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**Sequence of Manuscript**

I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
XI. Author Biographies (optional)

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# Editorial Team

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# IMPACT OF BOARD ATTRIBUTES ON COMPLIANCE WITH IFRS 16 DISCLOSURE OF LISTED MANUFACTURING FIRMS IN NIGERIA

**Bahago Ado Ahmed, Ibrahim Abdulateef, Halidu Saidu and Dang Yohanna Dagwom**

## ABSTRACT

*There is a growing concern on the need for compliance with relevant accounting standards not only by the manufacturing sector but also all sectors of the economy. This study is aimed at establishing the impact of board attributes on compliance with disclosure requirements of IFRS 16. The board attributes examined were board size, board independence and audit committee independence. The study adopted correlational research design as it is the design that best explains research on effect of two or more historical data and ordinary least square (OLS). The study population consists of all listed manufacturing firms in Nigeria as at 31st December 2023 out of which forty (40) firms were selected. Secondary source of data was obtained through published annual reports. Based on model regression three of the relationships were positive and significant while one was negative and significant, and another was insignificant. The significant ones include board independence, audit committee independence and as a result, the null hypotheses formulated in their respects were rejected. However, both board size has insignificant relationship hence we failed to reject the null hypothesis formulated in its respect. Based on the findings of the study, it is recommended that regulatory authorities should emphasize on the independence of director on the board and specific minimum characteristics for number of independent directors on the audit committees as the study established positive and significant relationship between board independence and audit committee independence compliance with disclosure requirements of IFRS 16.*

***Key words:*** *Compliance, Board Attributes, Disclosure*

## 1.0 Introduction

In 2016, International Accounting Standard (IAS) 17 was replaced by International Financial Reporting Standard (IFRS) 16 to regulate all reporting activities related to leases in corporate entities. This followed extensive consideration of the fact that the old standard did not reflect existing economic realities; having been in existence for more than thirty years. The new standard is aimed at promoting transparency and comparability of information on off-balance sheet leases by bringing them onto balance sheets (IASB 2020).

The adoption of international Financial Reporting Standards in Nigeria was done in the year 2012 in order to provide a framework for comparability of accounting information across the globe. These efforts towards harmonization of accounting standards started in the year 1973 by professional accounting organizations in Europe, America and Australia. This endeavor was later supported by all professional accounting bodies under the International Federation of Accountants (Bagudo, 2016). This led to the establishment of a body called the International Accounting Standards Committee (IASC) in 1973, which is responsible for issuing the International Accounting Standards (IAS) which was later changed into a new body called the International Accounting Standards Board (IASB) in 2001 and took over the work of the IASC. The IASB is now responsible for issuing International Financial Reporting Standards (IFRS), which replaces IAS (Bagudo, Abdul Manaf and Ishak, 2016).

According to PwC (2013), there are now over 120 countries across the globe that use IFRS, either for stock exchange listing, statutory filing of financial statements or for use by Small and Medium Enterprises (SMEs). It was against this backdrop that Nigeria joined the league of these countries in 2012.
Before this landmark in our financial reporting frameworks, accounting practices in Nigeria had been

governed by Nigerian Accounting Standards Board Act 2003, administered by the Nigerian Accounting Standards Board (NASB) which issued local accounting standards and other prevailing laws like the Companies and Allied Matters Act(CAMA 1990); the Nigerian Stock Exchange Act 1961, the Nigerian Deposit Insurance Corporation (NDIC) Act 1988, the Nigerian Insurance Act 2003, Banks and Other Financial Institutions Act (BOFIA) 1991, and Investment and Securities Act 2007.

After the adoption of International Financial Reporting Standards in Nigeria, one of the accounting standards that came new to our reporting framework is International Accounting Standard 17 (IAS 17). IAS 17 was a standard that governed all reporting activities related to lease. However, the standard was considered inefficient as accounting under existing requirements of the standard depends on the lease being classified as operating or finance. This classification as an operating lease results in the lessee not recording any assets or liabilities in the statement of financial position(Aliyu 2020).

It was as part of efforts to provide a sounder reporting framework for lease that International Accounting Standards Board (IASB) replaced the standard with International Financial Reporting Standard 16 (IFRS 16). The new standard brings most leases on-balance sheet for lessees under a single model thus disregarding the discrepancy between operating and finance leases with lessor accounting remaining largely unchanged.

Leasing is an important phenomenon in corporate world in that it provides an alternative means of financing to corporate entities. Leasing serves as contract between an owner of equipment (the lessor) and another party (the lessee) giving the lessee possession and use of a specific asset in return for payment of specific rentals over an agreed period (Bello & Sabo, 2015).

IFRS 16 is applicable to all listed firms in Nigeria. However, the focus of stakeholders and authorities has always been on those firms that engage in leasing businesses on grander scale. Such firms are firms that engage in manufacturing activities. Manufacturing which is known to be the process of converting raw materials to finished goods involves the use of plants and machineries that are expensive and are usually acquired through lease arrangements.

According Aliyu (2020) after the adoption of IFRS 16 in 2019, many listed manufacturing firms found it difficult to submit their financial report in the first year of adoption in compliance with the requirements of the new standard. However, more recently, many studies have been conducted to examine the level of compliance with IFRS 16 among listed manufacturing firms in Nigeria (Ibrahim & Kurfi, 2019). Yet, very little is known about the major factors that influence compliance with this standard.

A number of literatures has shown the importance of effective board attributes in achieving compliance with existing laws governing the affairs of corporate entities and at the same time maintaining public trust and confidence in an organization since compliance with extant laws can and is often used as a yardstick or benchmark for compliance (Alhumo-udi, 2016) As a result, how board of directors has been structured play a critical role in ensuring corporate success through strict compliance with relevant standards (Aigbe, 2019).

The Financial Reporting Council of Nigeria (2020) conducted a thematic analysis of extent of compliance with IFRS 16 during which twenty listed entities were sampled. According to the report released by FRC Nigeria, sample included companies from industries in which it is expected that the implementation of IFRS 16 would have the most significant impact like manufacturing firms. The analysis critically assessed the comprehensiveness and quality of leasing disclosures against the requirements of both IFRS 16. The analysis that found that most of the companies sampled provided sufficient information to enable readers to understand the impact of adopting IFRS 16 which by implication means that the level of compliance with IFRS 16 is satisfactory. Furthermore, the analysis found that year-end disclosures were generally more comprehensive than the equivalent interim disclosures signifying that the level of compliance with the standard had steadily been increasing. However, opportunities for companies to improve were identified.

Many empirical researches have been carried out to establish a relationship between board attributes and compliance with extant financial regulations and these studies have typically shown that how board of director has been structed is correlated with compliance with relevant accounting standards and low compliance with accounting standards could be caused by institutional factors such as the corporate characteristics and enforcement mechanisms (Al-Akra., 2010; Tsalavoutas, 2011; Bova & Pereira, 2012; Popova, Georgakopoulos, Sotiropoulos, & Vasileiou, 2013).

Many studies have been conducted after the general adoption of International Financial Reporting Standards in Nigeria on compliance and factors that influence the compliance (Al-Akra., 2010; Tsalavoutas, 2011; Bova & Pereira, 2012; Popova, Georgakopoulos, Sotiropoulos, & Vasileiou, 2013, Odia, 2016; Bagudo, 2016; Modugua & Eboigbe, 2017; Echobu, Okika & Mailafia, 2017; Segun, 2019).

However, the findings of these studies cannot be generalized to all sectors, contexts and standards as all the studies had been carried out before the adoption of IFRS 16 hence the need for fresh study on the new standard to provide empirical evidence on how board attributes influence the level of compliance. For example, Bagudo (2016) empirically examined the factors that influence the compliance with IFRS. Yet, his study examined the entire standards and the study had been conducted before the adoption of IFRS 16 in Nigeria.

Based on the problem established above, the main objective of the study is to empirically examine the effect of board attributes on the compliance with IFRS 16 disclosure requirements and the specific objectives are to:

i. examine the impact of board size on compliance with IFRS 16 disclosure requirements.
ii. assess the effect of board independence on compliance with IFRS 16 disclosure requirements.
iii. investigate the influence of audit committee independence on compliance with IFRS 16 disclosure requirements.

Based on the objectives, the study hypothesized as follows:

**$H_{01}$:** Board size does not significantly affect compliance with IFRS 16 disclosure requirements.
**$H_{02}$:** Board independence does not significantly affect compliance with IFRS 16 disclosure requirements.
**$H_{03}$:** Audit committee independence does not significantly affect compliance with IFRS 16 disclosure requirements.

The study will be of significance to investors, regulators, shareholders, researchers among others by providing empirical evidence on board size, board independence and audit committee independence influence compliance with IFRS 16 disclosure.

## 2.0 Literature Review

### Conceptual Framework

#### Compliance with IFRS 16 Disclosure

Compliance with IFRS 16 refers to the extent to which firms adhere to the International Financial Reporting Standard 16, which governs the accounting for leases. This standard requires lessees to recognize most leases on their balance sheets, providing greater transparency about their leasing obligations (Ibrahim & Kurfi, 2019).

Ensuring compliance with IFRS 16 is critical for providing stakeholders with accurate and comprehensive financial information. It enhances financial reporting transparency and comparability, enabling investors, regulators, and other stakeholders to make better-informed decisions.

#### Board Size

Board size refers to the total number of directors serving on a company's board. It can vary widely depending on the company's size, industry, and regulatory environment. A larger board size may offer a broader range of expertise and perspectives, potentially improving oversight and decision-making regarding financial reporting and compliance. However, overly large boards can also lead to coordination difficulties and reduced effectiveness (Akpan & Nkanga, 2023).

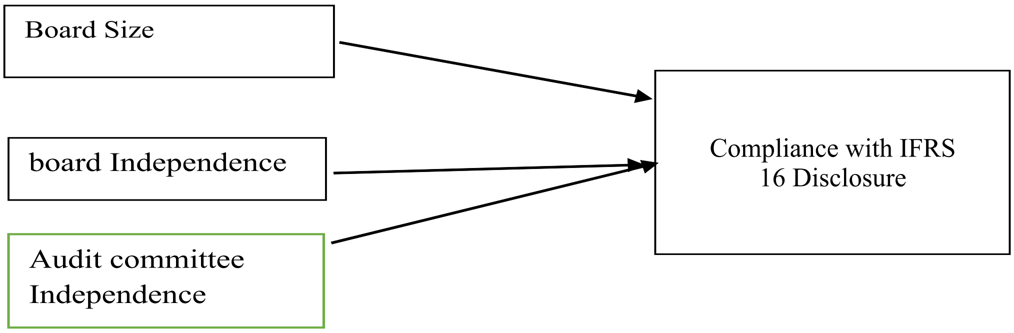
#### Board Independence

Board independence is characterized by the presence of non-executive directors who do not have a material or pecuniary relationship with the company other than their directorship. Independent directors are expected to provide unbiased oversight and judgment. Independent board members can enhance the board's objectivity, leading to more rigorous oversight of financial reporting and greater adherence to standards such as IFRS 16. Their independence helps mitigate conflicts of interest and ensures that management's actions align with shareholders' interests (Zaid, 2023).

#### Audit Committee Independence

Audit committee independence refers to the composition of the audit committee, primarily comprising independent, non-executive directors. This committee is responsible for overseeing the financial reporting process, audit processes, and internal controls. An independent audit committee can provide objective oversight of the company's financial reporting processes, ensuring that disclosures, including those required under IFRS 16, are accurate and complete. Independence in the audit committee enhances its ability to challenge management and auditors, fostering a culture of transparency and compliance (Aladwey & Diab, 2023).

The conceptual framework links the structural characteristics of a company's governance, such as board size, board independence, and audit committee independence to its compliance with IFRS 16 disclosure requirements. Larger and more independent boards and audit committees are posited to enhance oversight and adherence to financial reporting standards, thereby improving transparency and accountability in financial disclosures. This framework underpins the hypotheses that each of these governance elements significantly impacts compliance with IFRS 16, providing a basis for empirical investigation. The conceptual framework is represented, thus:




**Review of Empirical Studies**

This heading critically reviews the relevant, related and recent literature on the relationship between board attributes and Compliance with IFRS 16 Disclosure.

**Board Size and Compliance with IFRS 16**

Akpan and Nkanga (2023) empirically examined the effects of board characteristics on the level of compliance with disclosures requirements of segment reporting among listed conglomerate firms in Nigeria. The study employed ex factor research design and the study purposively selected all the five listed conglomerate firms in Nigeria. The study extracted secondary data from the firms' annual reports Nigerian Exchange Group fact book. Using multiple regression analysis, the study established that board size has positive and significant relationship on segment reporting of the listed conglomerated firms in Nigeria. However, the study focused on conglomerate firms using a different reporting framework instead lease reporting.

Ali (2022) investigated the level of compliance with IFRS 16 (Leases) Mandatory Presentation and Disclosure Requirements (MPDR) and its association with the company characteristics in Bahrain as one of the emerging markets. The study employed both new institutional theory and positive accounting theory. Using data of all 42 companies listed on Bahraini stock market to test whether the listed companies have early adopted the IFRS 16, and in 2019, the first year of mandatory application, to test the level of compliance with the standard MPDR and its association with the company characteristics. The study found that the average compliance score with IFRS 16 MPDR was 58.72% with a maximum of 83% and minimum of 15% and the level of compliance with IFRS 16 was positively and significantly associated with the company size. The study used primary data which is subject to bias. The study fills the gap by using secondary data.

Almaqtari et al., (2021) examined Impact of corporate governance mechanism on IFRS adoption using a comparative analysis of the Golf countries. Data from a sample of 98 non-financial companies were analyzed using multiple regression technique. The study adopted board effectiveness ("board size, independence, diligence, and expertise), audit effectiveness (AC size, AC independence, AC diligence, AC expertise, and audit quality), and foreign ownership as independent variables while IFRS compliance was taken as the dependent variable. Results from the analysis revealed that all audit committee attributes have statistically significant positive impact on compliance with IFRS. The results further revealed board size is insignificant in the case of Oman and the UAE but positive and significant in the case of Saudi Arabia. The study was conducted in an entirely different jurisdiction which is different from Nigeria.

Kabwe et al. (2021) also examined the effect of corporate governance attributes on IFRS compliance evidence from listed companies in Zambia. Using panel data analysis to analyze data from 20 Zambian listed companies for the period 2012 to 2018, the findings of the study revealed a positive and statistically insignificant relationship between board size. The study was conducted in an entirely different jurisdiction which is different from Nigeria.

In their analysis of the effect of corporate governance on the level of compliance with IFRS 7, Mnif and Znazen (2020) found that the level of compliance has a positive linkage with the audit committee independence. Similarly, board size has been shown to positively affect authors' dependent variable that is compliance with IFRS 7. This study was carried out by analyzing data from a sample of 63 Canadian financial institutions using multiple regression as a technique of data analysis. The study was conducted in an entirely different jurisdiction which is different from Nigeria.

The study of Atanasovski (2015) also carried out an empirical investigation in to the determinants of IFRS 7 disclosure requirements of publicly listed firms in Macedonia. Using multiple regression techniques, the study analyzed data from a sample of 104 companies listed on the Macedonian stock exchange for the year 2013. Results from the analysis revealed that ownership concentration and type of engaged auditors are statistically significant related to IFRS compliance determinants while board size has no significant relationship with the degree of their compliance with IFRS 17 requirements. The data was published in

2013 and the finding may have been impaired by passage of time hence the need for fresh studies.

**Board Independence and Compliance with IFRS 16**

Zaid (2023) examined board role performance and compliance with IFRS disclosure requirements among listed firms in Uganda using a mixed method. 101 registered firms were sampled. The study made use of correlational research design and collected data from secondary sources. Using regression as a tool of data analysis, the study shows that board independence has positive and significant relationship with IFRS disclosure among the sampled firms. The study was carried out in a different jurisdiction.

Jallad (2020) also examined the effects of board characteristics and ownership structure on compliance with mandatory IAS/IFRS disclosure in Qatar. Data from a sample of 24 listed non-financial firms for the period 2015-2017 was analysed using multiple regression technique. In the light of the partial compliance approach, board independence was found to be significantly positively correlated to the levels of compliance. This study had two deficiencies

Similarly, Sanni et al. (2020) examined the impact of board characteristics on international financial reporting standards (IFRS) compliance among Nigerian listed companies using a mixed method approach. The study analyzed data from 87 companies listed in Nigeria from 2012 to 2017 using multiple regression technique and findings from the analysis revealed that board independence has statistically significant positive impact on IFRS compliance. The study used firms from different sectors as against manufacturing firms.

Nakukenge (2020) examined board role performance and compliance with IFRS disclosure requirements among micro finance institutions in Uganda using a mixed method. 101 registered microfinance institutions were sampled and results from the analysis revealed that among the known board roles of strategic, service and control, the control role is mostly performed. The results suggested that board independence is a significant predictor of compliance with IFRS disclosure requirements. The study was carried out in microfinance industry and they have different regulatory frameworks with manufacturing sector.

Similarly, ""Zhang et al., (2020) examined the impact of fair value, corporate governance, and social responsibility disclosure on banks' performance in the US. Data from 244 banks for the period 2007-2015 were analyzed using multiple regression technique. The findings suggested that Bank's fair value measurement is significantly related to its corporate governance. Banks with stronger corporate governance tend to have lower percentages of level 3 fair-value assets. Banks with stronger corporate governance especially board independence use voluntary disclosures as a device to convey the good practice of the firm to investors to build their image.

**Audit Committee Independence and Compliance with IFRS 16**

Aladwey and Diab (2023) examined the determinants of IFRS compliance at early adoption in developing countries with focus in Africa using the stakeholder salience theory. The study analyzed data from 205 non-financial firms across 13 African countries using multiple regression techniques. Results from the analysis revealed a significant positive association between audit committee expertise and compliance. The study was conducted using a different standard as against IFRS 16 Similarly, Alqudah (2019), investigated influence of board attributes on financial performance of banks listed at the Amman Stock Exchange between 2013 and 2017. The analysis employs Ordinary Least Square (OLS) regression technique on a sample of 14 identified Jordanian banks. The study showed that the only attribute that has a noticeable positive effect on financial results is audit committee expertise. Busy directors lacked the necessary expertise and experience, or at the very least the time, to improve their results. International representatives and directors with political ties became a stumbling block in the way of improving results. The number of board meetings and the independence of the audit committee were found to have no bearing on return on assets. The study was conducted in an entirely different jurisdiction which is different from Nigeria.

The study of Awodiran (2019) examined the determinants of compliance with disclosure requirements of IFRS 4 in Nigeria. Data from 19 listed insurance firms in Nigeria was analyzed using Ordinary Least Square regression technique. Findings from the analysis suggested that there is a significant positive relationship between the level of compliance and board independence. There is also a significant negative relationship that exists between company leverage and extent of compliance. The study analyzed a different standard instead of IRRS 16.

Similarly the study of ""Tawiah and Boolaky (2019) also examined the determinants of IFRS compliance in Africa using the stakeholder salience theory. The study analyzed data from 205 non-financial firms across 13 African countries using multiple regression techniques. Results from the analysis revealed a significant positive association between audit committee competence (ACC) and compliance and found the same for chartered accountants on board (AOB). There is less compliance with the latest standards, such as IFRS 3, 7, and 13. Result also showed an inverse relationship between concentrated ownership and compliance level. The study was conducted in an entirely different jurisdiction which is different from Nigeria.

'–Krismiaji (2019) examined the effect of corporate governance on firm's Compliance on disclosure of international financial reporting standards in Indonesia. The study considered data from 491 listed companies in on the Indonesian Stock Exchange for 2013 and 2014. The results of the analysis carried out using multiple regression techniques revealed that five elements of corporate governance characteristics which are board independence, board's size, audit committee's independence, audit committee's size, and management's ownership positively affect the level of IFRS disclosure compliance. Yet, the block holder's ownership negatively affects the compliance level of IFRS disclosure, whereas government ownership does not affect the compliance level of IFRS disclosure. The study was conducted in an entirely different jurisdiction which is different from Nigeria.

**Theoretical underpinning**

This study used agency theory as theoretical basis. The theory was developed by Jensen and Meckling (1976). Agency theory is deemed appropriate for this study because compliance with reporting regulations released by appropriate regulatory agency is expected from managers who are seen as agents. This much is expected by shareholders who are seen as principal in the principal-agent relationship in which power to take decisions is vested in the agents by the principal. The relationship breeds conflicts as a result of which it cannot be said with certainty that the principal would do as expected by the agents. As a result of this, measures are put in place including monitoring like IFRS reporting framework that would reduce agency costs and by extension reduce the opportunistic tendencies of managers (Jensen and Meckling 1976). Since financial reporting standard is one of the monitoring mechanisms put in place to properly monitor the behavior of agents with a view to reducing agency costs as opined by Jensen and Meckling, it follows, therefore, that agency theory can be used for study that revolves around compliance with accounting standards.

It is for this reason that many researchers had in the past used Agency Theory to underpin their studies on factors that influence compliance with extant regulations including international financial reporting standards. For example, Bagudo (2016) used Agency theory to underpin his study on factors that determine compliance with all international financial reporting standards in Nigeria. This is because `the performance of firm is the function of cordial relationship between management seen as board of directors and the owners seen as shareholders.

## 3. Methodology

The research design is correlational; the choice of the design was informed by the research paradigm which is the positivism approach. The data used was panel. Therefore, panel regression was used for the analysis with the aid of STATA version 13 (STATA13). The study covers a period of eight years (2019-2022), the choice was informed by the availability of data of the firms, adoption of IFRS 16 in 2019.

**Population and Sample Size of the Study**

The population of the study comprised of all the Forty (40) manufacturing firms listed on the floor of Nigerian Exchange Group (NGX) as at 31st December, 2023 and are operating throughout the period of the study (2008-2021). However, two-point filter used to arrive at working population. The first filter is that the firm must have been listed on the NGX for the period of 2019 – 2022 and the second filter is that the firm must not have been delisted throughout the study period. This filter was employed to ensure availability of published financial statement of the manufacturing firms.

**Model specification and variable measurements.**

The Model is specified below:

$DINDEX\ it = \alpha 0 + \beta_1 BDSIZEit + \beta_2 BDINDPit + \beta_3 AUCINDit + \varepsilon it$

Where:

DINDEX it = Compliance with IFRS 16 disclosures of company i at time t.

BDSIZEit = Number of directors on the board of company i at time t.

BDINDPit = Ratio of independent non-executive directors to the total number of directors of company i at time t.

AUCINDit = Ratio of independent non-executive directors to the total number of members of audit committee for company i at time t.

## 4. Results And Discussion

Under this, there is descriptive statistics, post estimation tests and inferential statistics

**Descriptive Statistics**

**Table 1: Descriptive Statistics**

| Variable | Obs | Mean | Std.Dev. | Min | Max |
|---|---|---|---|---|---|
| DINDEX | 160 | 0.302 | 0.104 | 0.15 | 0.56 |
| BSIZ | 160 | 8.719 | 2.513 | 4 | 16.00 |
| BIND | 160 | 0.193 | 0.154 | 0 | .6 |
| ACIND | 160 | 0.303 | 0.337 | 0.0 | 0.34 |

***Source: Author's Computation using Stata13 Output, (2024)***

Table 1 shows the descriptive statistics of explanatory and explained variables for this study. For example, the DINDEX value has a minimum of 0.15 and maximum of 0.56. Looking at the mean of DINDEX (0.30) presented in Table 1, it indicates that the mean DINDEX is 30%. Furthermore, the highest average disclosure 56%, while the lowest average disclosure is 15%,

BSIZ has an average of 8.719, with a standard deviation of about 2.513. The average is 8.719, indicating that on average every manufacturing firm listed on the floor of Nigerian Exchange Group has 8.719 directors in its board. This means that every firm in the manufacturing sector averagely has 9 directors. The standard deviation of 2.513 is similar to the mean, showing that the BSIZ clusters around each other showing that there is low variability between the mean and the overall observations.

The mean BIND was 0.193, with a standard deviation of about 0.154. The average is 0.193 which means that the manufacturing firms have 0.193 independent directors in its board. The standard deviation of 0.154 is almost similar to the mean. BIND has a minimum of 0 and a maximum of 5 meaning that the highest number of independent directors is 6.

The ACIND has an average of 30.3%. This result suggests that the audit committees of the companies are not dominated by non-executive directors as only 30% of the directors are nonexecutive. Furthermore, the minimum value of 0 shows that there is minimum of 0 shows that there the audit committees among the sampled listed manufacturing firms that do not have independent directors at all while the maximum of 0.3 shows that in the manufacturing sector the highest degree of independence in audit committees is 30%.

**Correlation Matrix**

**Table 2 Correlation Matrix**

| VARIABI | DINDE | BSIZ | BIND | AUCIN |
|---|---|---|---|---|
| DINDEX | 1 | | | |
| BSIZ | 0.3831 | 1 | | |
| BIND | 0.0202 | 0.0972 | 1 | |
| AUDCIN | 0.1636 | 0.1019 | 0.5910 | 1 |

***Source: Author's Computation using Stata***

The table shows that there is strong, moderate and weak correlation between the dependent variable and the independent variables and among the independent variables themselves. However, the values suggest that there is no possibility of existence of multicollinearity which is high correlation between variable. But whether multicollinearity exists or not cannot be said with precision until after multicollinearity has been conducted.

**Multicollinearity Test**
**Table 3: Multicollinearity**

| | VIF | 1/VIF |
|---|---|---|
| BIND | 1.74 | 0.576 |
| AUCINF | 1.58 | 0.634 |
| BSIZ | 1.12 | 0.893 |
| Mean | 1.38 | |

The results of the VIF test ranges from a minimum of 1.12 to a maximum of 1.74 which are all less than 10 hence the absence of collinearity among the explanatory variables. To further substantiate this claim, the mean VIF is 1.38, also confirming the absence of multicollinearity among all the explanatory variables of the study.

**Test of Hypotheses**

The regression result on the relationship between the dependent variable (disclosure index) and independent variables (board size, board independence and audit committee independence) is presented in this section.

The summary of the regression results of the Robust OLS model adopted by the study is presented in Table 4.9

**Regression Result**

**Table 4.6**

| Variables | Coefficient | Std. Err | zvalues | Sig |
|---|---|---|---|---|
| CONSTANT | .299503 | .0168979 | 17.72 | 0.000 |
| BSIZ | .5339753 | .0002473 | -0.14 | 0.885 |
| BIND | .0057357 | .0054746 | 1.05 | 0.00 |
| ACIND | .001382 | .0020771 | -0.67 | 0.00 |
| $R^2$ (overall) | 0.35 | | | |
| Wald Chi | 3.50 | | | |
| Prob | 0.0000 | | | |
| No of Obser | 160 | | | |
| Panels: Balar | | | | |

*Source: Author's Computation using Stata 13 Output, (202*

**Board Size and disclosure index of IFRS 16**

The p-value is greater than 5% hence, this study found sufficient evidence to provide basis for failing to reject the null hypothesis which states that, board size has no significant impact on compliance with disclosure requirements of IFRS 16 of listed manufacturing firms in Nigeria. The results of this study were consistent with the results of the study of Almaqtari et al. (2021) and Kabwe et al. But contradicts those of Bhat, (2021) and Atanasovski, (2021)

**Board Independence and disclosure index of IFRS 16**

The p-value is 1% hence, this study found sufficient evidence to provide basis for rejecting the null hypothesis which states that, board independence has no significant impact on compliance with disclosure requirements of IFRS 16 of listed manufacturing firms in Nigeria. The results of this study were consistent with the results of the study of (Jallad., 2011; Nakukenge, 2021). But dissimilar to those of Ye (2020) and Agye-Mensah (2010)

**Audit committee independence and disclosure index of IFRS 16**

The p-value is less than 5% hence, this study found sufficient evidence to provide basis for rejecting the null hypothesis which states that, audit committee independence has no significant impact on compliance with disclosure requirements of IFRS 16 of manufacturing firms in Nigeria. The results of this study are in line with the studies of Alqudah (2012), Krismiaji (2019) and Sellami and Fendri, (2017), that when independent directors on the audit committee improves it encourages company to make better disclosure.

**Table 4.10 Summary of the Tested Hypothesis**

| | | | | Apriori expectation ao |
|---|---|---|---|---|
| **H1**: | Board size has no significant impact on compliance index of IFRS 16. | Positive and insignificant | Fail to reject | Significant Relationship |
| **H2:** | Board Independence has no significant impact on compliance index of IFRS 16. | Positive and Significant | Reject | Significant Relationship |
| **H3:** | Audit Committee independence has no significant impact on compliance index of IFRS 16. | Positive and Significant | Reject | Significant Relationship |

**Source: Author's Compilation (2024)**

**Policy Implications of the Findings**

The results of this study give more understanding on the factors that influence the compliance index of IFRS 16 of listed manufacturing firms in Nigeria. Therefore, policy implications can be gleaned from the results of this study. For governance codes regulators like Security and Exchange Commission, the findings highlight the importance of board independence and audit committee independence in improving compliance with IFRS 16 disclosure requirements.

## 5. Conclusion and Recommendation

In summary, this study examined board size, board independence and audit committee independence. The study adopted correlational research design as it is the design that best explains research on effect of two or more historical data and ordinary least square (OLS). The study population consists of all listed manufacturing firms in Nigeria as at 31st December 2023 out of which seven (40) firms were selected. Secondary source of data was obtained through published annual reports. Based on model regression two of the relationships were positive and significant while another was insignificant. The significant ones include board independence, audit committee independence and as a result, the null hypotheses formulated in their respects were rejected. However, board size has insignificant relationship hence we failed to reject the null hypothesis formulated in its respect. Based on the findings of the study, it is recommended that regulatory authorities should emphasize on the independence of director on the board and specific minimum characteristics for number of independent directors on the audit committees and significant relationship between board independence, audit committee independence and compliance with disclosure requirements of IFRS 16.

The study, therefore, concludes that Board size does not significantly impact compliance with disclosure requirements of IFRS 16, board independence, audit committee independence significantly and positively impact compliance with disclosure requirements of IFRS 16.

The study recommends that:

1. Governance codes regulators like Security and Exchange Commission should focus more on the audit committee independency.

2. The regulators should emphasize or increase specific minimum characteristics for independence of audit committees as it makes the committee to be more independent in their decision which could improve disclosure quality.

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