reporting timeliness of listed consumer goods firms in Nigeria, and
ii. examine the effect of sales on financial reporting timeliness of listed consumer goods firms in Nigeria.

Based on the objectives of the study, the following hypotheses are formulated:

$H0_1$: ROA has no significance effect on financial reporting timeliness of listed consumer goods firms in Nigeria,

$H0_2$: Sales has no significance effect on financial reporting timeliness of listed consumer goods firms in Nigeria.

II. LITERATURE REVIEW

An auditor's report is an important aspect of a firm's financial statement. Timeliness of financial reporting, otherwise known as audit lag is a time difference between the financial year end and the auditor's opinion on such financial statements.

3. Financial reporting timeliness as the time period from a company's financial year end to the date of the auditor's report. Profitability is one of the main objectives of establishment of a firm. The progress of any firm depends on its profitability. The profitability of a firm may affect the time it may take an auditor of a firm to form an opinion.

4. Describe profitability as a financial metric interpreted in different ways by different firms. In a business enterprise, the state or quality of being profitable is expressed as net income to total assets. In the longer term, profitability involves not only financial measures but also those measures not immediately expressed in financial terms that, however, eventually have a financial effect. Instead, it looks at what the business's profits mean in the form of percentages or decimal.Profitability is described as the amount of revenue remaining after deduction of entire expenses incurred in earning that revenue. So profitability measures the ability of a business to use its resources to generate revenues in excess of its expenses.

5. Defines sales (revenue) as the inflow of resources to a business for a period from the sale of goods or provision of services. If you want to drive sales growth, it boils down to understanding and then implementing one strategy: Content builds relationships, relationships build trust, and trust equals build sales. Think about that statement for a minute. It is true in your personal and business life right now

6. Examine the determinants of financial reporting timeliness (FRT) for Federal Statutory Bodies (FSBs) in Malaysia. Final samples of 92 FSBs during the period 2006 to 2010 ware used. The study conducts regression analysis to identify the relationship between profitability and financial reporting timeliness. The study reveals that profitability of the FSBs shows a negative relationship towards financial reporting timeliness.

8. Study the influence of corporate governance, tenure audit and quality of earnings towards audit delay with auditor's specialization as the variable of moderation among manufacturing companies listed in Indonesian Stock Exchange in 2011-2013.

Purposive sampling technique is adopted. The data collected from their annual reports are analysed using Multiple Linear Regression Analysis. The study reveals that profitability negatively influenced the financial reporting. This implies that as the profitability increases, timeliness of financial reporting decreases vice versa. 4. Examine the effect of client attributes on the financial reporting timeliness of listed firms in Nigeria during the period 2010 – 2015. The result reveals that profitability has a significant impact on the financial reporting timeliness. This implies that mature and profitable firms have a higher financial reporting timeliness.

8. The analysis of the study conducted on the factors affecting financial reporting timeliness of listed non-financial firms of Karachi Stock Exchange was performed using data drawn from the audited financial statements of these listed firms on the Karachi Stock Exchange covering 2005 to 2010 period. The study used Least Squares model to estimate the regression equation. The study documents that sales is one of the factors that influence financial reporting timeliness positively. This implies that high volume of sales increases the number of timeliness of financial reporting.9. Non-financial firms on Nairobi Securities Exchange equally investigated to determine the factors affecting financial reporting timeliness. Analysis of the study is done using data drawn from the audited financial report of these listed firms. The study reveals a negative insignificant relationship between sales and financial reporting timeliness. 10. Also, financial reporting timeliness of 105 non-financial in Saudi Arabia from 2004 to 2010 was explored. It is discovered that sales have insignificant with financial reporting timeliness. Implies that financial reporting timeliness is not influenced by sales. 11. Similarly, effect of financial reporting timeliness was carried out using panel autoregressive distributed lag analysis. The financial statement used covered the period of 2002-2012 of non-metallic mineral products (mostly cement) manufacturing industry in Turkey. The result of the regression analysis documents that sales have a negatively significant influence on financial reporting timeliness. This implies that high volume of sales reduces the number of timeliness of financial reporting.

12. Agency Theory originated from Stephen Ross and Barry Mitnick in 1973. Ross introduced the economic theory of agency; Mitnick established the institutional theory of agency, but both approaches can be seen as complementary in their use of similar concepts under different assumptions. 13.Further explore agency theory which deals with delegation of responsibilities and powers from principal (shareholder) to agent (manager) to run their business. In view of agency theory, it is rational to believe that opportunistic behaviour of agents may arise at the expense of principal's interest on the grounds that both parties are expected to maximize their personal wealth. They suggest that agency problems result due to the inability of the principal to directly monitor the agent. In order to reduce agency problems, the principal requires the financial report to be certified by a professional and independent accounting expert. Prior researches indicate that agency costs comprise costs associated with monitoring and controlling agent behaviour. Therefore, external audits are a mechanism for regulating opportunistic managerial behavior and provide credibility to the financial reporting framework. When agency problems are pervasive, auditors will spend more time conducting the audit and increase the financial reporting timeliness.

III. RESEARCH METHODOLOGY

Correlational and quantitative research design is used for the study. The correlation research design establishes or ascertains the relationship between the dependent and independent variables and also making predictions about the relationship. However, quantitative research design seeks to collect data after the event or phenomenon under investigation has taken place.

The population of the study consists of twenty (20) of Nigeria listed consumer goods firms. Listed consumer goods firms were chosen due to their importance to the development of the Nigeria economy due to the improvement on the local made products in the country.The study uses filter method to select samples as it is not possible to cover the entire twenty (20) of Nigeria listed consumer goods firms due to incomplete data needed in measuring the variables within the period of study. With this reason, 10 firms will be eliminated leaving only ten (10) as samples of this study.

Multiple regression and correlation is adopted as a technique of data analysis to examine the study. Furthermore, regression analysis is employed because the study determines effects of the relationship of each variable and correlation to show the relation between the dependentvariables and independent variable, and also between the independent variable. In this multiple regression, if any of the explanatory variables is significant at 1% or 5%, it implies that the explanatory variable can influence the explained variable. Also, if the

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Wald chi2 is significant at 1% or 5%, it signifies that the variables are well selected combined and used.

The following model will be use to empirically test the hypotheses formulated

$frt_{it} = \beta_{0it} + \beta_1 roa_{it} + \beta_2 sa_{it} + \varepsilon_{it}$

Where:

frt = Financial reporting timeliness

$\beta_1 - \beta_2$= Coefficients of Determination

β_o = Intercept of the regression line

roa = Return on Asset

sa = sales

it = Firm at Time t

ε = Residual or error term.

The section focuses on the measurement of variables contained in the topic of research which has to do with the financial reporting timeliness of Nigeria listed Consumer Goods firm. The variables that involved in this study are the dependent and independent variables. The dependent variable is financial reporting timeliness while the independent variables are concerned with the following indices: ROA, and sales. The following table presents the variables used in the model above and their measurements.

IV. RESULT AND DISCUSSION

The followingtablepresentsthecorrelationmatrixtablewheretherelationshipbetweentheindependentvariableandthedependentvariableisanalyzedandalsotheindependentvariablesthemselves.

Table 1: Correlation Matrix

	Frt	roa	sa
Frt	1		
Roa	0.2491*	1	
	0.0124*		
sa	0.8099*	0.2326*	1
	0.0000	0.0199	

Source: STATA 13.0 Output 2022

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The correlationmatrixofallvariablesincludedinthestudyis shownintable2. The result fromthecorrelationanalysisisindicates that financial reporting timeliness has asignificantrelationshipwithROA, sales, implying that ROA, and sales has potential to influence financial reporting timeliness ofconsumergoodsfirm. However, theresult also showsthat there issignificantrelationshipbetween financial reporting timeliness andROA, indicatingthatincreases in ROAhaspotentialtoinfluence on the financial reporting timeliness.

The correlationresultshowsthattheindependentvariablesare correlated, indicatingthatthereis the problemofmulticollinearityamongtheindependentvariables. However, Pearson'scorrelationcoefficientsclearly showthatthereisproblemofmulticollinearity. Robustness test was run to correct this problem. The followingtablepresentsthe VIF tochecksforthepossibilityofmulticollinearityandheteroscedasticity. Also, presenthereistheHausmantestandtheBreusch-Pagan Lagrange Multiplier (LM) test.

Table 2: Diagnostic Tests

	Prob> chi2	VIF	1/VIF
sa		4.26	0.234773
Roa		2.26	0.443121
Mean		3. 37	
Hottest	0.1086		
Hausman Test	0.000		

Source: STATA 13.0 Output 2022

Table2showstherobustnesstesttochecksforthepossibilityofmulticollinearity. The Variance Inflation Factor (VIF) revealstheabsenceofitisallfactorsarebelow 10 andintolerancevaluesarebelow 1. This isbased on ruleofthumb, whichsaysthatifthe VIF ofvalueexceeds 10, thatvalueissaidtobehighlycollinear. Table2 alsopresentsthe Breusch-Pagan/Cook-Weisberg testforheteroskedasticitywhichshows p-value of 0.1086, indicatingan absence ofheteroscedasticityasthe p-value isgreaterthan 0.05.

Panel datawastestedusingafixedeffect, randomeffect, andpooled OLS regressionmodels. In ordertodeterminewhichofthemodelswasappropriatefort hestudy, Hausmantestis used. The Hausmantestdeterminesthemoresuitablemethodologybetweenfixedandrandomeffect.

The resultintable 4 alsoindicatesthatweacceptthenullhypothesisthatthedifferencesbetweenthecoefficientsofthefixedandrandomeffectmodelsare not significant. This isbecausethe prob Chi^2 of 0. 0.000is lesser than0.05. Therefore, thetestconcludesthatfixedeffectistheoptimalmodeltobeemployedinthisstudy. This implies that fixed effect isthemostappropriatemodelforthestudy.

Table i5presentstheresultsobtainedfromequation

$frt_{it} = \beta 0_{it} + \beta_1 roa_{it} + \beta_2 sai_{it} + \varepsilon_{it}$

In thisequation, thedependentvariable (financial reporting timeliness) is regressedagainstitsdeterminants (roa, and sa). The regressionresultsreveal a positiveandsignificantrelationshipbetweenlast two independent variablesand financial reporting timeliness whilethefirstshowsnosignificantrelationship. The resultimpliesthatupwardmovementin financial reporting timeliness isaccompaniedbyanincreasedinfirmsize and sales. Put differently, sales positivelyimpact on financial reporting timeliness.

Table 3: Summary of Regression Result

Variables	Coefficient	t value	p value
Constant	-.3888552	-1.29	0.199
Roa	.0106633	0.14	0.890
Sa	.11282	6.82	0.000
R^2			0.8927
Wald chi^2			68.41
F-sig			0.0000

Source: STATA 13.0 Output 2022

From table 3, the R^2 overall (0.8927) which is the total variation of determination gave the proportion of the total variation in the dependent variable explained by the independent variable jointly. Hence, it signifies that 89.27% of the total variation in a financial reporting timeliness of listed Consumer Goods firms in Nigeria was caused by their ROA, and sales.

The Wald Chi^2 of 68.41 which is significant at 1% indicates that the financial reporting timeliness and the determinants model is fit. This indicates that the model is fit and the independent variables are properly selected, combined and used. This implies that for any changes in the explanatory variables of listed Consumer Goods Firms in Nigeria, their financial reporting timeliness will be directly affected. The value of Wald Chi^2 which is statistically significant at a level of 0.0000, means that there is a 99.9% probability that the relationship between the variables was not due to a mere change.

The hypothesesofthestudyaretestedasfollows:

Ho_1: ROA hasnosignificanteffecton financial reporting timeliness oflistedconsumergoodsfirmsinNigeria.

The resultintable3showsthatROA has insignificant influence in predicting financial reporting timeliness oflistedconsumergoodsfirmsinNigeria. The ROAoflistedconsumergoodsfirmsinNigeria haveinsignificant relationship with financial reporting timeliness. Since the p-value inrespectofROAto financial reporting timeliness isnot significant even it 10%, theresultprovidesevidence of accepting the hypothesis one ofthestudy.

Ho_2: Sales has nosignificanteffecton financial reporting timeliness ofthelistedconsumergoodsfirmsinNigeria.

The resultintable3showsthatislesissignificantinpredicting financial reporting timeliness oflistedconsumergoodsfirmsinNigeria. The islesoflistedconsumergoodsfirmsinNigeriahavea significant relationshiptothe financial reporting timeliness. Since the p-value withrespecttoislesto financial reporting timeliness issignificant at 1%, the resultprovidesevidenceof rejecting thehypothesisfourofthestudy.

V. CONCLUSIONS AND RECOMMENDATIONS

In line with the findings of this research, the study concludes that profitability are significant in improving the financial reporting timeliness of the listed consumer goods firm in Nigeria during the period covered by the study.

Similarly, the study concludes that, sales have significant positive effect on financial reporting timeliness of the sample firms; implying that large sales volume increase financial reporting timeliness in the sample firms.

Thestudy,therecommendations that:

i. The management of listed consumer goods firm in Nigeria should try to continue improving in the profitability of the firms by trying to reduce waste and increase efficiency as the increase of decrease of it will not effect on financial reporting timeliness.

ii. Sales of the listed consumer goods firm in Nigeria should continue to be improved by the effective management of the firm's both human and natural resources, without being mindful of the fact that it increases firm reporting timeliness as without increase in sales, profitability will suffer.

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