Integrated Reporting and Fundamental Qualitative Characteristics of Financial Statements of Nigerian Listed Companies

Author's Details: (1) **L. A. Agbetunde Ph.D** (2) **A. K. Hassan** (3) **L. B. Adedokun**
(1) (2) (3)Yaba College of Technology, Yaba Lagos +2347082288901; lateef.agbetunde@yabatech.edu.ng

Abstract
The paper examined the effect of integrated reporting on the fundamental qualitative characteristics of financial statements among listed companies in Nigeria. It adopted survey design using questionnaire to elicit responses from stakeholders in financial reporting chain. Responses were analysed with descriptive and inferential statistics. The paper found that integrated reporting, measured by financial, manufactured, natural, intellectual, social responsibility and human capitals, exerted significant effect on the fundamental qualitative characteristics of financial statements of listed companies in Nigeria. Individually, the two highest contributions came from non-financial capital. The paper concluded that integrated reporting exerted significant effect on the fundamental qualitative characteristics of financial statements. The paper recommended, among others that, companies listed on Nigerian stock exchange should be mandated to be publishing integrated reporting for the use of their stakeholders, and that the government, relevant professional bodies, the regulators and gatekeepers should contribute their own quotas towards its successful practices.
***Keywords**: Financial capital, financial statements, Fundamental qualitative characteristics, integrated reporting, Non-financial capital*

1 Introduction

The primary objective of financial reporting is to provide information useful for both external and internal decision makers. However, several recorded accounting scandals over the world have undermined investors' reliance on published financial statements in recent time (Akeju & Babatunde, 2017; Mbobo & Ekpo, 2016; Ogundana, Ojeka, Ojua & Nwaze, 2017; Tontiset & Kaiwinit, 2018). This challenge is aggravated by the increasing complexity of international business environment, new reporting stipulations, increased regulations, codes, standards, and guidelines (IIRC, 2011). These have led to demand for qualitative information from companies which culminated into wide and complex financial reports, with technical details that only financial information is not sufficient to satisfy the users (IIRC, 2011).

Among efforts and steps taken to meet these challenges is the improvement been suggested by the International Financial Reporting Standards (IFRS) which became applicable by firms listed on stock exchanges across the globe (European Commission, 2011). Nigeria is not left out in this race, as it adopted the IFRS in addition to the requirements stipulated by domestic laws and regulations stipulated by the Financial Reporting Council of Nigeria (FRCN) to ensure preparation of qualitative financial statements for the use of stakeholders in their decision making.

According to Adhariani and de Villers (2018) and Kilic and Kuzey (2018), one of the principal fallouts of the global financial crisis in the last two decades was the realization that the traditional financial reporting framework, with its emphasis of financial performance, could not provide sufficient insights into the total economic worth of organizations and that they lack the ability to create value for the future. Bhasin (2017) also affirmed that the information needed to assess organization's capacity to sustainably create value over time cannot be ensured from the current corporate reporting model. These support the position of Demirel and Erol (2016) positing that, it is not possible to evaluate the real value of a firm solely with financial metrics alone. It is therefore argued that such reports were no longer keeping pace with the economic reality that can address the needs of a wide stakeholder audience. Bhasin (2017) argued that the content of corporate reporting should expand to address the wider needs for corporate information, regarding both financial and non-financial matters

with a short and long term focus. The paper therefore, suggested the need for a paradigm shift to Integrated Reporting (IR) which brings together financial and non-financial measure in one piece of report.

This study therefore investigated integrated reporting and quality of financial reporting with a view to assessing if integrated reporting could address the identified deficiencies in the quality of financial reporting and restore the trust of the stakeholders in published financial statements especially as it relates to fundamental qualitative characteristics of financial statements (Olayinka, Olojede & Olaoye, 2017; Otusanya, Ajibolade & Omolehinwa, 2012).

2.1 Conceptual Review

Integrated Reporting

In 2011 the International Integrated Reporting Council (IIRC) through a discussion paper titled: 'Towards Integrated Reporting Communicating Value in the 21st Century, outlined the fundamental elements proposed by IIRC as forming the basis for Integrated Reporting. The discussion paper describes an integrated report as a concise communication about how an organization's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term (IIRC, 2011). While the information from IR will be of benefit to a range of stakeholders, they are principally aimed at long term providers of financial capital.

According to IIRC (2011), the five Guiding Principles offered for Integrated Reporting (IR) are; Strategic focus, Connectivity of information, Future orientation, Responsiveness and stakeholder inclusiveness, as well as Conciseness, reliability and materiality. Content elements are also given for IR as qualitative criteria designed to determine that a report includes sufficient relevant information on the content elements. These elements are; Organizational overview and business model, Operating context, including risks and opportunities, Strategic objectives and strategies to achieve those objectives, Governance and remuneration, Performance, and Future outlook.

Under the integrated reporting framework, six value creating capitals must be reflected in an integrated report. The six capitals identifies by the framework are: financial, manufactured, intellectual, human, social and relationship, and natural capital (IIRC, 2013). These value creating capitals are considered relevant to the life of a firm in the process of producing its products and/or services available to its consumers. Each of these are explained here.

Financial Capital. The IIRC's Framework defines financial capital as 'the pool of funds that is available to an organization for use in the production of goods or the provision of services, obtained through financing, such as debt, equity or grants, or generated through operations or investments' (IIRC, 2013).

Manufactured Capital. Manufactured Capital is seen as human-created, production-oriented equipment and tools. Manufactured capital may take the form of physical objects, such as buildings, infrastructure, and equipment that can be used by an organization to produce goods or services. A company's manufactured capital is measured through its reported values for Roads, Bridges, Water Treatment Plants, Property, Plant and Equipment (PPE). Hoque (2017) posited that IR provides a platform to track the company's physical assets and other equipment more professionally.

Intellectual Capital. Intellectual capitals are intangibles that provide competitive advantage, including intellectual property (such as patents, copyrights, software, rights, licences, etc.). It also includes the intangibles that are associated with the brand and reputation that an organization has developed. These are knowledge-based intangibles such as intellectual property or 'organizational capital, knowledge of the business held by

employees and managers that is difficult to communicate'. Intellectual capital is carried by the organization, although possessed by its workforce.

With the emergence of globalization and the knowledge economy, creative capabilities and innovation, with the associated skills and experience possessed by an entity's workforce, intellectual capital, have become the basis for success and development of the firms, eventually leading to added value of a company's products as well as enhancing its competitive position. This is against what obtained in the first half of the last century when the success of companies are measured by what physical capital (or assets) they owned (Al-Hajaya, Altarawney & Altarawney, 2019; Catalfo & Wolf, 2016).

Social and Relationship Capital. The institutions and relationships established within and between each community, group of stakeholders and other networks to enhance individual and collective well-being. This also includes the ability to share information to enhance individual and collective well-being. This type of capital is carried by the network of human beings. Through Social and Relationship capital, there is constant stakeholders' engagement whereby issues of common interests are deliberated upon and resolved in the most amicable manner (IIRC, 2013).

Human Capital. This represents people's skills and experience, and their capacity and motivation to innovate. The human capital is comprised of the competencies, capabilities, and experience, as well as motivations to innovate on a firm's human resources. Human capital may also include employees' alignment with the firm's governance framework, ethical values and risk management practices, abilities to develop and implement the firm's strategy; and motivating and commitment to improve the firm's processes, goods, and services (IIRC, 2013). Al-Hajaya, Altarawney & Altarawney (2019) asserted that the human element has become the main source of company growth, because knowledge is linked to such growth and development of the entity.

Natural Capital. Natural Capital is an input to the production of goods or the provision of services. An organization's activities also impact positively or negatively, on natural capital. Natural capital is seen as "all renewable and non-renewable environmental resources that provide goods or services that support the past, current or future prosperity of an organization". This natural capital is argued to be very essential to business sustainability (Fenichel & Hashida, 2019).

Fundamental Qualitative Characteristics of Financial Statements

Financial reporting quality is the aptitude of accounting process and measurements to present the company's financial position and performance (Owolabi, Jayeoba, Ajibade,. & Kwarbai, 2016). The analysis of this definition shows that the core value of accounting process is to provide relevance and reliability of financial information which is useful for decision making. This indicates that the main objective of accounting reporting quality is to minimize the manipulating effects and intention of managers towards misleading investors and other stakeholders (Francis, Lafound, Olsson & Schipper, 2006). Financial information must be relevant and faithfully represent the entity's operation and position for it to be useful for investment and financing decision making (Masliza, Wasiuzzaman, Shahriar & Zaini, 2018). The International Accounting Standards Board (2011) gave the attributes that a good financial information must possess before it can be considered to have good quality. These are referred to as the Qualitative Characteristics of accounting information. These qualitative characteristics are six. Two of them are termed fundamental, while the remaining four qualitative characteristics are enhancing. The fundamental qualities are referred to as the "must have" attributes, while the enhancing are the "nice to have" attributes. The must haves fundamental qualities, the focus of this study, are the relevance and faithful representation.

Relevance of Financial information. Relevance of financial information refers the information's capacity in creating the difference in decision making process by the users. This is to say that financial information must

have the capacity of influencing decision towards predicting value, and confirmation of the value of a specific item. Financial information has relevance capacity if the outcomes of decision made therefrom can be reliably predicted based on current and past situations of business (Power, 2010). Such information can be used as predictors of future longevity of business (Bambang, Kot, Adiati & Nur, 2018; Olayinka, Olojede & Olaoye, 2017). The IASB (2011) considered financial information relevance if it has predictive and confirmatory value. This means that an information from the company must have capacity to provide important future cash flows. The attribute of forward-looking implies that financial reports should explain and describe the expectations of managers. It can therefore be argued that, for a financial statements to be relevant, it should contain financial and non-financial information that are useful for clarification of decision by providing business opportunities, risks and other useful business strategies (Tarios & Bekiaris, 2017).

The relevance of accounting information is measured by the fair values presented in the financial statements that provide the current status of each and every assets, liabilities and value of capital employed and lack of management manipulation of figures presented in financial statements (Lara, Osma & Penalva, 2014).

Faithful Representation of Financial Information. For financial information to be useful to decision makers, it must faithfully represent the financial position and performance of a company. The financial statements must reflect economic substance of all transactions that took place during the accounting period, their clear disclosures are useful in decision making (Owolabi, Jayeoba, Ajibade,. & Kwarbai, 2016). Faithful representation is attained when "the depiction of the economic phenomenon is complete, neutral and free from material error" (IASB, 2008). Olowokure, Tanko and Nyor (2016) suggested that the basis of effective decision making process in financial terms is related to this faithful representation characteristics of financial statements. Financial reports should contain neutral information and freedom from errors and mistakes (Salehi & Kangarlouei, 2010). Cheung, Evans and Wright (2010) argued that this quality of financial information been free from bias, without material mistakes and errors ensures that decision makers would not draw decisions which is wrong and waste their investments.

It could therefore be postulated that a financial statements containing both financial and non-financial details integrated in a single report as offered by the IR would assist in ensuring fundamental qualitative characteristics of relevance and faithful representation of the economic substance of the transactions and position for the reporting period.

2.2 Theoretical Review

This study is anchored on the Shareholders Theory as propounded by Freeman (1984). It assumes that firms do not only exist for the benefits of its investor owners alone, but also several other stakeholders. These other stakeholders include customers, suppliers, governmental bodies, political groups, trade associates, organisations, trade unions, communities, potential employees, prospective customers and the public at large. The theory used as a tool to identify those stakeholders to whom an organisation should be accountable as an organisation. According to Freeman (1984), stakeholders are any group or individual who can affect or is affected by the achievement of the organisational objectives. Therefore, an organisation identifies its key stakeholders then makes efforts to manage them effectively, and corporate reporting is one means by which corporations could manage their stakeholders. Each of these group of stakeholders have their information needs which current traditional form of reporting financial statements is not able to offer.

2.3 Empirical Review

Mahboub (2017) posited that the purpose of financial statement is to provide reliable information about the financial position, performance and relevant changes in financial position of a company or business. When these financial statements are released, they can have great impacts on the business and on the investors. This makes it essential that the information contained therein are correct, relevant, reliable and faithfully represents

the economic values of the firms they purport to represent. Other researchers with this view include Bhasin (2017) and Nwaobia, Kwarbai and Ajibade (2016) called for a wider focused attention with a view to rebuilding the investors' confidence and supporting the sustainability of the firm's operations.

Studies established that, for financial information to be described as possessing good quality, such an information must, among others, be relevant and faithfully represents what it purports to represent in real and economic life (IASB, 2010; Ogundana, Ojeka, Ojua & Nwaze, 2017). According to Matuszyk and Rymkiewicz (2018) and Owolabi, Jayeoba and Ajibade (2016), the traditional form of preparing financial statements does not provide the key information expected by stakeholders to assure required transparency, and also enhance the scope of information presented to guarantee reliable financial forecasts and decision making. It therefore failed to meet the expectations of many stakeholder groups especially as relates to providing non-financial information. A fundamental unresolved issue is therefore how to build the stakeholders' confidence through the presentation of high Quality Financial Reports (QFR). This appears to support the argument that Integrated Reporting (IR) is the way to go now (Salaudeen, Ibikunle & Chima, 2015). But not all countries have adopted this idea of Integrated Reporting.

Mbobo and Ekpo (2016) argued that, among others, relevance and faithful representation are important factors that permit economic and financial decisions to be taken effectively and that professional accountants attach much attention to these qualities while preparing financial statements. The two are the fundamental (must have) qualities in financial reporting system.

Empirical studies have also found this fundamental quality of financial reporting having significant effect on firms' performance of companies. They are essential to reduce conflicts of interests between interested parties (Ahmed & Duellman, 2011). Chen, Firth, Gao, and Rui (2006) also established that they are essential in minimizing risks from information asymmetry. Capital market participants perceived the quality of financial statements as been significant to their investment decisions making (Kibiya, Ahmad & Amran, 2016). To assure these qualities in financial information is achieved, s stakeholders are increasingly demanding environmental, social and governance information (Hurks, Langendijk & Nandram, 2018).

Hoque (2017) saw the issues of sustainability and transparency as being responsible for increasingly creating rigidity for both stakeholders and management (Gore & Blood, 2010). Hoque (2017) argued that stakeholders also want to know the effects of company's activities on the environment, impacts on society and most importantly about their financial position. The study further posited that integrated reporting shows the holistic picture of a company about future targets as well as links between financial performance and non-financial performance. This position is supported by other studies suggesting that IR brings more transparency on corporate commitment to sustainability by linking financial and sustainable performance, in a single document (Adams, 2015; Eccles & Krzus, 2010).

Looking into the components of IR, the essence of accounting and reporting intellectual and human capital on financial reporting quality was specifically emphasised by studies like Apiti, Ugwoke and Chiekezie (2017) who observed that proper management of IC has significant impact on firms' financial performance and financial reporting quality (FRQ). Al-Hajaya, Altarawney and Altarawney (2019) noticed that the success of companies in the first half of the last century was largely measured by the size of their labour force. Other studies also argued that intellectual capital, have become the basis for success and development of firms, and eventually led to added value of a company's products as well as enhancing its competitive position (Catalfo & Wolf, 2015; Curado, Henriques & Bontis, 2011).

The need to account for and report Social Relationship Capital was also argued by several authors. For instance, Malek-Yonan, Bakhtiar and Rafsanjani (2016) observed that non-financial measures like social relationship and stakeholders' engagement among stakeholders of companies creates a positive environment that drives the firms to perform better on their corporate objectives. Fenichel and Hashida (2019) argued that natural capital is a resource that must be nurtured and measured by all entities across the world, as they represent sustainable assets

that could be pass on from generation to generation. They added that natural capital as an element of Integrated Reporting must be subjected to the theory of sustainability and the theory of measurement, i.e. measuring the value of natural capital. The authors opined that natural capital must be protected, nurtured and valued as national stock of value.

Studies are thus incidentally, calling for universal framework and a consistent approach for reporting human and intellectual capital (Adhariani & de Villiers, 2018). Arising from this review, it can be deduced that stakeholders have recorgnised the need to ensure qualitative characteristics of financial reporting and postulating that integrated reporting are essential to ensuring this qualitative characteristics especially the fundamental qualitative characteristics of relevance and faithful representation.

3 Methodology

The study adopted a survey research design to collect primary data with structured questionnaire from population comprising of the stakeholders on financial reporting chain in Nigeria. A sample of 475 respondents were selected through stratified sampling technique. The instrument, administered on the respondents in their natural environments, gave a validity rate of 0.920 for integrated reporting with 30 items and 0.625 for financial reporting quality using 5 items. A response rate of 85.5% achieved. Data were analysed using descriptive and regression statistics.

4 Analysis and Discussion

4.1 Descriptive Analyses

A total of 475 copies of the questionnaire was distributed with a response rate of 85.5% achieved. The respondents include 58.7% male to 41.3% female. Age distribution shows that respondents within 36 to 45 age group gave highest percentage of 53.4%, followed by those within 46 and 55 age group. Those below 35 years were 6.3% of the respondents, same with those within 56 to 65 years. Those above 65 years were the list with 1.3%. All respondents had educational of Higher National Diploma of Bachelor's degree, with 5.9% of them having professionally qualifications. Of these, 82.1% had above 5 years' working experience. Stakeholders group analysis revealed that 49.8% were Shareholders, 15.8% were Brokers/Investment Analysts, 10.6% were Regulators/Inspectors (FRCN Officials), 8.2% were Regulators/Inspectors (ICAN registered Auditors), 10% were Regulators/Inspectors (Securities and Exchange Commission Officials),and 5.6% were South African Bank Staff.

Importance of disclosing information about the value creating capital on financial statements

Table 1: Responses on the importance of Integrated Reporting (%)

Variables	SA	A	PA	PD	D	SD	Mean	Remarks
Financial Capital	14.6	74.5	10.6	0.3	-	-	5.0331	Agree
Manufactured Capital	20.8	71.0	7.6	0.7	-	-	4.986	Agree
Intellectual Capital	6.3	73.3	17.2	2.6	0.7	-	4.8185	Agree
Social Relationship Capital	17.3	67.8	13.3	1.3	0.3	-	5.0033	Agree
Human Capital	9.2	74.6	14.9	1.0	0.3	-	4.9142	Agree
Natural Capital	8.3	72.4	18.3	1.0	-	-	4.8804	Agree
Integrated Reporting	9.4	1.3	82.2	6.4	0.7	-	5.0235	Agree

Source: Authors' computation (2020)

On average, the result (mean values of 5.0331, 4.986, 4.8185, 5.0033, 4.9142, 4.8804, and 5.0235) showed that recognition and reporting information about each of the financial capital, manufactured capital, intellectual capital, social relationship capital, human capital, and natural capital would add to the value of information on the financial statements of listed companies in Nigeria.

Fundamental Quality of Information of the Financial Statements of Listed Companies

Table 2: Analysis of Financial Reporting Quality Variables- Fundamental

Variables	SA	A	PA	PD	D	SD	Mean	Remarks
Faithful Representation	31.0	63.0	6.1	-	-	-	5.2492	Agree
Relevancy	11.6	76.6	11.6	0.3	-	-	4.9934	Agree
Fundamental Characteristics	24.6	70.7	4.7	-	-	-	5.1987	Agree

Source: Authors' computation (2020)

Results of Table 2 shows that respondents on average agreed (mean = 5.2492) that information on the financial statements of listed companies in Nigeria faithfully represents the results of the operations and position of listed companies in Nigeria. Similarly, on the average, they agreed that information on the financial statements of listed companies in Nigeria is relevant to stakeholders' decision making.

On aggregate, the results (mean = 5.1987) revealed that respondents' opinion, on the average, is that information on the financial statements of listed companies in Nigeria had fundamental qualitative characteristics.

4.2 Inferential Analysis

Table 3: Summary of Results

Predictors	Fundamental Quality	Faithful Representation	Relevance
Adjusted R^2 of IR	0.360*	0.284*	0.217*
Financial Capital	0.146*	0.290*	N S
Manufactured Capital	N S	N S	N S
Intellectual Capital	N S	0.122*	NS
Social Responsibility. Capital	0.343*	0.201*	0.235*
Human Capital	0.230*	0.269*	N S
Natural Capital	N S	N S	0.108*

Source: Authors' computation (2020)

Note:
* = significant at 5%
N S = Not significant

Effect of Integrated Reporting on the Fundamental Quality of Financial Reporting

The result in Table 3 shows *Adjusted* R^2 of 0.284, 0.217 and 0.350 respectively for faithful representation, relevance and fundamental quality of financial reporting, each with $P < 0.05$. These suggest that integrated reporting had significant effect on the fundamental quality of financial reporting as well as its two components, faithful representation and relevance. These imply that integrated reporting exerts 35% positive effect the fundamental quality of financial reporting. Breaking this down, the effect of integrated reporting on the faithful representation quality was found to be 0.284 while that of relevance was 0.217. These implication is that fundamental quality of financial report of a company would be increased by 0.35, if it produces integrated reporting. If a company produce integrated reporting, the faithful representation quality of the financial statements of such entity would be induced by 0.284. Likewise, the relevance quality of the financial statements of such entity would be induced by 0.217. This finding agrees with the study's a-priori expectation that integrated reporting would exert a positive significant effect on the fundamental quality of financial statements of entities in Nigeria. This finding is supported by studies like Al-Hajaya, Altarawney and Altarawney (2019), Apiti, Ugwoke and Chiekezie (2017), as well as Okwy and Christopher (2010) which postulated that disclosure of non-financial information along with the financial information on the financial statements of an entity would induce the quality of such financial statements.

Contribution of the Components of Integrated Reporting on improvement in the Fundamental Quality of Financial Reporting

Contribution of the financial capital on the Improvement: The result (FND: β = 0.146*; FR: β = 0.290) revealed that reporting information about financial capital made significant contribution to changes in the fundamental quality of the financial statements by 0.146. Contribution of the disclosure of information about financial capital made significant contribution of 0.290 to changes in the faithful representation quality of the financial statements and no significant improvement on the relevance quality. The implication is that if an entity discloses information about the financial capital on its financial statements, the fundamental quality of such financial statements would be enhanced by 14.6%. The improvement that would happen to the faithful representation quality of such financial statements would be 29%.

Contribution of the manufactured capital to the improvement: The result (FND: N S, FR: N S; REL: N S) revealed that reporting information about manufactured capital did not made significant contribution to changes in the fundamental quality of the financial statements or either of the faithful representation quality and relevance quality of the financial statements. These imply that, if an entity discloses information about the manufactured capital on its financial statements, there would be no significant improvement to the fundamental quality of such financial statements and none of the faithful representation quality and relevance qualities would be significantly improved.

Contribution of the intellectual capital on the improvement: The result (FND: N S; FR: β = 0.122; REL: N S) revealed that reporting information about the intellectual capital did not made significant contribution to changes in the fundamental quality of the financial statements. It contributed 0.122 to changes in the faithful representation quality of the financial statements and no significant improvement on the relevance quality. These suggest that, if an entity discloses information about the intellectual capital on its financial statements, there would be no significant improvement to the fundamental quality of such financial statements and none to the relevance quality. Meanwhile the faithful representation quality would be significantly induced by 12.2%.

Contribution of the social responsibility capital: The result (FND: β = 0.343*; FR: β = 0.201; REL: β = 0.235) revealed that reporting information about social responsibility capital made significant contribution to changes in the fundamental quality of the financial statements by 0.343. Contribution of the disclosure of information about social responsibility capital made significant contribution of 0.201 to changes in the faithful representation quality of the financial statements and 0.235 improvement on the relevance quality. By implication, if an entity discloses information about the social responsibility capital on its financial statements, the fundamental quality of such financial statements would be more enriched by 34.3%. The improvement that would happen to the faithful representation quality and relevance quality of such financial statements would be 20.1% and 23.5% respectively.

Contribution of the human capital: The result (FND: β = 0.230*; FR: β = 0.269; REL: N S) revealed that reporting information about human capital made significant contribution to changes in the fundamental quality of the financial statements by 0.230. Contribution of the disclosure of information about human capital made significant contribution of 0.269 to changes in the faithful representation quality of the financial statements and no significant improvement on the relevance quality. Impliedly, if an entity discloses information about the human capital on its financial statements, the fundamental quality of such financial statements would be more enriched by 23% and the faithful representation quality of such financial statements by 26.9%. The relevance quality of such financial statements would not be significantly induced at all.

Contribution of the natural capital: The result (FND: β = N S, FR: β = N S; REL: β = 0.108) revealed that reporting information about natural capital did not made significant contribution to changes in the fundamental quality of the financial statements. Contribution of the disclosure of information about natural capital did not made significant contribution to the changes in the faithful representation quality of the financial statements and made a significant improvement of 0.108 to the relevance quality of the financial statements. The practical

implication of this is that an entity in Nigeria may improve the relevance quality of its financial statements by 10.8%, if it improves in disclosing of information about natural capital on such financial statements.

In summary, integrated reporting by including both financial and non- financial information of an entity on its financial statements exerted significant improvement to the fundamental quality of such financial statements among stakeholders in Nigeria. Individually, the components of integrated reporting that gave significant contribution to the variation are financial, social responsibility capital and human capital. Manufactured, intellectual capital and natural capital did not give significant contribution to the variation in the fundamental quality of financial statements of entities based on the perception among stakeholders in Nigerian companies.

Comparatively, the disclosure of information about social responsibility capital on the financial statements of an entity gave the highest contribution of 0.343 to the changes in the fundamental quality of such financial statements. This is followed by the contribution from the disclosure of information about the human capital, before the contribution from disclosure of information about financial capital. It is noteworthy that the two highest degree of contribution happened to come from non-financial capital of integrated reporting. This suggests the level of importance placed on the value of disclosing information about non-financial capital relative to financial capital by stakeholders in financial responding in Nigeria. This result is supported by the positions of earlier authors arguing the relevance of disclosing non-financial information to the quality of entity's financial statements.

5 Conclusion

The paper, from the findings, concludes that integrated reporting proxied by financial capital, manufactured capital, natural capital, intellectual capital, social responsibility capital and human capital, exerted significant effect on the fundamental quality of financial statements of listed companies in Nigeria. Individual contributions of the components of integrated reporting to the changes in the fundamental quality of financial statements that is significant are from financial capital, human capital and social responsibility capital.

6 Recommendations

Based on the findings in this study that inclusion of non-financial information along with the financial information on an entity's financial statement exerted significant effect on the fundamental quality of such financial statements, it is recommended that:

Companies listed on Nigerian stock exchange should in a short time be disclosing non-financial information about their activities in their published financial statements in order to induce the fundamental quality of their financial statements; Government and the regulatory agencies like Financial Reporting Council of Nigeria, Securities and Exchange Commission, and Nigerian Stock Exchange should give laws, rules and regulations mandating listed companies in Nigeria to be disclosing integrated reporting in their financial statements. Professional bodies like the Institute of Chartered Accountants of Nigeria (ICAN) should empower their members and students on integrated reporting through education and trainings like Mandatory Continuous Professional Education (MCPE) as well as improved syllabus for students' education and certification. Companies should train their staff saddled with preparation of financial statements, on the principles and practice of integrated reporting so as to be more competent in the art of preparing integrated reporting for their companies.

References

i. *Adams, C. A. (2015). The international integrated reporting council: A call to action. Critical Perspectives on Accounting, 27(1), 23-28.*

ii. *Adhariani & de Villiers (2018). The determinants of forward looking disclosures in integrated reporting. Managerial Auditing Journal, 15(3), 357-374.*

iii. *Ahmed, A., & Duellman, S. (2011). Evidence on the role of accounting conservatism in monitoring manager's investment decision. Accounting and Finance Journal, 51(3); 6090- 6633.*

iv. *Akeju, J. B. & Babatunde, A. A. (2017). Corporate governance and financial reporting quality in Nigeria. International Journal of Information Research and Review, 4(2), 3749-3753.*

v. *Al-Hajaya, K., Altarawneh, M. S. & Altarawneh, B. (2019). Intellectual capital disclosure by listed companies in Jordan: A comparative inter-sector analysis. International Review of Management and Marketing, 9(1), 109-116.*

vi. *Apiti, C. U., Ugwoke, R. O. & Chiekezie, N. R. (2017). Intellectual capital management and organizational performance in selected food and beverage companies in Nigeria. International Journal of Advanced Research and Management (IJASRM), 2(1), 47-58.*

vii. *Bambang, S., Kot., S., Adiati, A. K. & Nur, A. L. (2018). Sustainability reporting and value relevance of financial statements. Journal of Sustainability Reporting, 10(4), 2-1*

viii. *Bhasin, M. L. (2017). Integrated Reporting: The future of corporate reporting. International Journal of Management and Social Sciences Research (IJMSSR), 6(2), 17-31.*

ix. *Catalfo, P. & Wolf, I. (2015). Intangible disclosures in management commentary regulation in Germany and Italy: A semantic approach. Journal of Intellectual Capital, 17(1), 103-119.*

x. *Chen, G., Firth, M., Gao, D. N. & Rui, O. M. (2006). Ownership structure, corporate governance, and fraud evidence: Evidence from China. Journal of Corporate Finance.*

xi. *Cheung, E. , Evans, E. , & Wright, S. (2010). An historical review of quality in financial reporting in Australia. Pacific Accounting Review, 14(5), 89-102.*

xii. *Curado, C., Henriques, L. & Bontis, N. (2011). Intellectual capital disclosure payback. Management Decision, 49(7), 1080-1098.*

xiii. *Demirel, B. & Erol, I. (2016). Investigation of integrated reporting as a new approach of corporate reporting. International Journal of Business and Social Research, 8(10), 32-46.*

xiv. *Eccles, R. G. & Krzus, M. P. (2010). One report: Integrated reporting for a sustainable strategy (Hoboken, John Wiley & Sons).*

xv. *European Commission (2011). Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee.*

xvi. *Fenichel, E. P. & Hashida, Y. (2019). Choices and the value of natural capital. Oxford Review of Economic Policy, 3(1), 120-137.*

xvii. *Francis, J., LaFond, R. , Olsson, P. , & Schipper, K. (2014). Cost of equity and earnings attributes. The Accounting Review, 79(4), 967-1010.*

xviii. *Freeman, R. E. (1984). Strategic management: A stakeholders approach. Boston, MA.*

xix. *Gore, A., & Blood, D. (2010). Towards sustainable capitalism. Wall Street Journal, Eastern Edition, 24, 21*

xx. *Hoque, M. E. (2017). Why companies should adopt integrated reporting? International Journal of Economics and Financial Issues, 7(1), 241-248.*

xxi. *IIRC (2011). Discussion paper: Towards integrated reporting – Communicating value in the 21st century.*

xxii. *IIRC (2013). The international integrated reporting framework. Retrieved from http://integratedreporting.org/wp-content/uploads/2013/12/13-12-08-THEINTERNATIONAL- IR-FRAMEWORK-2-1.pdf.*

xxiii. *International Accounting Standards Board (2011). The conceptual framework for financial reporting, 21- 52.*

xxiv. *Kibiya, M. U., Ahmad, A. C., & Amran, N. A. (2016). Audit committee characteristics and financial reporting quality: Nigerian non-financial listed firms. The European Proceedings of Social & Behavioural Sciences Journal, 9(3). 753-759.*

xxv. *Kilic, M. & Kuzey, C. (2018). Determinants of forward-looking disclosures in integrated reporting. Management Auditing Journal, 3(7), 25-42.*

xxvi. *Lara, G. J. M. A. , Osma, B. G. A. & Penalva, F. (2014). Information consequences of accounting conservatism. European Accounting Review, 23.*

xxvii. *Mahboub, R. (2017). Main determinants of financial reporting quality in the Lebanese banking sector. European Research Studies Journal, 20(4B), 706-726.*

xxviii. *Malek-Yonan, R., Bathtiar, M. & Rafsanjani, M. (2016). Analytical study on the importance of non-financial information in company reporting. International Journal of Management and Business Studies, 6(3), 251-255*

xxix. *Matuszyk, I. & Rymkiewicz, B. (2018). Integrated reporting as a tool for communicating with stakeholders: Advantages and disadvantages. Open Access Journal.*

xxx. *Mazliza, W. W. M., Wasiuzzaman, S. , & Zaini, R. M. (2018). The effect of audit committee characteristics on financial restatements in Malaysia. Journal of Asia-Pacific Business, 19(3), 4-22.*

xxxi. *Mbobo, M. E., & Ekpo, N. B. (2016). Operationalizing the qualitative characteristics of financial reporting. International Journal of Finance and Accounting. 5(4), 184-192.*

xxxii. *Nwaobia, A. N., Kwarbai, J. D. & Ajibade, A. T. (2016). Financial reporting quality on investors' decisions. International Journal of Economics and Financial Research, 2(7), 140-147.*

xxxiii. *Ogundana, O., Ojeka, S., Ojua, M. & Nwaze, C. (2017). Quality of accounting information and internal audit characteristics in Nigeria. Journal of modern accounting and auditing, 13(2), 333-344.*

xxxiv. *Olayinka, E. O., Olojede, P. & Olaoye, O. (2017). Value relevance of accounting data in the pre and post IFRS era: Evidence from Nigeria. International Journal of Finance and Accounting, 6(3), 95-103.*

xxxv. *Olowokure, T., Tanko, M. & Nyor, R. (2016). The value relevance of intellectual capital and the imperativeness of reporting it in the financial statements of listed firms. Journal of Finance and Economics, 15(8), 114-132*

xxxvi. *Owolabi, S., Jayeoba, O., Ajibade, A. & Kwarbai, J. D. (2016). Financial reporting quality on investors' decision making processes. International Journal of Economics and Financial Research, 2(7), 140-147.*

xxxvii. *Power, M. (2010). Fair value accounting, financial economics and the transformation of reliability. Accounting and Business Research, 40(5), 180-197.*

xxxviii. *Salaudeen, Y. M., Ibikunle, J. & Chima, E. I. (2015). Unethical accounting practice and financial reporting quality: Evidence from Nigeria. International Journal of Academic Research in Accounting, Finance and Management Sciences, 5(2), 143-150.*

xxxix. *Salehi, M. & Kangarlouei, S. J. (2010). An investigation of the effect of audit quality on accrual reliability of listed companies on Tehran Stock Exchange. Review of International Comparative Management, 11(2), 940-960.*

xl. *Tarios, S. & Bekiaris, M. (2017). Auditor's perceptions of financial reporting quality: the case of Greece. International Journal of Accounting and Financial Reporting, 2(1), 57-74*

xli. *Tontiset, N. & Kaiwinit, S. (2018). The factors affecting financial reporting reliability: An empirical research of public listed companies in Thailand. Journal of Modern Accounting and Auditing, 14(6), 291-304.*