

Moderating Effect of Blockholder Ownership Structure and Corporate Attributes on IFRS 7-Financial Instruments Compliance of Financial Services Firms in Nigeria

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Abstract

This study examines the extent of compliance with International Financial Reporting Standards 7 (IFRS 7) financial instruments disclosure requirements, examine the relationship between corporate governance characteristics and IFRS 7, and examine the moderating role of block holder ownership on the relationship between corporate governance characteristics and IFRS 7 by listed financial sector firms in Nigeria. Panel data from the annual reports of 50 sampled financial institutions for a period of 3 years (2012-2014) were used in the study. Findings of the study indicate that the compliance with IFRS 7 is at 51% and showed steady improvement. In terms of risk type, the compliance was found to be lower in market and liquidity risk. Audit committee size, expertise, independence and meeting frequency positively and significantly affected IFRS 7 compliance. Similarly, risk management committee independence showed a positive relationship with IFRS 7 compliance. The interaction between block holder ownership and audit committee independence and risk management committee independence with IFRS 7 compliance showed a significant and positive relationship. In this regard, policy makers in Nigeria should formulate forward-looking policies aimed at enhancing the independence of the audit committee to bring about strong internal control activities. They should also strengthen dealings on financial relationship between block holding investors and minority shareholders to restore the confidence hitherto enjoyed by the Nigerian financial institutions. The findings of the study provide the needed input for policy formulation and decision making in Nigerian financial institutions.

Keywords: IFRS7 compliance, corporate governance characteristics, audit committee independence, block holder ownership.

1.1 Introduction

Financial sector firms are the bedrock of economic progress of any country (Sunday & David, 2011). These establishments create finance and act as mediators for deposit mobilisation and distribution of finance to productive units in developing economies (Arun & Turner, 2004). While financial sector firms have played paramount role in long-term investments due to the presence of block holders (institutional and individual investors) in developed countries, the reverse has been the case in Nigeria (Ojeaga, 2009). Studies found ineffective corporate governance and non-compliance with accounting standards as the principal

factors (Hodgdon, Tondkar, Harless, & Adhikari, 2009; Sanusi & Izendonmi, 2014; World Bank, 2011). These complications caused colossal losses in Nigeria of between ₦1.5 trillion- ₦2 trillion (USD\$97.4 billion to \$130 billion) from 1993 to 1999 (Adeyemo, 2012).

In addition to poor corporate governance, the accounting standard and disclosure policies are also inadequate leading to the Nigerian stock market crash of 2008, which resulted in a loss in the Nigerian banking sector (World Bank, 2011). To overcome these challenges, the Nigerian government decided to embrace International Financial Reporting Standard (IFRS) effective from January 1, 2012 (Sunusi, 2012). Consequently, banks and insurance companies in Nigeria which had low corporate governance (CG) regulations and a higher concentration of risks were among the first to comply with the new risk reporting rule in IFRS 7 due to its general application and flexibility (Amoako & Asante, 2012).

With the development of new IFRS standards, the attention of boards of directors, management, shareholders especially block holders and regulatory authorities globally has shifted towards the new accounting and reporting language in IFRS 7 to improve their operation and risk management assessments (Admati & Pfleiderer, 2009). Moreover, financial institutions as risk takers require IFRS 7 in their management and disclosure of risks in quantitative terms (World Bank, 2012). However, for effective risk management disclosure, these institutions require an active corporate governance oversight-monitoring role that is completely independent of the company's management (Kamardin & Haron, 2011). Therefore, the objective of this study is to explore the moderating effect of block holder ownership on the relationship between audit committee characteristics, risk management committee characteristics and IFRS 7 compliance of listed financial institutions in Nigeria.

According to International Labour Organisation (ILO, 2009), the financial crisis that threw millions of hitherto gainfully employed people across several nations out of jobs was a result of non-compliance with accounting standards and good governance regulations. These findings are the same with a researcher's on Nigeria (Demaki, 2011). Similarly, the Nigerian Capital Market Review (NCMR) observed the overbearing influence of CEOs in board's management and apparent lack of board independence as directors seldom attend meetings, board committees are ineffective and, in some instances redundant (NCMR, 2009). Consequent upon the highlighted problems above, a unified independent regulatory accounting, auditing, actuarial and valuation body with authority

applicable to both public and private sectors known as the Financial Reporting Council of Nigeria (FRCN) was established (Ofo, 2013). However, despite the establishment of the FRCN, Nigeria is still faced with the issue of compliance as some listed companies were found not to have complied with the IFRS disclosure requirements (Sunusi, 2012). Hence, the need for further study to explore the regulatory enforcement by FRCN three years into the promulgation of the new regulatory regime.

The present study looked at the relationship between audit committee characteristics and IFRS 7 compliance thus answering the call made by Carcello, Hermanson, and YU (2010) and DeFond and Francis (2005) for additional research examining audit committee variables beyond independence and expertise. It also helps address the concern of inadequate studies on corporate governance attributes in Nigeria. The study further extends the work of prior scholars (Subramanian, McManus, and Zhang, 2009; Eccles, Herz, Keegan, and Phillips, 2001) by looking at risk management committee (RMC) characteristics block holder ownership on the relationship between risks and IFRS compliance. Moreover, most of the prior studies documented only non-financial institutions with very few studies on financial sector firms despite the sector's rapid transformation and growth (Khatiwada, 2010). Additionally, prior empirical research on how the composition of the boards of directors determines their strategic behavior using audit committee and risk management committee characteristics have shown inconclusive results (Bedard & Gendron, 2010; Lin & Hwang, 2010).

Hodgdon, et al (2009) suggested the introduction of an enforcement mechanism from internal corporate governance characteristics to drive compliance. To the best of this researcher's knowledge, no Nigerian research links audit committee, risk management committee characteristics, block holder ownership as moderator and IFRS 7 compliance by listed financial institutions. This is an important gap in the literature that will assist financial sector firms in the disclosure of governance information as risk takers and risk managers (Andres et al., 2012; Kiruri, 2013; Laeven & Levine, 2009).

1.1 Research Questions

This study proposes the following research questions to guide the research objectives.

1. To what extent do listed financial sector firms comply with disclosure requirements of IFRS 7 in Nigeria?

2. Do AC characteristics, RMC characteristics, and block holder ownership have a significant effect on IFRS 7 compliance with disclosure requirements by listed financial sector firms in Nigeria?
3. Does block holder ownership moderate the relationship between AC characteristics and IFRS 7 compliance by listed financial sector firms in Nigeria?
4. Does block holder ownership moderate the relationship between RMC characteristics and IFRS 7 compliance by listed financial sector firms in Nigeria?

1.2 Research Objectives

In line with the above research questions, the following research objectives are formulated. They are:

1. To examine the level of IFRS 7 compliance by listed financial sector firms in Nigeria;
2. To examine the relationship between AC characteristics, RMC characteristics, block holder ownership and IFRS 7 compliance by listed financial sector firms in Nigeria;
3. To examine the moderating effect of block holder ownership on the relationship between AC characteristics and IFRS 7 compliance by listed financial sector firms in Nigeria; and
4. To examine the moderating effect of block holder ownership on the relationship between RMC characteristics and IFRS 7 compliance by listed financial sector firms in Nigeria.

2.1 Corporate Governance

The Organisation for Economic Cooperation and Development (OECD) defined Corporate Governance (CG) as the establishment of associations between a company's board, its shareholders, and other stakeholders. In agency theory, corporate governance is referred to as the manner in which capital suppliers are assured of appropriate returns not only of dividends but also of their invested capital (Shleifer & Vishny, 1997). The components of CG that are important to this study are Audit Committee (AC) and Risk Management Committee (RMC). An audit committee (AC) serves as a liaison between the board of directors and external auditors as facilitators of the monitoring process (Marx, 2009). The RMC is a sub-committee of the board of directors appointed to review a company's risk management strategies (Leadership, 2011). The oversight functions of the Risk Management Committee include risk management and exposure of all risks (Hassan et al. 2010; SEC, 2011).

2.2 Corporate Governance Development in Nigeria

The Nigerian code of corporate governance was first issued in 2003, and later replaced in 2011. The 2003 SEC code which was voluntary is associated with certain lapses such as lack of adequate recognition to company employees, other stakeholders with proprietary interests and transparency (SEC, 2003). The weaknesses in the SEC (2003) code led to multitude of codes by different regulatory authorities such as CBN, 2006; PENCOS, 2008 and NAICOM, 2009 (World Bank, 2011). Consequently, a new code was approved on April 1, 2011 which became the minimum standard of compliance by listed companies in Nigeria until the enactment of a new statute Known as Financial Reporting Council of Nigeria (FRCN) by Federal Government of Nigeria in 2011 (SEC, 2011). The FRCN is the new financial reporting regulator of companies in Nigeria. The financial reporting council act (FRCA) is a comprehensive set of regulatory framework whose outline includes accounting, auditing, and corporate governance rules and regulations. The FRCN now regulates the accounting and auditing frameworks.

2.3 International Financial Reporting Standard 7 (IFRS 7) Financial Instruments Disclosure

IFRS 7 is a mandatory financial instruments disclosure principles based-standard (Hassan et al. 2010; Kothari, 2000). The standard applies to only those companies that have financial instruments and need additional disclosures relating to risks associated with these instruments (Bischof et al., 2014, IASB, 2012). According researchers, IFRS 7 provides more information on risks related to a company's financial activity within today's complex environments (Fadun, 2013; Radin, 2007; Zeghal & Mhedhbi, 2012).

2.4 Underpinning Theories

Admati and Pfleiderer (2009) posit that there are principally two major schools of thoughts that explain disclosure. These are regulatory (legal) and free market (economic) theories. However, empirical studies based on the regulatory and free market perspectives rely only on agency theory (Bedard & Gendron, 2010). Therefore, following prior studies, the underpinning theory for this study is the agency theory.

2.5 Empirical Literature on IFRS Compliance

Prior literature examined compliance with the disclosure requirement of IFRS on voluntary and mandatory basis and the findings from these studies is mixed. Street, Gray, and Bryant (1999) examined the degree of measurement and

disclosure in compliance with the requirements of IASs during the comparability period of 2001 showing inconclusive results. Kent and Stewart (2008), found compliance with IFRS to be associated with superior governance mechanisms across a sample of 965 Australian listed firms. Al-Shammari, Brown, and Tarca (2008) found average level of compliance of 75%, and 69% for the years 1996 and 2006. Al-Akra, Eddie, and Ali (2010) found improvement in compliance with IFRS due to audit committee disclosure. Alanezi and Albuloushi (2011) found a range from 48% to 96% with an average of 72% suggesting that audit committee positively and significantly associates with the level of compliance.

Yiadom and Atsunyo (2014) reported an overall mean compliance level of 85.8% with size, profitability, auditor type, internationality and industry type being associated positively with IFRSs compliance. Santos, Ponte, and Mapurunga (2013) found an overall low level of compliance but with significant positive correlations between compliance and firm characteristics of size and “Big 4” audit firm. Ojeka, Iyoha, and Asaolu (2015) found listed banks in Nigeria to have complied with the reporting requirements of IFRS by producing reliable and relevant financial reports. Htay and Salman’s (2015) found an increase in two risks information disclosure in the annual reports of five Malaysian listed banks from 2002 to 2011 in the aftermath of financial crisis. Aminuzzaman, Bakar, and Islam (2015) observed poor compliance due to structural weaknesses of both government regulatory bodies and the accounting professional bodies in Bangladesh.

Andrew (2015) found profitability, liquidity and company size had positive effects on IFRS compliance while leverage had no effect. Abdullah and Ku Ismail (2015) found RMC characteristics including independence and meetings had a significant influence on hedging activities of Bursa Malaysia main market firms. Similarly, Abdullah, Ismail and Isa (2015) found that RMC meetings significantly influenced disclosure while RMC independence negatively influenced hedging activities. Uyar, Kilic, and Gökçen, (2016) investigated compliance of Turkish firms with IAS and IFRS using factors that might impact positively the adoption level of firms. The findings of the study using panel data using questionnaire found listing status, staff training, foreign ownership, and firm size as significant determinants, whereas profitability and leverage were not.

2.6 Literature on Governance Mechanisms and IFRS compliance

This study reviewed literature on IFRS and governance mechanism based on the variable of research interest.

2.6.1 Audit Committee Size and IFRS 7 Compliance

Several studies have been conducted on audit committee characteristics as strong determinants of IFRS compliance (Al-Akra, Eddie, & Ali, 2010). Other studies found no significant relationship between audit committee and IFRS (Xie et al. 2003).

2.6.2 Audit Committee Expertise and IFRS 7 Compliance

To effectively monitor, audit committee members require in-depth knowledge of accounting and audit rules and also some level of literacy to interpret accounting standards. Previous studies found positive and significant relationship between audit committee expertise and IFRS compliance (Liu, Tiras, & Zhuang, 2014). However, other studies found no relationship and others found negative association (Lin & Hwang, 2010).

2.6.3 Audit Committee Independence and IFRS 7 Compliance

Audit committee independence is a reliable governance mechanism which ensures transparency and accountability to stakeholders thereby strengthening the financial report of firms (Fodio et al., 2013). Vast expanses of research on audit committee independence find members to be objective and do not condone non-compliance and manipulation of the accounting numbers (Fodio et al. 2013). In contrast, others found negative and no significant relationship between the variables (Sun & Liu, 2013; Al-Akra, Eddie & Ali, 2010).

2.6.4 Audit Committee Meeting Frequency and IFRS 7 Compliance

Several empirical studies show meetings as evidence of audit committee effectiveness (Kent & Stewart, 2008; Zhang, Zhou & Zhou, 2007). Conversely, opposing study exists on the impact of audit committee meeting on the level of financial reporting quality which ranges from negative to insignificant (Choi et al., 20014).

2.6.5 Risk Management Committee Size and IFRS 7 Compliance

Agency theory argues that RMC size helps in monitoring and evaluating risks by management, thus, ensuring compliance with company policies by the main board (Alles et al., 2005). Several studies show positive effect of RMC size and IFRS compliance (Andres et al., 2012). Overall, the results have been mixed with several authors finding negative or no significant relationship (Ahmed et al., 2006).

2.6.6 Risk Management Committee Independence (RMCI) and IFRS 7 Compliance

An independent member of the RMC brings experience to the board and act as shareholder representative that comes in with high reputational values to firm (Pincus et al., 1989). As independent members on the RMC, they assist in the review of risk adequacy and compliance with internal controls aimed at minimizing irregularities. Prior studies found financial reporting quality to positively relate with RMC member's independence (Chang and Sun, 2009).

2.6.7 Risk Management Committee Expertise and IFRS 7 Compliance

RMC members with advanced financial background are more likely to succeed than those without (Mitchell, 2003). Previous empirical studies investigated the effects of financial expertise and financial literacy on the credibility of financial reporting of risk disclosure (Chang and Sun, 2009). Yang and Krishnan (2005) failed to find a significant relationship between financial expertise and discretionary earnings disclosure.

2.6.8 Risk Management Committee Meeting and IFRS 7 Compliance

RMC meeting frequency has been documented as an effective CG mechanism in prior literature. Studies record positive and significant relationship between RMC meeting and IFRS compliance (Bryan et al. 2004). However, mixed finding is recorded by other studies (Yang, 2006; Yang & Krishnan, 2005).

2.6.9 Block holder Ownership and IFRS 7 Compliance

Prior studies confirm that greater stock ownership aligns with the disclosure objectives of IFRS (Albright et al., 2014; Ballas et al. 2014). The involvement of block holder ownership of a firm plays a complementary role in its CG oversight (Ferreira & Matos, 2008). Others suggest that no relationship exists (Navissi & Naiker, 2006). Based on review of previous studies, block holder ownership can play positive role in monitoring financial report.

2.6.10 Control Variables

Five control variables are included based on the review of prior literature because disclosure may be affected by both internal and external factors other than corporate governance characteristics. They include company size, leverage, profitability, audit quality, and industry type.

3.0 Research Methodology

The study adopts panel data research design for the years 2012-2014. The populations and the sample of the study comprises of 20 banks and 30 insurance companies listed on the Nigerian Stock Exchange (NSE). A quantitative technique is used to test the hypotheses and secondary data is employed using the annual reports of the samples firms.

Based on the review of previous studies and the agency theory and resource dependency theory that underpins this study, a research framework was developed. Figure 3.1 shows the independent variables that include AC characteristics and RMC.

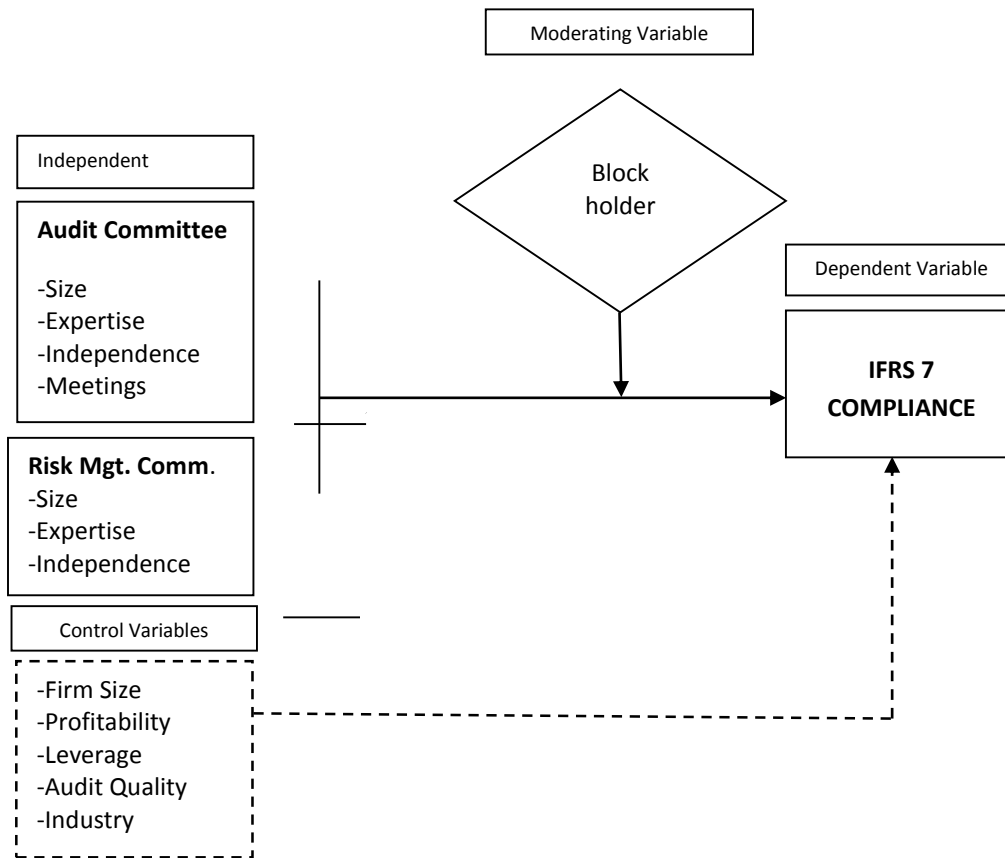


Figure 3.1. *Research Framework.*

Block holder ownership is introduced as a moderator that could strengthen the association between AC characteristics, RMC characteristics and IFRS 7

compliance aimed at enhanced corporate performance (Davis & Thompson, 1994).

This study follow line with Cooke (1989) where item of disclosure is computed as the ratio of total items disclosed and of the maximum possible number of items applicable to company of study using the formula:

$$CS_J = \frac{T \sum_{i=1}^m di}{M = \sum_{i=1}^n di}$$

Where:

CS_J= total compliance score for each company in which 0 ≤ CS_J ≤ 1

T = Total number of items disclosed (d_i)

J = name of the company under consideration

M ≤ n; where m is the total number of applicable items the company j is to disclose

The study employs the multiple regression model to test the relationships between the dependent variable (IFRS 7 compliance) and the independent variables of audit committee (AC) attributes and risk management committee (RMC) attributes, the moderating variable of block holder ownership on AC and RMC and the control variables (firm attributes). The regressions equation is depicted as follows:

$$\begin{aligned} \text{IFRS } 7_{it} = & \beta_0 + \beta_1 \text{ACS}_{it} + \beta_2 \text{ACE}_{it} + \beta_3 \text{ACI}_{it} + \beta_4 \text{ACM}_{it} + \beta_5 \text{RMCS}_{it} + \beta_6 \text{RMCE}_{it} + \\ & \beta_7 \text{RMCI}_{it} + \beta_8 \text{RMCM}_{it} + \beta_9 \text{BLOC} + \beta_{10} \text{BLOC}_{it} * \text{ACS}_{it} + \beta_{11} \text{BLOC}_{it} * \text{ACE}_{it} + \\ & \beta_{12} \text{BLOC}_{it} * \text{ACI}_{it} + \beta_{13} \text{BLOC}_{it} * \text{ACM}_{it} + \beta_{14} \text{BLOC}_{it} * \text{RMCS}_{it} + \\ & \beta_{15} \text{BLOC}_{it} * \text{RMCE}_{it} + \beta_{16} \text{BLOC}_{it} * \text{RMCI}_{it} + \beta_{17} \text{BLOC}_{it} * \text{RMCM}_{it} + \beta_{18} \text{FSIZE}_{it} + \\ & \beta_{19} \text{PROFIT}_{it} + \beta_{20} \text{LEV}_{it} + \beta_{21} \text{AUDQ}_{it} + \beta_{22} \text{INDUS}_i + \epsilon_{it} \end{aligned}$$

4.0 Results and Discussion

4.1 Extent of Compliance with IFRS 7: Financial Instruments

Table 1 below reports the extent of compliance with IFRS 7 financial instruments disclosure requirements for the period 2012 to 2014. The mean compliance level with disclosure requirements for the three years (2012 - 2014) was 0.51, with a maximum value of 0.86 and a minimum value of 0.29 as shown in Table 1.

Table 1: *Descriptive statistics of level of IFRS 7 compliance*

IFRS 7	2012	2013	2014	Average
Mean	0.461	0.511	0.568	0.510
Std. Dev.	0.175	0.175	0.171	0.174
Maximum	0.810	0.850	0.910	0.857
Minimum	0.250	0.280	0.340	0.290

In summary, the results showed a steady increase in level of IFRS 7 compliance for the three years under study. However, based on the results, much needs to be done in the way of regulatory enforcement in Nigeria to achieve a compliance rate of 100% (Al-Shammari, 2011).

4.2 Descriptive statistics of the Independent Variables

The descriptive statistics of the independent variables are presented in Table 4.2. From the table, audit committee size (ACS) has a mean value of 5.8 (approximately 6) with a standard deviation of 0.56. The minimum number of members of audit committee members was 4 and the maximum was 6. The average proportion of audit committee expertise (ACE) was 0.20 (1/5) with the maximum proportion of ACE of 0.30 and minimum of 0.00. The means value of audit committee independence is 87%, the maximum proportion is 100% while the minimum is at least 50% or half of the directors are independent members. The mean of audit committee meeting frequency (ACM) was approximately 4 times per annum with a maximum of eight meetings and a minimum of one meeting per annum.

Table 2: Descriptive Statistics of Independent variables

Variable	Mean	Std. Dev.	Minimum	Maximum	Skewness	Kurtosis
ACS	5.80	0.56	4.00	8.00	-1.18	4.58
ACE	0.20	0.06	0.00	0.33	0.97	2.14
ACI	0.87	0.14	0.50	1.00	-0.64	-0.38
ACM	4.20	0.80	1.00	8.00	0.91	4.73
RMCS	5.03	2.11	3.00	14.00	1.12	4.23
RMCE	0.23	0.07	0.00	0.50	0.12	1.78
RMCI	0.67	0.11	0.43	0.80	-0.76	-0.58
RMCM	4.23	1.12	3.00	15.00	1.93	19.87
BLOC	38.64	27.15	0.00	100.00	0.33	-0.53
FSIZE	17.67	2.30	13.95	22.21	0.71	-1.10
PROFIT	0.03	0.41	-3.94	0.92	-0.81	4.23
LEV	0.64	0.36	0.07	3.15	1.73	16.75
AUDQ	0.55	0.50	0.00	1.00	-0.26	-1.96
INDUS	0.40	0.49	0.00	1.00	0.40	1.17

N=150

Furthermore, Table 4 reveals that RMC size had a mean value of 5.03 with a minimum of 3 and a maximum of 14 directors. The mean proportion of risk RMC expertise was 0.23 with a maximum of 0.5 and a minimum of 0.00. The average proportion of RMC independence was 0.67 with a minimum 0.43 and the maximum was 0.8. Additionally, the mean value of RMC meeting was 4.23. The result shows that approximately 4 meetings were conducted per annum with maximum meeting of 15 times and minimum of 3 meeting per annum. The block holder ownership has a mean value of 38.64, with minimum and maximum of BLOC of zero and 100% respectively.

4.3 Correlation Analysis

Table 5 below presents the matrix of all variables included in the study. The result shows a positive and significant relationship between all the independent variables and IFRS 7 compliance at 1% except RMC expertise and block holder ownership.

Table 3: Correlation matrix

	IFRS	ACS	ACE	ACI	ACM	RMCS	RMCE	RMCI	RMCM	BLOC	FSIZE	AUDITQ	PROFIT	LEV
IFRS	1.000													
ACS	0.285***	1.000												
ACE	0.441***	0.184**	1.000											
ACI	0.644***	0.488***	0.332***	1.000										
ACM	0.222***	0.151*	0.156*	0.21**	1.000									
RMCS	0.343***	0.227***	0.130	0.368***	0.159*	1.000								
RMCE	0.175**	0.154*	0.385***	0.229***	-0.014	0.511***	1.000							
RMCI	0.385***	0.279***	0.116	0.375***	0.099	0.851***	0.44***	1.000						
RMCM	0.227***	0.128	0.342***	0.149*	0.180**	0.175**	0.534***	0.238***	1.000					
BLOC	-0.127	0.090	0.010	0.050	0.080	-0.070**	-0.124	-0.161	0.173**	1.000				
FSIZE	0.895***	0.251***	0.453***	0.717***	0.175**	0.328***	0.177**	0.337***	0.201**	0.010	1.000			
AUDITQ	0.462***	0.161*	0.21**	0.377***	0.082	0.084	0.064	0.128	0.130	0.20**	0.542***	1.000		
PROFIT	0.098	-0.002	0.069	-0.002	-0.033	0.102	0.063	0.075	0.093	0.043	0.087	0.035	1.000	
LEV	0.368***	-0.017	0.137	0.323***	0.045	0.108	0.102	0.148*	-0.014	0.070	0.415***	0.192**	0.030	1.000
INDUST	0.679***	0.123	0.323***	0.553***	0.080	0.294***	0.186**	0.235***	0.113	0.034	0.834***	0.542***	0.021	0.47***

Note: ***, **, * indicate that the parameter estimate was statistically significant at 1%, 5% and 10%, respectively.

The relationship between RMC and IFRS 7 compliance is positive and significant at 5% while the relationship with block holder ownership is negative and statistically insignificant. Additionally, the relationship among the independent variables does not show severe multicollinearity among the variables as none of the correlation coefficient is more than 90% (Hair et al., 2014).

4.4 Multivariate Analysis and Hypotheses Testing

In line with panel data analysis (Baltagi, 2008), below are the hypotheses testing and the multivariate analysis.

4.4.1 Hypotheses Testing and Discussion of Findings-Direct Relationship

The R^2 of the robust RE model under the direct relationship in panel one of Table 4 of model 1 explains about 84% of the variation in IFRS 7 compliance. The F-Wald chi-square value of the model shows adequacy of the model at 99% level of confidence. The regression result for model one is given in Table 4. The discussions are based on the signs, magnitude and significance of the parameters for each variable. The result in Table 4.4 shows that audit committee size was statistically and positively associated with IFRS 7 compliance at 1% level of significance. The positive relationship between ACS and IFRS 7 disclosure indicates that size was an important CG variable that enhances IFRS 7 compliance.

Table 4: Model One – Direct Regression Analysis

Variable	Expected Sign	Coefficient t	Std. Error	t-value	p-value
ACS	+	0.0349	0.0102	3.44	0.0010***
ACE	+	0.1128	0.0620	1.82	0.0680*
ACI	+	0.0353	0.0682	0.52	0.6050
ACM	+	0.1020	0.0291	3.50	0.0000***
RMCS	+	0.0022	0.0054	0.40	0.6880
RMCE	+	-0.0351	0.1173	-0.30	0.7650
RMCI	+	0.1468	0.0797	1.84	0.0660*
RMCM	+	0.0021	0.0188	0.11	0.9120
BLOC	-	-0.0004	0.0003	-1.45	0.1480
FSIZE	+	0.0490	0.0093	5.25	0.0000***
PROFIT	+	-0.0229	0.0186	-1.24	0.2170
LEV	+	-0.0009	0.0005	-1.66	0.0980*
AUDQ	+	0.0000	0.0000	3.43	0.0010***
INDUS	+	-0.0268	0.0357	-0.75	0.4520
CONST.		-0.8244	0.1634	-5.05	0.0000***
R^2		0.84			
F-Wald		525.02			
Prob (F)		0.000			

Note. ***, **, and * indicate that the parameter estimates are statistically significant at the 1%, 5% and 10% levels respectively.

The result in Table 4 shows positive and significant relationship between AC expertise and IFRS 7 compliance at 10% level. These results support the argument that AC members with accounting and finance knowledge increase the ability to ensure IFRS compliance and detect non-compliance with accounting regulatory enforcements (Cohen et al., 2008). This study's results align with findings by other scholars who found the market positively rewards firms with financial expertise in ACs (Krishnan & Visvanathan, 2008). In contrast to the AC independence and IFRS 7 compliance, the result in Table 4.4 shows that the relationship between ACI and IFRS 7 compliance was not statistically significant and therefore the hypothesis is not supported. The results align with those of Kent and Stewart (2008) who found no significant relationship between AC independence and IFRS disclosures in Australian firms.

The results in Table 4 confirm the prediction of a significant positive relationship between AC meeting and IFRS 7 compliance at 5% level. The result suggests that, the higher the frequency of AC meetings, the greater the IFRS 7 compliance. This finding support prior arguments that more meetings suggest members' effective discussion of vital, fruitful and strategic policy issues (Xie et al., 2003; Zhang et al., 2007).

The result in Table 4 is contrary to the expectations of significant and positive relationship with IFRS 7 disclosure requirements and RMC size. A possible reason for the insignificant relationship may be due to the lack of variation in the study's variables as shown in Table 4. Similarly, the relationship between the proportion of RMC members with expertise and expectation of a significant positive association between IFRS 7 disclosure requirements was found to be insignificant as shown in Table 4. A possible reason for this relationship may be due to lack of financial expertise across members of the risk management committee.

The result in Table 4 supports the prediction of significant and positive relationship between RMC independence and compliance with IFRS 7 disclosure requirements. The result shows that the proportion of non-executive directors serving on the risk management committee was statistically and positively associated with IFRS 7 compliance at the 5% level of significance. Prior empirical studies have also supported the positive relationship between independence and IFRS mandatory disclosure compliance (Chen & Rezaee, 2012; Verriest et al., 2013).

Contrary to the prediction of significant positive relationship between RMC meetings and IFRS 7 compliance, the results presented in Table 4 show that there is insignificant relationship between the variables. This is against prior arguments that the frequency of meetings enhances the supervisory roles of board committees such as the RMC and ensure reliable financial statements (Chen & Rezaee, 2012). Similarly, the prediction of a significant positive relationship between block holder ownership and IFRS 7 compliance cannot be confirmed. The result in Table 4 shows a negative and significant relationship at the 1% level of significance. This is in contrast with prior arguments that block investors enhances corporate disclosure by serving monitoring role of reducing the opportunistic behaviour of management (Edmans, 2014; Gugong et al., 2014).

4.4.2 Hypotheses Testing and Discussion of Findings-Moderating Relationship

The moderating relationship between block holder ownership with all the CG characteristics and IFRS 7 compliance is presented in Table 4. The adjusted R² explains about 83% of the variation in IFRS 7 compliance. The study hypothesizes that there is significant and positive association between the moderating effect of block holder ownership on AC size (BLOC_ACS) and level of compliance with IFRS 7 disclosure.

Table 5: Model Two- Moderating Relationship with Block holder Ownership

Variable	Expected Sign	Coefficient	Std. Err.	t-value	p-value
ACS	+	0.0403	0.0149	2.71	0.0070***
ACE	+	0.1266	0.1040	1.22	0.2240
ACI	+	-0.2400	0.1307	-1.84	0.0660**
ACM	+	0.0355	0.0139	2.56	0.0110**
RMCS	+	0.0005	0.0078	0.07	0.9470
RMCE	+	0.0634	0.1848	0.34	0.7310
RMCI	+	-0.0602	0.1118	-0.54	0.5900
RMCM	+	-0.0008	0.0014	-0.55	0.5810
BLOC	+	-0.0087	0.0032	-2.74	0.0060***
BLOC_ACS	+	-0.0001	0.0004	-0.14	0.8890
BLOC_ACE	+	-0.0004	0.0023	-0.15	0.8780
BLOC_ACI	+	0.0063	0.0025	2.51	0.0120**
BLOC_ACM	+	-0.0003	0.0002	-1.21	0.2280
BLOC_RMCS	+	0.0001	0.0002	0.34	0.7300
BLOC_RMCE	+	-0.0016	0.0026	-0.63	0.5290
BLOC_RMCI	+	0.0045	0.0018	2.48	0.0130**
BLOC_RMCM	+	0.0003	0.0002	1.50	0.1330
FSIZE	+	0.0503	0.0089	5.67	0.0000***
PROFIT	+	-0.0010	0.0060	-0.17	0.8680
LEV	+	0.0151	0.0200	0.75	0.4510
AUDQ	+	0.0000	0.0000	2.96	0.0030***
INDUS	+	-0.0354	0.0347	-1.02	0.308
CONS	+	-0.5557	0.2490	-2.23	0.026**
R ²		0.83			
F-Wald		856.78			
Prob (F)		0.000			

Note. ***, **, and * indicate that the parameter estimates are statistically significant at the 1%, 5% and 10% levels respectively.

This result did not demonstrate significant relationship in line with the expectation of the hypothesis. It is also contrary to prior empirical findings of

block holder ownership which is found to maximize shareholders wealth (Allies et al., 2005). A possible reason for the insignificant association may be indirect block holder influence in the company as proxies. Similarly, the anticipated positive and significant moderating relationship between block holder ownership and the proportion of AC expertise (BLOC_ACE) on IFRS 7 compliance does not hold having insignificant relationship. One possible explanation, this may be due to lack of variation in practices across financial institutions. Moreover, other researchers also reported a similar finding (Abraham & Shrives, 2014). On the other hand, the anticipated positive relationship between IFRS 7 compliance and the moderating role of block holder ownership on ACI is confirmed by the result in Table 5. The relationship is positive and statistically significant at a 5% level. The result suggests that ACI members now have the ability to consult and share knowledge with block investors which they will use to company's advantage. This finding is in line with prior literature that found a positive association between block investors and independent members serving on audit committees (Ahmed et al., 2014; Juhmani, 2012; Sunusi, 2012).

The result in Table 5 also contradicts the anticipated positive relationship between compliance with IFRS 7 disclosures and the moderating role of block holder ownership on AC meetings. The relationship is negative even though insignificant. This result is surprising because prior studies found that more AC meetings result in higher financial reporting quality (Chen & Rezaee 2012). Similarly, the anticipated positive relationship between IFRS7compliance and the moderating role of block holder ownership on RMC size (BLOC_RMCS) does not hold. The result in Table 5 also contradicts the anticipated positive relationship between compliance with IFRS 7 disclosures and the moderating role of block holder ownership on RMC expertise (BLOC_RMCE). The coefficient of the relationship was negative and insignificant. The plausible explanation for this result may be due to insufficient accounting expertise especially those related to risks. However, the anticipated significant positive relationship between compliance with IFRS 7 disclosures and the moderating role of block holder ownership on RMC independence is confirmed. The result in Table 9 shows that the relationship was positive and significant at 5% level. One possible reason was that independent members on RMC were knowledgeable and, in consultation with block investors, are capable of turning the fortune of listed Nigerian financial institutions from distress to profitability.

The result in Table 5 also shows an insignificant positive relationship between IFRS 7 compliance and the moderating role of block holder ownership on RMC

meeting (BLOC_RMCM). This is in contrast with the anticipation of a significant positive relationship between the variables. The probable reason for this may be due to many members at the meeting especially those related to risks. Block holder resentment for too much RC meetings where policy decisions on loans may likely be taken that runs contrary to their business interests may account for the insignificant relationship. This is because block holders may likely work through their proxies to discourage such meetings which may impact negatively on their interest.

5.0 CONCLUSION

The findings of this study indicate that listed financial institutions in Nigeria complied with an average of 51% of IFRS 7 financial instruments disclosure requirements. Although positive improvement was seen throughout the study period, the result suggests room for more compliance by Nigerian financial institutions on types of risks especially market risk and liquidity risk for which the level of compliance is very low.

The findings in this study may be of benefit in enhancing current corporate governance and IFRS regulations in Nigeria as a rich source of information for the improvement of existing regulations. The non-significant relationship of risk management proxies and IFRS 7 compliance highlights the need for knowledge, skills and expertise on risks to understand risks related to financial reporting and oversee potential risks instead of applying politically motivated suggestions. The study will serve as eye opener to further improve the risk reporting requirements of financial institutions especially as regards block holder ownership and risk management relationships. The findings of this study may also assist investors in effectively assessing the role of corporate governance mechanisms and IFRS 7 financial instruments disclosure relative to the reliability of financial reports of listed financial institutions in Nigeria. It may also help to address the negative relationship between block holder ownership and international financial reporting standards disclosure in both direct and moderating relationships in financial institutions in Nigeria.

The present study focused on the moderating effect of block holder ownership on the relationship between corporate governance attributes and IFRS 7 financial instruments compliance by listed financial institutions in Nigeria. Despite the fact that no financial institution has complied fully with all the IFRS 7 disclosure requirements, there is nonetheless a high compliance rate with the disclosure

requirements as reported in the annual reports of the sampled Nigerian listed financial sector firms. Future research may consider conducting a similar study in other African countries with similar characteristics within the same West African region such as Ghana, and in other countries such as South Africa that have more listed financial sector firms. A study with the benefit of a larger sample size may possibly provide more interesting insights on the role of corporate governance characteristics and IFRS 7 compliance by listed financial sector firms. This study measures compliance with IFRS 7 financial instruments disclosure in financial sector firms (banking and insurance) only. Future studies may examine non-financial companies that may have dealings with financial instruments to provide a bigger picture of the impact of corporate governance characteristics on IFRS 7 financial instruments risk disclosure in Nigeria. Future studies may examine the impact of corporate specific characteristics on IFRS 7 financial sector firms risk disclosure.

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