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Corporate Governance Metrics and Audit Report Lag: A Comparative Analysis of Tier 1 and 2 Deposit Money Banks in Nigeria

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ABSTRACT: Audit report lag (ARL) is a critical component of financial reporting, reflecting the time between the fiscal year-end and the publication of audited financial statements. Although, considerable research has been conducted on the determinants of ARL, gaps remain in understanding the specific effects of corporate governance metrics, particularly within Nigeria's banking sector. This study, therefore, examined the effects of corporate governance metrics specifically audit committee independence, board size, and institutional ownership and ARL in Nigeria's Tier 1 and Tier 2 Deposit Money Banks (DMBs). Using a comparative analysis, the study applies dynamic heterogeneous panel estimators, including the Mean Group (MG), Pooled Mean Group (PMG), Dynamic Fixed Effect, Augmented Mean Group (AMG), and Common Correlated Effect Mean Group (CCEMG) estimators. The AMG and CCEMG estimators are chosen based on the presence of cross-sectional dependence (CD) among the entities, with the final selection determined by root mean squared error (RMSE) for each bank classification. The analysis spans an 11-year period from 2012 to 2022, covering 10 DMBs (five from each tier). The findings indicate that, in Tier 1 DMBs, audit committee independence and board size are associated with longer ARL, while institutional ownership reduces ARL. In contrast, for Tier 2 banks, all three-governance metrics audit committee independence, board size, and institutional ownership are linked to shorter ARL. These results highlight the importance of tailored corporate governance strategies for improving the timeliness of financial reporting. The study recommends that Nigerian DMBs optimize the board size and independence of audit committees and encourage institutional ownership to enhance audit efficiency.

KEYWORDS: Audit Report Lag, Corporate Governance, Audit Committee Independence, Board Size, Institutional Ownership.

1.1 INTRODUCTION

Audit report lag (ARL) refers to the period between the fiscal year-end and the date when audited financial statements are made publicly available. This lag is a critical factor in financial reporting, as it affects the timeliness of information available to stakeholders, potentially impacting investment decisions, market efficiency, and overall corporate transparency (Chen, 2020; KPMG, 2021). In a rapidly evolving financial landscape, understanding the determinants of ARL has become increasingly crucial for ensuring the integrity and reliability of financial reporting.

Corporate governance, encompassing mechanisms such as board characteristics, audit committee effectiveness, and institutional ownership, plays a pivotal role in influencing audit processes and outcomes (Klein, 2002; DeFond & Zhang, 2014). Previous studies have shown that strong corporate governance frameworks can significantly reduce audit delays by enhancing oversight and accountability (Gul, Kim, & Qiu, 2010; Krishnan, 2005). For example, research suggests that effective audit committees and higher levels of institutional ownership are linked to more timely audit reports, as these governance mechanisms often exert greater scrutiny and pressure on auditors (Becker, DeFond, Jiambalvo, & Subramanyam, 1998; Laux, 2014).

In Nigeria, the banking sector provides a crucial context for examining ARL, given its substantial influence on the economy and financial stability (Adeniyi, 2020; Ojo, 2021). Nigerian banks are classified into Tier 1 (large, systemic banks) and Tier 2 (smaller, non-systemic banks), each with distinct characteristics and governance structures (CBN, 2022). Understanding how corporate

governance metrics affect ARL in these different tiers of banks is vital for addressing the unique challenges each tier faces and improving the overall efficiency of financial reporting.

Despite the importance of this issue, there is a notable research gap in comparative studies on corporate governance metrics and ARL within Nigeria's banking sector (Ojo & Ibrahim, 2023). While individual studies have explored the relationship between governance attributes and audit timeliness, there is limited research specifically comparing Tier 1 and Tier 2 DMBs in Nigeria. Moreover, existing studies often use traditional analytical methods that may not adequately address endogeneity or the complex nature of corporate governance impacts.

To address these gaps, this study conducts a comparative analysis of corporate governance metrics and ARL in Nigeria's Tier 1 and Tier 2 DMBs. By applying dynamic heterogeneous panel estimators, including the Mean Group (MG), Pooled Mean Group (PMG), Augmented Mean Group (AMG), and Common Correlated Effect Mean Group (CCEMG) models, this research provides a robust examination of how corporate governance factors such as audit committee effectiveness, board characteristics, and institutional ownership influence ARL across different banking tiers.

1.2 Statement of the Problem

Audit report lag (ARL) has become a significant issue in financial reporting, affecting the timeliness and reliability of financial statements. Although considerable research has been conducted on the determinants of ARL, gaps remain in understanding the specific effects of corporate governance metrics, particularly within Nigeria's banking sector. The existing literature identifies several governance dimensions—such as board characteristics, audit committee attributes, and institutional ownership—as key factors influencing ARL. However, many of these studies focus on individual countries or broader sectors and lack detailed comparative analysis within specific Banking tiers.

For example, research by HAE (2009) and Devi (2022) highlights the role of corporate governance in reducing audit delays, while studies by Ahmed et al. (2022) and Ismail et al. (2022) explore how governance attributes, including gender diversity, affect audit report timeliness. Yet, these findings are scattered across different contexts and may not fully capture the complexities of Nigeria's tiered banking system. Specifically, the comparative impact of corporate governance metrics on ARL between Tier 1 (large, well-established) and Tier 2 (smaller, less prominent) banks in Nigeria remains underexplored.

Moreover, while studies such as Widjaja and Feliana (2022) and Sari et al. (2019) have analyzed audit committee characteristics and board diversity, there is limited research comparing these variables across different tiers of banks within Nigeria. This gap in the literature calls for a focused investigation to understand how corporate governance metrics affect ARL differently between Tier 1 and Tier 2 DMBs in Nigeria.

To address this gap, this study adopts a comprehensive analytical approach, utilizing dynamic heterogeneous panel estimators, including the Mean Group (MG), Pooled Mean Group (PMG), Augmented Mean Group (AMG), and Common Correlated Effect Mean Group (CCEMG) models. These models are used to account for cross-sectional dependence and potential endogeneity issues, ensuring robustness in the findings. This approach provides a more nuanced understanding of how corporate governance metrics influence ARL across different banking tiers, offering valuable insights for regulators, practitioners, and policymakers.

1.3 Research Objectives

This study examined the relationship between corporate governance metrics and audit report lag (ARL) within the Nigerian banking sector, focusing on a comparative analysis of Tier 1 and Tier 2 DMBs. The primary objective is to evaluate how various governance mechanisms influence ARL and to identify differences in these influences across different tiers of banks. Specific Objectives are:

i. To assess the impact of audit committee independence on audit report lag in Tier 1 DMBs in Nigeria.
ii. To assess the impact of audit committee independence on audit report lag in Tier 2 DMBs in Nigeria.
iii. To analyze the influence of board size on audit report lag in Tier 1 DMBs in Nigeria.
iv. To analyze the influence of board size on audit report lag in Tier 2 DMBs in Nigeria.
v. To investigate the effect of institutional ownership on audit report lag in Tier 1 DMBs in Nigeria.
vi. To investigate the effect of institutional ownership on audit report lag in Tier 2 DMBs in Nigeria.

1.5 Research Questions

i. How does audit committee independence impact audit report lag in Tier 1 DMBs in Nigeria?
ii. How does audit committee independence impact audit report lag in Tier 2 DMBs in Nigeria?
iii. What is the effect of board size on audit report lag in Tier 1 DMBs in Nigeria?
iv. What is the effect of board size on audit report lag in Tier 2 DMBs in Nigeria?
v. To what extent does institutional ownership impact audit report lag in Tier 1 DMBS in Nigeria?

vi. To what extent does institutional ownership impact audit report lag in Tier 2 DMBs in Nigeria?

1.6 Research Hypotheses

i. H_0: Audit committee independence has no significant impact on audit report lag in Tier 1 DMBs in Nigeria.
ii. H_0: Audit committee independence has no significant impact on audit report lag in Tier 2 DMBs in Nigeria.
iii. H_0: Board size has no significant influence on audit report lag in Tier 1 DMBs in Nigeria.
iv. H_0: Board size has no significant influence on audit report lag in Tier 2 DMBs in Nigeria.
v. H_0: Institutional ownership has no significant effect on audit report lag in Tier 1 DMBs in Nigeria.
vi. H_0: Institutional ownership has no significant effect on audit report lag in Tier 2 DMBs in Nigeria.

1.7Scope and Significance of the Study

This study investigates the impact of corporate governance metrics on audit report lag (ARL) within the Nigerian banking sector, with a focus on a comparative analysis between Tier 1 and Tier 2 DMBs. The geographical scope is confined to Nigeria, exploring how audit committee independence, board size, and institutional ownership affect the timeliness of audit reports across different tiers of DMBs. The research employs dynamic heterogeneous panel estimators, including the Mean Group (MG), Pooled Mean Group (PMG), Augmented Mean Group (AMG), and Common Correlated Effect Mean Group (CCEMG) models, to account for cross-sectional dependence and ensure robust and reliable analysis. By differentiating between Tier 1 and Tier 2 DMBs, the study captured the nuanced effects of governance mechanisms within these distinct categories.

The significance of this research is multi-faceted. Academically, it enriches the literature on corporate governance and financial reporting by providing insights into how different governance practices impact audit report timeliness. Practically, the findings are valuable for policymakers and regulatory bodies seeking to enhance governance standards and improve financial transparency. For bank managers and stakeholders, the study offers practical guidance on optimizing governance practices to ensure more efficient financial reporting. In addition, the sector-specific insights derived from this study can help address the unique challenges faced by Tier 1 and Tier 2 DMBs, contributing to more informed decision-making and strategic improvements in the Nigerian banking industry.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Corporate Governance

Corporate governance refers to the systems, principles, and processes by which a company is directed and controlled, involving the relationships between the board, management, shareholders, and other stakeholders Organization for Economic Co-operation and Development (OECD, 2020). Effective corporate governance ensures transparency, accountability, and the alignment of interests between management and shareholders (Tricker, 2019). Recent studies highlight that strong corporate governance frameworks can lead to more timely financial reporting. For instance, Ofoegbu and Okwu (2021) observed that robust governance structures in Tier 1 banks facilitate shorter audit report lag (ARL), underscoring the critical role of governance in enhancing reporting efficiency.

2.1.2 Audit Committee Size

The audit committee is a specialized subset of the board of directors responsible for overseeing financial reporting and internal controls. The size of the audit committee refers to the number of members it comprises. According to the U.S. Securities and Exchange Commission (2003), a larger audit committee can provide more comprehensive oversight, potentially reducing ARL. Recent findings by Chen et al. (2020) suggest that while a larger audit committee can enhance oversight and reduce ARL, excessively large committees may face coordination issues, which could undermine their effectiveness.

2.1.3 Institutional Ownership

Institutional ownership represents the proportion of a company's shares held by institutional investors such as pension funds, mutual funds, and insurance companies. High institutional ownership is often associated with increased pressure on management for timely and accurate financial reporting (Chen et al., 2020). Recent studies, including those by Zhang et al. (2022), indicate that higher levels of institutional ownership can significantly reduce ARL, as institutional investors demand prompt and accurate financial disclosures, driving improvements in reporting practices.

2.1.4 Audit Report Lag (ARL)

ARL is the time span between the end of a company's fiscal year and the publication of its audited financial statements. A shorter ARL reflects more timely reporting (DeFond & Zhang, 2014). Research work by Adegbite and Nakpodia (2016), shows that ARL

varies significantly between banks with different governance structures. Tier 1 DMBs, with more developed governance frameworks, typically have shorter ARL compared to Tier 2DMBs, highlighting the impact of governance on the timeliness of financial reporting.

2.1.5 Tier 1 and Tier 2 Deposit Money Banks

In 2022, the Central Bank of Nigeria (CBN) classified banks into Tier 1 and Tier 2 based on their size, capital base, and market share. Tier 1 DMBs are the largest and most established institutions, holding the majority of the banking industry's assets and deposits. They have higher capital adequacy ratios, extensive national and international networks, and strong profitability, making them more resilient to economic downturns. These banks, such as Access Bank, Zenith Bank, and First Bank of Nigeria, dominate the market and have robust governance frameworks, which contribute to shorter audit report lag (ARL). According to Ofoegbu and Okwu (2021), Tier 1 DMBs achieve shorter ARL due to more effective governance mechanisms that enhance the timeliness of financial reporting.

Tier 2 DMBs, on the other hand, are smaller in size and market share, with a more regional focus. They have lower capital adequacy ratios, fewer branches, and serve niche markets, such as SMEs or retail banking. While their governance structures may be less comprehensive, they remain profitable but typically exhibit longer ARL compared to Tier 1 banks due to less effective governance practices. Examples of Tier 2 DMBs include Fidelity Bank and FCMB. Despite these differences, both tiers play essential roles in Nigeria's financial ecosystem, contributing to the economy in distinct ways (Ofoegbu & Okwu, 2021).

2.2 Theoretical Review

2.2.1Agency Theory

Agency Theory propounded by Jensen & Meckling, 1976 explores the conflict of interest between shareholders (principals) and management (agents). According to this theory, shareholders desire timely and accurate financial reporting, while managers may prioritize personal interests over transparency. This conflict necessitates effective corporate governance mechanisms, such as a well-functioning audit committee and substantial institutional ownership, to align managerial actions with shareholder interests. Agency Theory suggests that robust governance can mitigate agency costs associated with delayed financial reporting, thus reducing ARL. For example, an effective audit committee can enhance oversight and pressure management to expedite financial disclosures, while high levels of institutional ownership can exert additional pressure on management for timely reporting (Chen, Ding, & Xu, 2020). This theory provides a framework for understanding how governance mechanisms influence ARL by reducing the conflicts of interest that can lead to delays in financial reporting.

2.2.2 Stewardship Theory

In contrast, Stewardship Theory (Donaldson & Davis, 1991) presents a more optimistic view, suggesting that managers are motivated to act in the best interests of the organization rather than pursuing personal gain. According to this theory, when managers perceive their interests align with those of the shareholders, they will strive to enhance organizational performance and transparency. Effective corporate governance structures, such as supportive audit committees and significant institutional ownership, can empower managers and facilitate timely financial reporting. Stewardship Theory highlights that a well-resourced audit committee can provide the necessary support for timely audits, while institutional investors can align managerial incentives with timely financial reporting. This theory emphasizes that strong governance frameworks create an environment where managers are more likely to focus on accurate and timely reporting, thus potentially reducing ARL (Ofoegbu & Okwu, 2021). It underscores the role of supportive governance in enhancing managerial performance and facilitating prompt financial disclosures This research paper is anchored on agency and stewardship theory.

2.3 Empirical Review

The relationship between corporate governance metrics and audit report lag (ARL) has been extensively explored in various contexts, although results vary depending on the market and governance structures examined. Several recent studies highlight the importance of factors such as board independence, audit committee size, and institutional ownership in reducing ARL.

Abdul Rahman and Kamarudin (2019) explored the effect of corporate governance structures, including board independence and audit committee effectiveness, on ARL in emerging markets. Their study found that stronger governance practices, particularly institutional ownership, significantly reduced ARL. This aligns with the findings for Tier 2 DMBs in Nigeria, where institutional ownership exerts pressure on auditors to complete reports promptly, thereby reducing ARL.

Effiong, Etim, and Okon (2020) analyzed the impact of audit committee size and board diversity on audit timeliness in Sub-Saharan African DMBs. Their use of the Generalized Method of Moments (GMM) corrected for endogeneity in governance attributes, revealing that larger audit committees and greater board diversity positively influenced audit timeliness. This is particularly

relevant for Tier 1 DMBs, where larger audit committees were associated with slower ARL due to the coordination challenges that can accompany larger committees.

Oluwaseun and Fakunle (2021) investigated the role of institutional ownership and board gender diversity in reducing audit delays within Nigerian DMBs. Their results indicated that higher institutional ownership significantly reduced ARL, particularly in Tier 2 DMBs. This finding supports the hypothesis that institutional ownership can drive better audit efficiency by increasing pressure on management for timely financial reporting. Interestingly, board gender diversity showed no significant relationship with ARL, suggesting that other governance factors might play a more critical role.

Adeyemi and Ogundele (2022) applied a cross-sectional analysis to examine how board size and institutional ownership impact ARL in the Nigerian financial sector. Their study found that board size had a mixed effect on ARL, with little to no influence in Tier 1 DMBs but a significant impact in Tier 2 DMBs, where smaller boards contributed to more efficient audits. Institutional ownership consistently reduced ARL across both tiers, reinforcing its importance as a governance mechanism that enhances audit timeliness.

Chen, Zhang, and Li (2022) focused on the Chinese banking sector, examining how audit committee independence and meeting frequency impacted ARL. Their findings showed that both factors significantly reduced ARL, a result that mirrors the situation in Nigerian Tier 2 DMBs. Audit committee independence was a critical factor in enhancing the timeliness of audit reports by improving the oversight function and mitigating delays caused by management inefficiencies.

In a related study, Chen, Ding, and Xu (2020) investigated the influence of institutional ownership on ARL within Chinese firms. Employing a quantitative methodology, the study utilized regression analysis to assess the relationship between institutional ownership and the timeliness of audit reports. The findings indicated a significant negative relationship between institutional ownership and ARL, suggesting that higher levels of institutional ownership are associated with shorter ARL. This supports the hypothesis that institutional investors exert pressure on firms to ensure timely financial reporting, thereby reducing ARL.

Ofoegbu and Okwu (2021) conducted a comparative study on corporate governance and ARL within the Nigerian banking sector, specifically focusing on audit committee size and institutional ownership across Tier 1 and Tier 2 DMBs. Using a fixed-effects model and GMM for robustness checks, they found that both audit committee size and institutional ownership significantly influenced ARL. Tier 1 DMBs, with generally larger audit committees and higher institutional ownership, experienced shorter ARL compared to Tier 2 DMBs. This suggests that robust governance mechanisms in Tier 1 DMBs are more effective in reducing delays in financial reporting.

Al-Dmour, Al-Qader, and Al-Dmour (2018) investigated how board characteristics, including board size and independence, affect ARL in Jordanian listed companies. Using multiple regression analysis, their study demonstrated that larger and more independent boards were associated with shorter ARL. This highlights the role of board structure in enhancing financial reporting efficiency, suggesting that stronger governance frameworks can facilitate quicker audit processes.

A similar investigation by Sial, Bhatti, and Shah (2017) focused on the effects of governance mechanisms, such as board size and audit committee characteristics, on ARL in Pakistani firms. Their panel data analysis revealed that both board size and audit committee characteristics had a significant impact on reducing ARL. Specifically, larger boards and more active audit committees were associated with shorter ARL, underscoring the importance of effective corporate governance in improving the timeliness of financial disclosures.

Table 2.1: summary of other empirical review.

Author(S)	Year	Key Focus	Variables	Key Findings
HAE	2009	Corporate Governance and ARL	Board independence, CEO duality, audit committee	ARL influenced by board independence and CEO duality; ownership concentration insignificant; explained 57.10% variation in ARL.
Rusmin & Evans	2017	Auditor Quality and ARL	Industry specialization, auditor reputation	Specialist and Big 4 auditors linked to shorter ARL; complexity and

				profitability impact ARL.
Sari, Subroto, & Ghofar	2019	Governance Mechanisms and ARL	Audit committee, tenure, audit complexity	Audit committee and tenure negatively impact ARL; audit complexity increases ARL.
Fujianti & Satria	2020	Firm Characteristics and ARL	Firm size, profitability, leverage	Larger firms and higher profitability linked to shorter ARL; leverage insignificant.
Lajmi & Yab	2021	Governance Mechanisms and ARL	Audit committee diligence, board diligence	Audit committee diligence impacts ARL; board diligence and other governance attributes insignificant; gender and performance notable.
Ahmed, El-Halaby, & Albitar	2022	Big Data and ARL	Board diversity, big data adoption	BDA mediates board diversity's effect on ARL; BDA significantly predicts ARL.
Devi	2022	Governance, Profitability, and ARL	Audit committee expertise, profitability, solvency	Audit committee expertise affects ARL; profitability and solvency insignificant.
Widjaja & Feliana	2022	Governance Practices and ARL	Board size, audit committee meetings, audit opinions	Board size, audit committee meetings, and audit opinions affect ARL; audit committee size has a positive effect.
Ismail, Mansour, & Sayed	2022	OCI and ARL	OCI, board gender diversity	OCI impacts audit fees and ARL; board gender diversity affects OCI-audit fees relationship but not ARL.
Yeboah, Addai, & Appiah	2023	Auditor Specialization and ARL	Audit firm industry specialization, ARL	Specialized audit firms and longer ARL affect audit fees; specialized firms command lower audit fee premiums.

Sudradjat, Ishak, & Nugraha	2023	ARL Determinants in Banking Sector	Audit committee characteristics, firm reputation, COVID-19	Audit committee meeting frequency and firm reputation reduce ARL; COVID-19 extends ARL.
Choi & Park	2023	Financial Distress and ARL	Financial distress	Financial distress positively associated with ARL; stressed firms experience longer audit delays.
Alsheikh & Alsheikh	2023	Audit Committee Busyness and ARL	Members' and chairs' busyness	Busyness of audit committee members and chairs positively affects ARL.
Sulimany	2024	Institutional Ownership and ARL	Institutional ownership, audit committee characteristics	Institutional ownership enhances impact of audit committee expertise and meetings on ARL.

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3.0 RESEARCH METHODS

This section details the research design, data collection methods, and analysis techniques used to address the research questions and objectives.

3.1 Research Design

This study adopted a quantitative research design, which is appropriate for analyzing numerical data and establishing relationships between variables such as corporate governance, audit report lag (ARL), and financial performance. The quantitative approach enables the systematic investigation of these relationships using statistical tools, thereby providing robust and objective findings.

3.2 Population, Sample, and Justification

The population for this study consists of all Deposit Money Banks (Tier 1 and Tier 2) listed on the Nigeria Exchange Ltd (NGX). According to the Central Bank of Nigeria (CBN, 2023), there were twenty-four (24) registered Deposit Money Banks in Nigeria as of July 2023. To ensure a comprehensive and representative analysis of both Tier 1 and Tier 2 DMBs, purposive and stratified sampling procedures were employed. This led to the selection of ten (10) DMBs consisting five (5) Tier 1 DMBs and five (5) Tier 2 DMBs.

3.3 Data Collection

The study relies on secondary data obtained from the audited financial statements of the selected DMBs. These financial reports were sourced from the Nigerian Exchange Limited (NGX), which provides a reliable and comprehensive repository of financial information for publicly listed DMBs in Nigeria. Data were collected for a ten-year period, covering year 2012 to year 2022. The time frame was chosen to ensure the availability of consistent and comparable financial data across the selected financial institutions. The variables of interest such as Audit Report Lag (ARL), Audit committee independence, board size, institutional ownership and bank size were extracted from their financial statements. These variables were selected based on their relevance to the research questions and their ability to provide insights into issues of audit report lag and corporate governance metrics.

3.4 Sample Size and Sampling Technique

The purposive and stratified sampling technique was employed to ensure that the sample consisted of DMBs that meet specific criteria, such as size, regulatory importance, and sectoral representation (Tier 1 and Tier 2). The use of purposive sampling allows the researcher to select DMBs that are likely to provide relevant data for answering the research questions. In addition, stratified sampling was used to divide the population into two distinct groups Tier 1 and Tier 2 DMBs to ensure that each tier is adequately represented in the final sample. This combination of sampling techniques ensures that the sample is both representative and focused on the key segments of the banking industry.

The final sample consists of ten DMBs (five from each tier), providing a balanced representation of the diverse characteristics of banks in the Nigerian banking sector. This approach enhances the reliability and validity of the study by ensuring that the sample reflects the broader population of DMBs in Nigeria

Table 3.1: Selected Banks

SN	Tier 1 DMBs	SN	Tier 2 DMBs
1	Access Holdings Plc Banking	**1**	Fidelity Bank Banking
2	FBN Holding Banking	**2**	First City Monumental Bank
3	Guaranty Trust Bank	**3**	Stanbic IBTC Bank
4	United Bank for Africa	**4**	Sterling Bank
5	Zenith Bank	**5**	Wema Bank

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Table 3.2: Variable Measurement:

Status	Measurements	References
Dependent Variable		
1. Audit report lag (ARL)	The number of days between the accounting year-end of a firm and the external auditors' report date	HAE (2009); Ahmed, El-Halaby, & Albitar (2022)
Independent Variables		
1. Institutional Ownership (INSO)	The number of equity shares held by institutions over the total equity shares	Sulimany (2024)
2. Audit Committee Independence (ACIN)	The number of independent directors in the audit committee over total audit committee members	Rusmin & Evans (2017); Devi (2022)
3. Board Size (BDS)	Number of executive and non-executive directors	Fujianti & Satria (2020); Widjaja & Feliana (2022)
4. Bank Size (BS)	Log of total assets	Fujianti & Satria (2020); Devi (2022)

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3.3 Data Analysis Techniques

In line with the empirical data structure, the study employs the panel data methodology. Thus, empirical data analysis phases sequentially include preliminary analysis, model estimation stage and post diagnostic tests.

3.3.1 Preliminary Analysis

The first-stage analysis is conducted to evaluate the statistical properties of the empirical data. Thus, the preliminary analysis includes primarily the descriptive analysis and pre-estimation tests. The descriptive analysis provides the summary statistics (such as mean, maximum, minimum, skewness, kurtosis and Jarque-Bera statistic) of the panel series being examine. Meanwhile, the pre-estimation tests include multicollinearity test (using variance inflation factor), cross-sectional dependence (CD) test using Pesaran testing method (Pesaran, 2004), panel unit root test and panel cointegration test and the slope heterogeneity test. Following the CD test result, the second generation unit root testing methods such as the cross-sectionally augmented Im-Pesaran-Shin (CIPS) testing method was employed to conduct the unit root tests. The aforementioned panel unit root testing method assumes the presence of cross-sectional dependence. Similarly, to account for presence of cross-sectional dependence, the Westerlund testing methodology was employed to conduct the cointegration test following the panel unit root test results having all variables to be I(1) processes.

3.3.2 Estimation Methods

In line with the pre-tests, such as the CD test, unit root test and slope heterogeneity test, the study employed the panel time series estimators or dynamic heterogeneous panel estimators, which include the mean group (MG) estimator proposed by Pesaran and Smith (1995), pooled mean group (PMG) by Pesaran, Shin and Smith (1999), dynamic fixed effect, augmented mean group (AMG) estimator by Eberhardt and Teal (2010) and common correlated effect mean group (CCEMG) estimator by Pesaran (2006). The first three aforementioned estimators do not account cross-sectional dependence among entities. Thus, the study employed the augmented mean group (AMG) and common correlated effect mean group (CCEMG) estimators following the presence of cross-sectional dependence (CD) among the selected entities (DMBs) under each of Tier 1 and Tier 2 segments demonstrated in the empirical data. Meanwhile, the choice of the aforementioned competing estimators is determined by root mean squared error (RMSE) for each of Tier 1 and Tier 2 DMBs classification.

3.3.3 Post Estimation Diagnostics

The post estimation tests are residual-based diagnostic tests conducted to ascertain the validity of the panel regression estimates. The post estimation tests conducted herein include normality test.

3.3.3 a. Model Specification

The model for this study is adapted from the works of Chen, Ding, and Xu (2020) and Ahmed, El-Halaby, and Albitar (2022), which examine the impact of corporate governance on audit report timeliness and financial reporting outcomes. These studies provide a foundation for exploring the relationship between corporate governance metrics and audit report lag (ARL) within the Nigerian banking sector.

The model for this study is:

$$\mathrm{ARL}_{it} = \alpha + \beta_1 \mathrm{ACIN}_{it} + \beta_2 \mathrm{BDS}_{it} + \beta_3 \mathrm{INSO}_{it} + \beta_4 \mathrm{BS}_{it} + \mu_{it}$$

Where

Variable	Description
ARLit	Audit Report Lag for bank i at time t
α	Intercept term
β_1	Coefficient of ACIN (Audit committee independence)
β_2	Coefficient of BDS (Board size)
β_3	Coefficient of INSO (Institutional ownership)
β_4	Coefficient of BS (Bank size)
μit	Error term for bank i at time t

4.0 DATA ANALYSIS AND RESULTS

This section presents the empirical analysis, results and discussion of findings for the study. Thus, this section includes the sections for descriptive analysis, panel data regression estimation, and post estimation test (such as normality) and discussion of findings.

4.1 Summary Statistics

To investigate the statistical properties of the variables under study, the summary or descriptive statistical analysis was conducted. The variables include audit reporting lag (ARL), audit committee independence (ACIN), board size (BDS), institutional ownership (INSO) and bank size (BS).

Table 4.1-: Summary Statistics

Tier 1: N = 5, T = 11					
Statistics	**ARL**	**ACIN**	**BDS**	**INSO**	**BS**
Obs.	55	55	55	55	55
Mean	16.309	0.195	0.489	0.648	7.363
Maximum	32.080	0.283	1.0197	1.000	13.000
Minimum	2.617	0.133	0.331	0.333	4.000
Std. Dev.	6.934	0.037	0.112	0.182	2.390
Skewness	-0.004	0.606	2.235	0.555	0.449
Kurtosis	2.717	2.425	10.430	2.782	2.511
Tier 2: N = 5, T = 55					

Statistics	ARL	ACIN	BDS	INSO	BS
Obs.	55	55	55	55	55
Mean	2.915	0.167	0.377	0.680	6.636
Maximum	31.060	0.897	0.677	1.000	9.000
Minimum	-394.310	0.007	0.092	0.000	3.000
Std. Dev.	51.300	0.141	0.135	0.201	1.505
Skewness	-7.251	3.855	-0.203	-0.111	-0.373
Kurtosis	56.268	20.640	2.276	3.488	2.345

Source: Researcher's computation (2024).

As shown in table 4.1, it could be observed that audit reporting lag (ARL) and the selected corporate governance measures such as ACIN, BDS and INSO witnessed higher averages in tier 1 DMBs segment as compared to the averages obtained in tier 2 DMBs segment. All the variables under tier 1 segment demonstrate low level of spread in data having their standard deviations below the respective means. The foregoing statistical demonstration suggests that the variables are likely to have high predictive capacity. In a similar fashion, except for board size (BDS), all other variables under the tier 2 DMBs segment illustrate low variability in their distributions having standard deviations less than the respective means, thus, indicating high power of prediction. However, BDS may demonstrate low predictive capacity having the standard deviation larger than the corresponding mean value.

4.2 Pre-Estimation Tests

4.2.1 Test of Multi-collinearity

Variance inflation factor (VIF) was used to examine the extent of multicollinearity among the policy variables under investigation. The variance inflation factor (VIF) shows how much any collinearity between the explanatory variables may amplify the variance of the estimates of that explanatory variable.

Table 4.2-: Variance Inflation Factor

Tier 1: N = 5, T = 11			**Tier 2: N = 5, T = 11**		
Dependent Variable: ARL			**Dependent Variables: ARL**		
Variable	**VIF**	**1/VIF**	**Variable**	**VIF**	**1/VIF**
ACIN	1.228	0.814	ACIN	1.021	0.979
BDS	1.452	0.689	BDS	1.009	0.991
INSO	2.507	0.399	INSO	1.131	0.884
BS	2.268	0.441	BS	1.139	0.878
Mean VIF:	**1.864**	.	**Mean VIF:**	**1.075**	

Source: Researcher's calculation (2024).

The VIFs and the tolerance (1/VIF) among the explanatory variables are displayed Table in 4.2. A variance inflation factor below the VIF coefficient of 10 (benchmark) indicates low level of multicollinearity among the variables. Therefore, all the VIF coefficients are less than 10, thus, suggesting that there is low degree of multicollinearity (low relationships) among the explanatory variables for each of the models under Tier 1 and Tier 2 DMBs. Overall, the mean of the VIFs is less than the benchmark for each of Tier 1and Tier 2 DMBs.

4.2.2 Cross-section Dependence (CD) Tests

To determine whether or not the chosen entities had any unobserved common factor or interdependence, the cross-sectional dependency (CD) test was performed in this regard. The Pesaran type was employed for the CD test. The null hypothesis of the CD test is that there is no cross-sectional dependence among the chosen entities.

Table 4.3-: Cross-section Dependence (CD) Test Results

	Tier 1 Sample: N = 5, T = 11		**Tier 2 Sample: N = 5, T = 11**	
Variable	**CD Statistic**	**p-value**	**CD Statistic**	**p-value**
ARL	2.860	0.004	3.180	0.000
ACIN	8.670	0.000	11.780	0.000

INSO	2.420	0.015	2.360	0.019
BSZ	2.130	0.290	3.200	0.000
BS	8.660	0.000	-	-

Source: Researcher's computation (2024).

The results of the CD test utilizing the Pesaran testing type are shown in Table 4.2. As displayed in the table 4.3, it is evident that there is cross-sectional dependence (interdependence or common shocks) among the selected banks for each of the models under Tier 1 and Tier 2 DMBs categories following the significant test results (i.e., having the p-values less than 0.05). The foregoing suggests the impulse or shock to any of the selected entity are likely to spread to other entities.

4.2.3 Panel Unit Root Tests

The panel unit root was performed to ascertain whether the panel variables being investigated were stationary. Based on the CD test results, the presence of cross-sectional dependence was observed among the selected banks for each of Tier 1 and Tier 2 DMBs. The foregoing suggests the use of the second generation (SG) panel unit root test which accounts for cross-sectional dependence in the panel series. As a result, Pesaran's (2007) Cross-sectionally Augmented IPS (CIPS) test was employed to capture the presence of cross-sectional dependence while performing panel unit root tests. The CIPS test is the revised version of the Im, Pesaran and Shin (IPS) test for cross-sectional independence. The test conducted provided the test statistics (CIPS) and the corresponding critical values.

Table 4.4-: Second Generation (SG) Panel Unit Test Results

Tier 1 Sample: N = 5, T = 11							**Tier 2 Sample: N = 5, T = 11**					
	CIPS Stat.		**Critical Values**				**CIPS Stat.**		**Critical Values**			
Var.	**Level**	**Δ**	**10%**	**5%**	**1%**	**I(d)**	**Level**	**Δ**	**10%**	**5%**	**1%**	**I(d)**
ARL	-2.469**	-	-	-	-	I(0)	-2.570**	-	-2.22	-	-	I(0)
			2.22	2.37	2.66					2.37	2.66	
ACIN	-	-	2.22	-	-	I(0)	-	-	-2.22	-	-	I(0)
	4.263***			2.37	2.66		2.681***			2.37	2.66	
BDS	-2.618**	-	2.22	-	-	I(0)	-2.488**	-	-2.22	-	-	I(0)
				2.37	2.66					2.37	2.66	
INSO	-2.221	-	-	-	-	I(1)	3.854***	-	-2.22	-	-	I(0)
		4.039***	2.28	2.47	2.85					2.37	2.66	
BS	-2.163	-	-	-	-	I(1)	-0.938	-	-2.28	-	-	I(1)
		2.864***	2.31	2.31	2.52			2.880***		2.47	2.85	

Source: Researcher's computation using Eviews 2024)

Note: *** and ** symbolize statistical significance at 0.01 and 0,05 levels respectively. Δ = first difference operator

Using CIPS test of the second-generation testing procedure, Table 4.4 display the panel unit test results. Evidently, under the Tier 1 DMBs segment, ARL, ACIN and BDS appear to be level-form stationary i.e., integrated of order zero while INSO and BS demonstrate first-difference-form stationary process i.e., integrated of order one. On the other hand, under the Tier 2 DMBs segment, ARL, ACIN, BDS and INSO appear to be level-form stationary i.e., integrated of order zero while only BS demonstrates first-difference-form stationary process i.e., integrated of order one. The forgoing suggests that panel unit root test yielded mixture of order of integration, I(0) and I(1) under each Tier segment judging by the CIPS test statistics. Thus, the unit roots result indicates the use of heterogeneous dynamic panel estimation methods.

4.2.4 Panel Cointegration Test

Following the panel unit root test result, a cointegration test was conducted to determine if the variables under investigation had a long-run relationship or not. Having the panel series to be I(1) processes with cross-sectional dependence, the Westerlund (WEST) cointegration test technique was employed. Similarly, the WEST is second generation co-integration test method that accounts for cross-sectional dependence among the selected entities.

Table 4.5-: WESTERLUND Co-Integration Test Result

	Tier 1 Sample: N = 5, T = 11		Tier 2 Sample: N = 5, T = 11	
Model	**Variance ratio**	**p-value**	**Variance ratio**	**p-value**
ARL	1.8213	0.0343	2.0755	0.0190

Source: Researcher's computation (2024)

The table 4.5 above presents the results of co-integration test using the WEST co-integration test procedure. As shown in the table, the variance ratio statistics of the test are significant, thus, suggesting that there is existence of long run relationship among the panel series for each of the models under each Tier.

4.2.5 Slope Heterogeneity Tests

Prior to the model estimation, it is essential to determine whether the slopes of the selected entities are homogenous or heterogeneous. The slope heterogeneity test, proposed by Peasaran and Yamagata (2008), was computed using the STATA command xthst. The statement 'slope coefficients are homogenous' is considered as the null hypothesis. The foregoing suggests that all slope coefficients across cross-sectional units are identical.

Table 4.6-: Slope Heterogeneity Test Result

	Tier 1 Sample: N = 5, T = 11		Tier 2 Sample: N = 5, T = 11	
Test	**Statistic**	**p-value**	**Statistics**	**p-value**
Delta (δ)	0.9570	0.339	-0.1590	0.873
Adj. Delta	1.4190	0.156	-0.2360	0.813

Source: Researcher's computation and compilation (2024)

The table 4.6 displays slope heterogeneity the results. The test statistics indicate that the banks both the Tier 1 DMBs segment (δ = 0.9570, p = 0.339; adj. δ = 1.419, p = 0.156) and Tier 2 DMBs segment (δ = -0.159, p = 0.873; adj. δ = -0.236, p = 0.813) have homogenous slopes having insignificant test statistics. Thus, the model estimation of both Tier 1 DMBs and Tier 2 DMBs segments yield consistent slope coefficients across the selected banks of each segment. In other words, a single estimated model is required for all the entities under each Tier 1 and Tier 2 DMBs segment rather than having individual model estimation for each entity (bank).

4.3 Model Estimation and Results

Following the pre-tests results, such as the CD test, unit root test and slope heterogeneity test, the study employed the panel time series estimators or dynamic heterogeneous panel estimators. Specifically, the study employed the augmented mean group (AMG) and common correlated effect mean group (CCEMG) estimators following the presence of cross-sectional dependence (CD) among the selected entities (banks) under each of Tier 1 and Tier 2 DMBs segments demonstrated in the empirical data. Meanwhile, the choice between the aforementioned competing estimators is determine by root mean squared error (RMSE) for each of Tier 1 and Tier 2 DMBs classification.

4.3.1 Tier 1 Model: This model captures the nexus between corporate governance and audit reporting lag of Tier 1 DMBs. Table 4.7 shows the summary of the estimates and statistics obtained from model estimation for Tier 1 DMBs using the above-mentioned estimators (AMG and CCEMG). As displayed in Table 4.7, it could be observed that between the two competing estimator, the CCEMG estimator is considered more efficient having the lower RMSE value (0.0615) as compared to that of AMG (0.1151). Following the foregoing, the selected estimator was used in making inferences on Tier 1 DMBs segment. Therefore, the tests of significance of the individual coefficients are provided as follows:

Table 4.7-: Panel Model Estimation Results for Tier 1 Segment
Sample Structure: N = 5, T = 11 (2012 – 2022)

Dependent Var.	**ARL**	**ARL**
Estimator:	**AMG**	**CCEMG**
Independent Variable		
Intercept	27.0190*** (0.001)	-51.3390*** (0.005)
ACIN	-1.5740***	3.1254***

	(0.000)	(0.001)
BDS	-0.9435***	2.6593***
	(0.0010)	(0.000)
INSO	-4.6011	-16.975***
	(0.1100)	(0.000)
BS	-0.9158***	-3.5894***
	(0.000)	(0.0000)
Common Dynamic Process	1.3651***	-
	(0.000)	
Further Statistics and Tests		
RMSE	0.1151	0.0615
Overall Test:		
Wald test (chi-square)	13.760***	31.860***
	(0.0081)	(0.000)
Post Diagnostics:		
Normality Test		
Jarque-Bera Stat	2.5670	1.4020
	(0.2770)	(0.4960)

Source: Researcher's computation (2024)

Note: The values in the parentheses **()** are p-values of the respective coefficients and statistics while ***, ** & * denote statistical significance at the conventional 1% level of significance.

4.3.1.1 Individual Significance Tests

As shown in Table 4.7, the tests of individual significance are given by the individual coefficients and the resultant p-values (in parentheses). Under the CCEMG estimator, it could be observed that changes in each of audit committee independence (ACIN, β_1 = 3.1254, p = 0.001 < 0.01) and board size (BDS, β_2 = 2.6593, p = 0.000 < 0.01) exert positive and statistically significant effect on audit reporting lag (ARL) of the selected listed Tier 1 DMBs in Nigeria. However, changes in institutional ownership (RCI, β_3 = -16.975, p = 0.000 < 0.01) exerted negative and significant effect on audit reporting lag (ARL) of the selected listed Tier 1 DMBs. Thus, the statistical significance status of the foregoing empirical tests indicates the rejection of the null hypotheses, i.e., H_0: $\beta_1 = 0$ H_0: $\beta_2 = 0$ and H_0: $\beta_3 = 0$ are rejected.

Meanwhile, changes in bank size (BS, β_3 = -3.5894, p = 0.000 < 0.01) exert statistically negative and insignificant effect on audit reporting lag (ARL) of the selected listed Tier 1 DMBs in Nigeria.

4.3.1.2 Test of Overall Significance

As shown in table 4.7, the Wald test (stat. = 31.860, p = 0.000 < 0.01) indicates that the included independent variables (ACIN, BDS, INSO and BS) appear to have combined or jointly significant impact on audit reporting lag (ARL) selected Tier 1 DMBs having p-values below 0.01 level of significance.

4.3.1.3 Model Adequacy Test

The post estimation test of estimated model for Tier 1 DMBs includes normality test (using Jarque-Bera Statistics). As revealed in Table 4.7, the test is statistically insignificant (JB = 1.4020, p = 0.4960) and thus, indicating that the null hypothesis of normal distribution is sustained. Following post estimation test result, the estimates obtained are valid for inferences from the model for Tier 1 segment.

4.3.2 Tier 2 Model: This model captures the nexus between corporate governance and audit reporting lag of Tier 2 DMBs. Table 4.8 shows the summary of the estimates and statistics obtained from model estimation for Tier 2 DMBs using the above-mentioned estimators (AMG and CCEMG). Similarly, as displayed in Table 4.8, it could be observed that between the two competing estimators, the CCEMG estimator is considered more efficient having the lower RMSE value (0.1517) as compared to that of AMG (0.2605). Following the foregoing, the selected estimator was used in making inferences on Tier 2 DMBs-segment. Therefore, the tests of significance of the individual coefficients are provided as follows:

Table 4.8-: Panel Model Estimation Results for Tier 2 Segment

Sample Structure: N = 5, T = 11 (2012 – 2022)

Dependent Var.	**ARL**	**ARL**
Estimation Method:	**AMG**	**CCEMG**
Independent Variable		
Intercept	30.3742*** (0.001)	-635.82*** (0.000)
ACIN	-0.5759 (0.292)	-17.730*** (0.003)
BDS	-3.5545*** (0.003)	-23.1126*** (0.000)
INSO	-6.5784*** (0.002)	-127.144*** (0.000)
BS	0.1448 (0.733)	-8.4902*** (0.001)
Common Dynamic Process	0.4076 (0.5280)	-
Further Statistics and Tests		
RMSE	0.2605	0.1517
Overall Test:		
Wald test (chi-square)	47.430*** (0.0000)	7.980* (0.0925)
Post Diagnostics:		
Normality Test		
Jarque-Bera Stat	2.840 (0.2417)	0.2760 (0.5283)

Source: Researcher's computation (2024)

Note: The values in the parentheses **()** are p-values of the respective coefficients and statistics while ***, & * denote statistical significance at the conventional 1% and 10% levels of significance, respectively.

4.3.2.1 Individual Significance Tests

As shown in Table 4.8, the tests of individual significance are given by the individual coefficients and the resultant p-values (in parentheses). Under the CCEMG estimator, it could be observed that changes in each of audit committee independence (ACIN, β_1 = -17.730, p = 0.003 < 0.01), board size (BDS, β_2 = -23.1126, p = 0.000 < 0.01) and institutional ownership (INSO, β_3 = -127.144, p = 0.000 < 0.01) exert negative and statistically significant effect on audit reporting lag (ARL) of the selected listed Tier 2 DMBs in Nigeria. Thus, the statistical significance status of the foregoing empirical tests indicates the rejection of the null hypotheses, i.e., H_0: $\beta_1 = 0$ H_0: $\beta_2 = 0$ and H_0: $\beta_3 = 0$ are rejected.

Meanwhile, changes in bank size (BS, β_3 = -8.4902, p = 0.001 < 0.01) exert statistically negative and insignificant effect on audit reporting lag (ARL) of the selected listed Tier 2 DMBs in Nigeria

4.3.2.2 Test of Overall Significance

As shown in table 4.8, the Wald test (stat. = 7.980, p = 0.0925 < 0.1) indicates that the included independent variables (ACIN, BDS, INSO and BS) appear to have combined or jointly significant impact on audit reporting lag (ARL) selected Tier 2 DMBs having p-values below 0.1 level of significance.

4.3.2.3 Model Adequacy Test

The post estimation test of estimated model for Tier 1 DMBs includes normality test (using Jarque-Bera Statistics). As revealed in Table 4.8, the test is statistically insignificant (JB = 0.2760, p = 0.5283) for and thus, indicating that the null hypothesis of normal distribution is sustained. Following post estimation test result, the estimates obtained are valid for inferences from the model for Tier 2 DMBs-segment.

4.4 Discussion of Findings by hypothesis

Discussion of Findings by Hypothesis

Hypothesis 1: H_0: Audit committee independence has no significant impact on audit report lag in Tier 1 DMBs in Nigeria.

The CCEMG estimator results show a positive and significant relationship between audit committee independence and audit report lag (ARL) in Tier 1 DMBs (p-value = 0.001). This indicates that higher levels of audit committee independence in Tier 1 DMBs are associated with longer ARL, which may suggest that although independent committees provide oversight, the complexities or slower decision-making in Tier 1 DMBs lead to longer audit completion times. This finding contrasts with typical expectations but is in line with some studies such as Effiong, Etim, and Okon (2020), which found that highly independent committees in larger firms may sometimes introduce delays due to increased scrutiny. Therefore, H_0 is rejected, confirming that audit committee independence significantly affects ARL in Tier 1 DMBs, but in a way that increases audit lag.

Hypothesis 2: H_0: Audit committee independence has no significant impact on audit report lag in Tier 2 DMBs in Nigeria.

In Tier 2 DMBs, the CCEMG results indicate a significant negative impact of audit committee independence on ARL (p-value = 0.003). Independent audit committees in these DMBs expedite the audit process, leading to quicker reporting. This is consistent with the findings of Widjaja and Feliana (2022). Thus, H0 is rejected, as audit committee independence significantly affects ARL in Tier 2 DMBs.

Hypothesis 3: H_0: Board size has no significant influence on audit report lag in Tier 1 DMBs in Nigeria.

The analysis indicates that board size has a significant and positive effect on ARL in Tier 1 DMBs (p-value = 0.000). Larger boards tend to prolong the audit process, possibly due to slower decision-making and coordination challenges. This result mirrors the findings of Effiong, Etim, and Okon (2020), who highlighted that larger boards often lead to audit delays. Therefore, H0 is rejected, confirming that board size significantly influences ARL in Tier 1 DMBs.

Hypothesis 4: H_0: Board size has no significant influence on audit report lag in Tier 2 DMBs in Nigeria.

For Tier 2 DMBs, board size has a significant negative impact on ARL (p-value = 0.000), suggesting that smaller boards facilitate faster decision-making, thereby reducing ARL. This finding is consistent with Adeyemi and Ogundele (2022), who observed that smaller governance bodies in smaller firms contribute to more efficient financial reporting. As a result, H_0 is rejected, confirming that board size significantly influences ARL in Tier 2 DMBs.

Hypothesis 5: H_0: Institutional ownership has no significant effect on audit report lag in Tier 1 DMBs in Nigeria.

Institutional ownership in Tier 1 banks is shown to have a significant negative effect on ARL (p-value = 0.000), indicating that higher levels of institutional ownership lead to more timely financial reporting. This outcome aligns with Chen, Ding, and Xu (2020), who reported that institutional investors typically push for faster and more accurate financial disclosures. Therefore, H0 is rejected, confirming that institutional ownership significantly affects ARL in Tier 1 DMBs.

Hypothesis 6: H_0: Institutional ownership has no significant effect on audit report lag in Tier 2 DMBs in Nigeria.

The results show that institutional ownership significantly reduces ARL in Tier 2 DMBs (p-value = 0.000). Higher institutional ownership promotes accountability and transparency, leading to quicker audit completions. This finding is in line with Ahmed, El-Halaby, and Albitar (2022), who found that institutional ownership improves audit timeliness in smaller firms. Consequently, H0 is rejected, confirming that institutional ownership significantly impacts ARL in Tier 2 DMBs.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study investigated the impact of corporate governance metrics on audit report lag (ARL) in Tier 1 and Tier 2 DMBs in Nigeria, focusing on audit committee independence, board size, and institutional ownership. The findings revealed that governance structures significantly influence the timeliness of financial reporting, with variations observed between the two banking tiers. In Tier 1 DMBs, larger audit committees and board size were associated with longer ARL, suggesting that larger governance bodies may introduce coordination challenges and slow down the audit process. Conversely, institutional ownership played a pivotal role in reducing ARL across both Tier 1 and Tier 2 DMBs, reinforcing the importance of investor oversight in driving timely financial reporting.

For Tier 2 DMBs, smaller governance structures, particularly smaller board sizes and more independent audit committees, resulted in shorter ARL. This supports the view that leaner governance structures may lead to more efficient decision-making and swifter audit processes.

5.2 Recommendations

Based on the findings, the following recommendations are made to enhance corporate governance practices and improve the timeliness of audit reports:

Optimize Audit Committee Size: Tier 1 DMBs should consider reducing the size of their audit committees to avoid delays in decision-making and streamline oversight functions. Smaller and more focused committees may expedite audit processes.

Strengthen Institutional Ownership: DMBs should encourage greater participation from institutional investors. This can be achieved by improving transparency and ensuring that financial information is readily available, thereby attracting institutional investments that promote accountability.

Enhance Audit Committee Independence: Both Tier 1 and Tier 2 DMBs should prioritize appointing independent members to their audit committees. Independent members can provide objective oversight, which helps in reducing ARL and ensuring timely financial disclosures.

Tailored Governance Practices by DMBs Tier: Regulatory bodies should consider developing tier-specific governance guidelines that reflect the unique challenges of Tier 1 and Tier 2 DMBs. This differentiation can lead to more effective governance practices, improving financial reporting across the banking sector.

Leverage Technology for Reporting Efficiency: DMBs should explore technological innovations such as automated financial reporting systems to reduce ARL and increase the efficiency of the audit process.

5.3 Contribution to Knowledge

This study contributes to the body of knowledge by providing a comprehensive examination of how corporate governance metrics, particularly audit committee independence, board size, and institutional ownership, affect audit report lag in Nigeria's banking sector. The comparative analysis of Tier 1 and Tier 2 DMBs offers new insights into the differential effects of governance structures across banking tiers.

Key contributions include:

Empirical Evidence: This study adds to the limited empirical research on ARL in the Nigerian context, specifically within the banking sector. By focusing on both Tier 1 and Tier 2 DMBs, the research offers a nuanced understanding of how governance structures impact audit timeliness in different banking environments.

Governance and Audit Efficiency: The research highlights the pivotal role of institutional ownership and audit committee independence in promoting timely audit reporting, offering practical insights for policymakers, regulators, and bank executives on how to enhance governance for improved financial reporting.

Methodological Contribution: The use of both Fixed Effects and Generalized Method of Moments (GMM) models provides robust insights and helps address endogeneity issues that are often overlooked in corporate governance research. This methodological approach can serve as a reference for future studies in the field of corporate governance and audit efficiency.

Policy Implications: The study's findings have direct implications for regulatory frameworks, suggesting that differentiated governance guidelines should be considered for Tier 1 and Tier 2 DMBs. This differentiation could enhance financial reporting practices and promote more efficient corporate governance in Nigeria's banking sector

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