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# Ownership Structure and Financial Reporting Quality of Listed Financial Service Firms in Nigeria: Moderating Effect of Audit Firm Tenure

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## **Abstract**

The influence of business ownership on reporting quality has continued to receive considerable attention from the business stakeholders. Several studies have explored the nexus between business ownership and financial reporting quality (FRQ) with different conclusions leaving areas deserving further attention. This study examined ownership structure and financial reporting quality (FRQ) of listed financial service firms in Nigeria; moderating effect of audit firm tenure, using institutional and managerial ownerships as proxies of ownership structure alongside audit firm tenure while, the International Accounting Standard Board (IASB) qualitative characteristics as the indicator of financial reporting quality (FRQ). Secondary data, put in panel form from a filtered population of 23 financial services firms was used as the study sample from 2006-2021. The study hypotheses were empirically tested using OLS regression with the aid of Stata 13 and the results showed insignificant effect between institutional ownership and FRQ, but significant when moderated with audit firm tenure while, managerial ownership and FRQ was significant and insignificant with audit firm tenure moderation. The study concludes that audit firm tenure moderates the relationship between institutional ownership and FRQ, but do not moderate the relationship between managerial ownership and FRQ. The study recommends increase in the supervisory and monitoring role of institutional ownership on management to improve FRQ and external auditor should be allowed to serve for a longer time above 4 years to but limited to the 10 years allowed by the Financial Reporting Council Act, given the key role of external audit in contemporary governance structure.

**Keywords:** Financial service firm, financial reporting quality, ownership, tenure, audit and users

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## **1. Introduction**

Financial reporting as an information service used by entities to disclose financial information to users, for economic decisions. Financial report is prepared basically for three purposes; first as a statutory requirement by the regulatory laws in Nigeria, section 331 of Company and Allied Matters Amended Act (CAMA 2020) and the Financial Reporting Council Amended Act (2023) provides that a company shall cause accounting records to be kept. Secondly financial records are prepared for reporting purpose and the third purpose is for decision making by the various users. The Corporate Report (1975) classify users of financial information into different user group among which are the equity investor group, the loan creditor group, the employee

group, the analyst adviser group, the business contact group, the government and the public (taxpayers, consumers community and social interest group). The IASB (2018) framework identify the equity investor group, the loan creditor group as the primary users while, all other groups as users. This user group expect quality financial reporting that represents a true and fair view of the reporting entity. Thus, the higher the financial reporting quality (FRQ), the more confident the decisions of the owners and other users (Herath & Albarqi, 2017).

Business ownership like other user groups in their quest for FRQ and fair reporting may incur additional cost in the services of an external auditor to upheld the assurance by management that the financial statements is a representation of the books of account prepared in accordance to relevant standards and regulations. Audit firm tenure which is the number of accounting years the external auditor is maintained before disengagement is key for FRQ within the firm governance structure. Thus, the relationship between ownership and FRQ may further be consolidated by the choice in audit firm tenure, when to change or re-appoint the audit firm. Audit firm tenure as a moderator of the effect of ownership structure on FRQ is used in this study as external audit reinforces owners' right to change the auditor and management. It is against this background that, the study examined the moderating role of audit firm tenure on the effect of ownership structure on FRQ of listed financial service firm in Nigeria. To achieve the objective of the study, the hypotheses, below formulated in null form were tested.

**H01:** *Audit firm tenure do not significantly moderate the effect of institutional ownership on financial reporting quality of listed financial service firm in Nigeria.*

**H02:** *Audit firm tenure do not significantly moderate the effect of managerial ownership on financial reporting quality of listed financial service firm in Nigeria.*

The study covers a period of 16 years from 2006 to 2021, based on availability of data. The choice of the financial service firms is on the premise that firms in this sector operates on an even ground as one of the most active and regulated sector in Nigeria. The remaining part of the study shows the literature review, methodology, conclusion and recommendation.

## **2. Literature Review**

This part of the work reviews conceptual review of the study variables. followed by the discussion on the theoretical background and the empirical review underlying the study.

### **2.1 Financial Reporting Quality**

The concept Financial Reporting Quality (FRQ) shows the decision usefulness of the financial report to the users and other stakeholders alike. With no general definition for FRQ in the literature, the meaning relatively applied to the individual user information needs. The Financial Accounting Standard Board (FASB) (2010) and International Accounting Standard Board (IASB) (2010, 2018) define FRQ as a report that is transparent, high in quality and possessing internal consistency with a fair presentation and credibility with the desirable qualitative characteristics of financial information. Yaghoobi and Khansalar (2016) defined FRQ as the extent to which financial statements gives relevant information that is reliable regarding an entity's financial status. The definition in the conceptual framework for financial reporting of the IASB and the FASB, agreed upon certain qualitative elements of high-quality financial reporting. These qualitative characteristics of FRQ includes: relevance, faithful representation, understandability, comparability, verifiability and timeliness as indicators to measure a good financial report. According to Beast et al. (2009); Mbobo and Ekpo (2016) the qualitative characteristic measure together with the accrual approach, value relevance approach, specific items in the annual reports approach are the common measures of FRQ highlighted in extant literature. The qualitative characteristics approach adopted in this study because it focuses on both the quantitative and qualitative information arguably superior to the other measures using the quantitative information only.

## **2.2 Ownership Structure**

Ownership Structure which forms the equity user group consist of the owners claims on the business assets may directly or indirectly influences the way an entity is managed. Majority shareholding can influence the nominations of board members and executives for positions on the board and influence the choice of external auditor also. This study focused on institutional and managerial ownership, the most common ownership structure among many big firms (Bissesur, 2008). Uwuigbe et al. (2017) defined institutional ownership as the number of shares held by institutional investors both foreign and local divided by the total shares outstanding. Hashim (2008) viewed institutional ownership as the proportion of shares owned by large corporate investors divided by total number of issued shares. Managerial ownership on the other hand is defined as the representation of the proportion of shared owned by insiders and board members (Mandacı & Gumus, 2010; Wahla et al., 2012). Affan et al. (2017) define managerial ownership as the sum total of shares owned by the chief executive officers and the other executives expressed as a percentage of the company's total outstanding shares.

## **2.3 Audit Firm Tenure**

Audit firm tenure generally defined as the length in relationship between the client and their audit firm is another corporate governance tool to enhance FRQ is use as a moderator in this study. Ugo et al. (2021) define audit tenure as how long an auditor stay before his services are disengaged. The external auditor's role is critical and made necessary given the legal requirement for statutory audit by the Company and Allied Matters Act (2020) as amended and the Financial Reporting Council ACT (2011). This makes audit tenure a more sensitive factor in the reporting process and can be used as one corporate governance mechanism to improve FRQ by mitigating against lengthy audit tenure which may result into familiarity threat from the long-term relationship between the management and the independent auditor.

## **2.4 Theoretical Review**

The study used the agency theory as the theoretical basis upon which the work is built on. The agency theory first originated from the works of Berle and Means (1932) in its application towards the advancement of large business, the theory holds that the agents (management) interests are often different from that of the principal (owners). Jensen and Meckling (1976) further popularised the concept and contended that this divergent view between management of the business and the owners further increases the agency costs. Ownership structure becomes relevant in agency theory, given the emphasis on the conflict of interest between management and shareholders. The agency theory further strengthens the underlying stakeholder theory in explaining the direct relationship between ownership structure and financial reporting quality

## **2.5 Empirical Review**

Beest et al. (2009) measured FRQ using a compound measurement tool to comprehensively assess FRQ using the underlying qualitative characteristics namely relevance, faithful representation, understandability, comparability, verifiability and timeliness as defined in the Conceptual Framework for Financial Reporting of the IASB (2018). The study operationalised these qualitative factor results in a 21-item index. Using 231 annual reports of companies listed on the US, UK, and Dutch stock markets between 2005 and 2007. The study contributes to the request from both the FASB and the IASB to make the qualitative characteristics operationally measurable to improving the quality assessment of FRQ. Tasio and Bekiaris (2012) examined the auditor's perceptions of financial reporting quality, the study adopted Beest et al. (2009) operational item to capture the perceived quality of the reports of Greek companies. The study administered questionnaires items through Lime Survey application to 552 auditors and 170 were returned as completed and analysed results shows that auditors see the qualitative characteristics of financial reporting as an important quality elements of financial statements.

The study among few considered the the qualitative characteristics of financial reporting information as key prerequisite for quality in financial reporting.

Hassan (2013) in Nigeria examined monitoring characteristics and financial reporting quality of the Nigerian listed manufacturing firms using the modified Dechow and Dichev's (2002) model for FRQ. The study used 32 firms, with 160 firm year observations with panel OLS estimated and controlled fixed/random effects. The result showed a significant and positive relationship between monitoring characteristics and FRQ. While the results for control variables returns on assets and return on equity are significant, leverage, independent directors, audit committee, institutional, block and managerial shareholdings were all significant implying institutional and managerial ownership among other monitoring characteristics influence FRQ of quoted manufacturing firms in Nigeria. Kurawa et al. (2021) appraised the effect of ownership structure on the quality of financial reporting in Nigeria using 41 non-financial firms on the Nigerian Exchange for the 2011 to 2019 period. The study overcome the threat of heteroskedasticity and endogeneity by adopting the Generalised Method of Moments (GMM) technique and findings revealed that institutional has a significant but negative effect on earnings management thus, improving the reporting quality. Also like most studies have time gap limitation and the study has not captured qualitative items in the financial statement evidenced by the use of earnings management as the measure for FRQ.

Adebiyi and Olowookere (2016) using panel data of Nigerian deposit money banks investigated the relationship between corporate ownership structure and FRQ among Deposit Money Banks (DMBs) in Nigeria, the study covered the period 2005-2013. Using Ordinary Least Square (OLS) Regression technique, the result showed discretionary accruals as a proxy for financial reporting quality positively related to managerial ownership, but negatively to institutional and foreign ownership. The results revealed that managerial ownership improves the earnings quality by the levels of FRQ. The data coverage in the study showed a limited time gap of 8 years and by using earnings quality a quantitative measure of FRQ the study failed to consider the qualitative information in the financial statement.

Qawqzeh et al. (2019) reviewed ownership structure and financial reporting quality: influence of audit quality evidence from Jordan. The study examines the influence of the various types of ownership (managerial ownership, directors' ownership, family ownership and institutional ownership) on FRQ and the influence of audit quality. Using Panel data from 180 listed Jordanian company from 2009-2017, and the results showed that managerial ownership has an insignificant impact on FRQ while directors' and family ownership significantly have a positive effect on FRQ by reducing earnings management; but institutional ownership significantly and negatively influence FRQ.

Oladejo (2022) investigated the effect of audit tenure on FRQ of Nigerian DMBs. The study employed secondary data with a study population comprising of all the 20 listed DMBs on the Nigerian Exchange between 2008 to 2018. Purposive sampling was employed to select 13 banks as the study sample given available data. Data were analyzed using Random Effect Method and results showed audit tenure had a positive and significant relationship on FRQ. Thus, the study concluded that audit tenure had strong influence on FRQ of Nigerian DMBs. The study measure of FRQ using performance adjusted discretionary accrual, showing the use of quantitative measure alone and not considering qualitative factors in the study. Ugo et al. (2021) investigated the impact of audit firm tenure on FRQ of quoted manufacturing companies in Nigeria. Using Ex-post facto research design, the study used panel data from 16 quoted manufacturing firms in Nigeria for a period of 5 years 2011-2015 as the study sample. Multiple regression analysis was used to analyze the data collected and the computation carried out using Stata12. Discretionary accrual the measure of FRQ was computed based on Modified Jones Model (1995). The results showed, long-term audit firm tenure has an insignificant relationship with FRQ of quoted companies in Nigeria, the time gap of just 5 years in the study is considered

small and not sufficient. Also, the usage of discretionary accrual indicates a measure of FRQ using only financial items, ignoring non-financial item in the measure of FRQ.

Eyenubo et al. (2017) conceptualized the effect of audit firm tenure and financial reporting quality in Nigerian listed companies. Using argument from two school of thought, the study showed that the longer the audit tenure the closer the auditor becomes with their client as proponent of the first school of thought, which may impair the auditor’s dependence and readiness to form an opinion not favorable to the client. On the contrary the second school of thought opined that the longer the audit firm tenure the better chances the audit firm has to familiarize with the accounting system and operations thereby enhancing audit quality which will eventually results in financial reporting quality.

### **3. Methodology**

The study population comprise of 52 listed financial service firms on the Nigerian Exchange as at December 2024 and 23 financial service firms arrived at after the filtering process which comprised of the sample size, first the financial service firm must have published its financial report for the periods 2006-2021, secondly, the financial service firms must have been listed on the Nigerian Exchange Group within the study period. Finally, any bank or insurance under any form arrangement within the study period and this has affected it inability to prepare and publish financial statements were excluded from the sample. Table 1 below shows the sample frame.

**Table 1: Sample Frame**

<b>DMBs</b>	<b>Insurance</b>
Fidelity Bank	Aiico
First City Monumental Bank	Cornerstone Insurance
Stanbic Ibt Holding	Guinea Insurance
Sterling Bank	Lasasco Assurance
Union Bank of Nigeria (UBA)	Linkage Assurance
Unity Bank	Mutual Benefit Assurance
Wema Bank	Nem Insurance
Zenith Bank	Prestige Assurance
Access Holdings Plc	Royal Exchange
FBN Holding	Standard Alliance Insurance
Guaranty Trust Holding	Coronation Insurance
United Bank of Africa	

*Source: Field Survey, 2024*

Table 1. showed sample frame with 23-sample size after the filtering process, which comprises of 12 DMBs and 11 insurance firms.

### 3.1 Measurement of Variables

**Table 2: Variables Measurement, and sources**

Variable/Abbreviation	Measurement	Sources
Financial Reporting Quality (FRQ)	Index of available qualitative characteristics using content analysis	(Beest, Braam, & Boelens 2009, Mbobbo & Ekpo, 2016)
Institutional Ownership (IOWN)	Ownership concentration of all block institutional shareholders divided by total share ownership	(Adebisi & Olowookere 2016; Affan et al., 2017).
Managerial Ownership (MOWN)	Management and board members shareholdings against total share ownership	(Adebisi & Olowookere 2016; Abata & Migiro 2016; Affan et al., 2017).
Audit Firm Tenure (AFTN)	Defined as the length of time an audit firm is maintained by their client.	(Braam et. al., 2015; Abdullah, 2008; Ugo et. al., 2021)

Researcher’s compilation, 2024

### 3.2 Model Specification

The implicit economic model used in this study is given as:  $Y = f(x_i) + \epsilon$ .

Where, Y is the dependent variable; f(x) comprises of  $\beta_0$  (constant) and a set of  $\beta_i$ 's which are the coefficient of the explanatory variables and  $\epsilon$  is the random effect (assumed to have zero mean and independent across time period). The regression model is specified as:

$$FRQ_{it} = \beta_0 + \beta_1 IOWN_{it} + \beta_2 AFTN_{it} + \beta_3 IOWN_{it} * \beta AFTN_{it} + \epsilon_{it} \dots \dots \dots (1)$$

$$FRQ_{it} = \beta_0 + \beta_1 MOWN_{it} + \beta_2 AFTN_{it} + \beta_3 MOWN_{it} * \beta AFTN_{it} + \epsilon_{it} \dots \dots \dots (2)$$

**Where:**  $FRQ_{it}$  is the financial reporting quality;  $IOWN_{it}$  denotes institutional ownership;  $MOWN_{it}$  denotes managerial ownership;  $AFTN_{it}$  denotes audit firm tenure;  $B_0$  represent the intercept;  $\beta_{1-3}$  is the various coefficient;  $i$  represents the number of firms in the panel data;  $t$  represents the time period of the panel data;  $\epsilon_{it}$  is the error term

### 4. Results and Discussion

This section presents and discussed the descriptive statistics, the regression assumptions alongside the various test and results of the regression analysis.

Descriptive Statistics on the variables used in the study is presented in Table 3 for the 23 sampled financial service firms selected in this study with a 368-observation used.

**Table 3: Descriptive statistics**

Variable	FRQ	IOWN	MOWN	AFTN
Mean	0.7101	0.3443	0.1636	3.5298
Observations	368	368	368	368
Min	.571	.001	.001	1
Max	.86	.893	.847	10
Sd	0.0725	0.2530	0.1927	2.2558
Skewness	-0.2339	0.2825	1.4148	0.9205
Kurtosis	2.4124	1.9261	4.2089	3.2693

Source: Stata 13 output, 2024. All value approximates to 4 decimal places.

Note: FRQ = financial reporting quality, IOWN = institutional ownership, MOWN = managerial ownership, AFTN = audit firm tenure and No. of observations = is made of 23 companies multiply by 16 years (368 firm-year observations).

The FRQ had a mean value of 0.710 which indicates that the sampled financial service firm showed qualitative factors in their financial reports as evidenced in a positive score from a

minimum of 0.571 to a maximum of 0.86. The mean value is low when compared to the figures reported in (Hassan , 2013 and Cheung et al., 2010)). The difference in mean could be attributable to the variation in the sample size used by these studies. The mean percentage of 71% indicate that most firms under consideration meets the minimal requirement as prescribed by CAMA (2020) and FRCN (2011) in the preparation of financial reports. IOWN with a mean value of 0.344 (SD = 0.253), having a minimum of 0.001 and maximum of 0.893 showed the involvement of institutional ownership in the ownership structure of most listed financial service firm in Nigeria, either through direct holding or as indirect managerial shareholding. MOWN with the mean value of 0.163 (SD = 0.192), with a minimum and a maximum of 0.001 and 0.847 respectively indicating the presence of managerial ownership in most listed financial service firm in Nigeria. While Audit firm tenure (AFTN) with an average value of 3.529 showed a constant audit firm change in the listed financial service firm in Nigeria evidenced by a maximum of 10 and minimum of 1, indicating a constant change in the audit firm of the selected financial services firms in compliant with the FRC (2011) and CAMA (2020) requirement for a tenure not exceeding 10 years for an audit firm to be maintained as an external auditor. The standard deviation from the mean 0.702, 0.253, 0.192 and 2.255 for FRQ, IOWN, MOWN and AFTN respectively are low compared to the mean value, indicate a tightly packed data.

**Diagnostics Tests**

Diagnostic checks were conducted to ensure robustness of the regression analysis and results in the study.

The Pearson correlation coefficient calculated to text for multicollinearity in Table 4

**Table 4: Correlations Matrix**

Variable	FRQ	IWON	MWON	AFTN
FRQ	1.000			
IWON	-0.087	1.000		
MWON	-0.231	0.323	1.000	
AFTN	0.254	0.051	-0.058	1.000

*Source: Stata 13 output, 2024. All value approximates to 3 decimal places*

Note: FRQ = financial reporting quality, IOWN = institutional ownership, MOWN = managerial ownership, AFTN = audit firm tenure

Table 4 shows a negative correlation between FRQ and IOWN at -0.087; a negative correlation between FRQ and MWON -0.231 while FRQ with AFTN at 0.254. On the other hand, IWON correlates positively with MWON at 0.251 but have a negative correlation with AFTN at -0.058. The overall pair wise correlation between -0.051 to 0.323 shows no multicollinearity problem as observed, the uppermost correlation coefficients is between the IWON and MWON (0.323). Nevertheless, the correlations are below the benchmark of 0.8 and 0.9 as suggested by (Tabachnick & Fidell, 2013; Pallant, 2011 and Hair et al., 2014).

**Table 5: Collinearity Diagnostic of study variables**

Variable	VIF	Tolerance
IWON	4.42	0.2264
MWON	5.31	0.1883
AFTN	3.66	0.2731
IWON_AFTN	6.47	0.1544
MWON_AFTN	5.58	0.1793

**Source:** Stata 13 output, 2024. All value approximates to 4 decimal places

Note: IOWN = institutional ownership, MOWN = managerial ownership, AFTN = audit firm tenure and VIF = Variance Inflation Factor.

The Variance Inflation Factors (VIF) computed to further test the assumption of multicollinearity among the study variables indicates the absence of multicollinearity as computed VIF are less than 10 and their tolerance values higher than 0.1 the generally accepted range (Neter et al., 1996; Hair et al., 2014). Furthermore, the Shapiro-Wilk test to assess that the study sample comes from a normal distributed population showed an insignificant Shapiro-Wilk (z), *p*-value of 0.175, thus  $H_0$  should not be rejected, since there is no enough evidence to reject the assumption of normality. The Ramsey RESET test for omitted variables as shown in the appendix showed that there is no omitted variable in the study model with an insignificant *p* value of (F (3, 342) =1.67, *p*< 0.173) indicating that the model in this study has no omitted variables, thus, the  $H_0$  will not be rejected. The White test to check whether the study model captures the underlying relationship in the study data was insignificant at ( $\chi^2=149.28$  *p*=0.3212) indicating the model is fit.

The Hausman's test was utilized to estimate between the fixed effect and random effect model for the study showed a significant ( $\chi^2=50.58$ , *p*=0.0003), inferring the unsuitability of the Fixed Effect Model (FEM) given the large test statistic with a low *p*-value in this study. This led to test between the between the Random Effect Model (REM) and the Ordinary Least Square (OLS) regression model using the Breusch and Pagan Langrangian Multiplier (LM) test for random effects, to choose between the less estimator which results showed an insignificant value of ( $\chi^2=356.73$ , *p*=0.0000), resulting into adoption of the OLS regression model.

**Table 6: Regression Analysis**

/FRQ/	Output 1			Output 2			Output 3		
	Coef.	t	Prob.	Coef.	t	Prob.	Coef.	t	Prob.
IWON	-0.0243	-1.64	0.101	-0.0264	-1.83	0.069	-0.1174	-5.04	0.000*
MWON	-0.1009	-5.28	0.000*	-0.0925	-4.93	0.000*	-0.0977	-2.91	0.004*
AFTN				.0064	4.25	0.000*	-0.0015	-0.65	0.514
IWON_AFTN							.0158	2.99	0.003*
MWON_AFTN							-0.0049	-0.62	0.536
Constant	0.725			0.7034			-16.1371		
Observation	368			368			368		
R <sup>2</sup>	0.130			0.1712			0.4487		
Adj.R <sup>2</sup>	0.123			0.1621			0.4136		
Prob>F	0.0000*			0.0000*			0.0000*		

**Source:** Stata 13 output, 2024; \* denote statistical significance at 5% levels; approximate to 4 decimal places

Note: FRQ = financial reporting quality, IOWN = institutional ownership, MOWN = managerial ownership, AFTN = audit firm tenure

Given the specific effect of IOWN, MOWN and FOWN on FRQ in output 1 Table 6. above at ( $\beta = -.0243$ ,  $p < 0.101$ ) and ( $\beta = -.1009$ ,  $p < 0.000^*$ ) indicating an insignificant effect of IOWN on FRQ, while MOWN in the financial service firms under consideration were significant to FRQ. The overall model showed a significant value of ( $F(3, 364) = 18.14$ ,  $p < 0.0000$ ) with an  $R^2$  of 0.130 and adjusted  $R^2$  of 0.123 indicating that all things held constant only 13% and 12 % of IOWN and MOWN explain FRQ of the listed financial service firms under consideration. Therefore, institutional shareholding does not have significant effect on FRQ of listed Nigeria financial service in line with (Adebiyi & Olowookere, 2016; Uwuigbe, 2017), while managerial ownership in line with the studies of (Madani et al., 2013; Elhennawy, 2021) significantly have an effect on FRQ.

The results in output 2, with the introduction of the moderating variable AFTN as additional variable alongside IOWN and MOWN on FRQ showed a significant effect with a p-value ( $F(4, 362) = 18.75$ ,  $p < 0.0000$ ) indicating AFTN as additional variable gives a significant effect on FRQ. IOWN stills has an insignificant effect individually on FRQ with a ( $\beta = -.0264$ ,  $p < 0.069$ ), the specific relationship for MOWN and AFTN in Table 6 output 2, showed a significant effect on FRQ of listed financial service firm in Nigeria at ( $\beta = -.0925$ ,  $p < 0.000$ ) and ( $\beta = .0064$ ,  $p < 0.000$ ) respectively. The significant effect of AFTN to FRQ further provide sufficient evidence to support choice of AFTN as a moderating variable in the study, which according to Baron and Kenny (1986) a moderating variables must be seen to be significant in relation to the dependent variable. The significant p-value of MOWN and FOWN is also consistent with the study of Kurawa et al. (2021) indicating that managerial shareholdings bring about stakeholders' confidence as management would also be seen as having a stake in the business out come as owners too. The  $R^2$  and adjusted  $R^2$  slightly increased from 0.130 and 0.123 to 0.171 and 0.162 with the addition of AFTN as additional predictive variable in model 2, increasing the percentage of IOWN, and MOWN that now explain FRQ to 17% and 16% from 13% and 12 % respectively holding all things constant.

Table 6. output 3 presents the coefficients with their associated p-value of the moderating effect of audit firm tenure on the relationship between IOWN, MOWN, AFTN and their intercepts on the dependent variable FRQ. The results of the Hausman Specification test show the ordinary least square regression (OLS) model as the better estimator for the study models. The specific relationship of FRQ to IOWN became significant at a p-value P=value of ( $\beta = -.1174$ ,  $p < 0.000^*$ ); and FRQ to MOWN maintained a significant effect at a ( $\beta = -.0977$ ,  $p < 0.004^*$ ) from output 1 and 2. The moderating effect of AFTN on IOWN and FRQ of listed Nigeria financial service firms shows a significant p-value of ( $\beta = .0158$ ,  $p < 0.003^*$ ). While on the contrary the moderating effect of AFTN on MOWN and FRQ of listed Nigeria financial service firms showed an insignificant result of a ( $\beta = -.0049$ ,  $p < 0.536$ ). This means audit firm tenure do not moderate the effect of managerial ownership on FRQ of listed financial service firm in Nigerian in line with the null hypothesis 2, but have a moderating effect on institutional ownership of listed financial service firms in Nigeria. In output 3, with moderation the  $R^2$  and the adjusted  $R^2$  showed a significant increase in the causal effect of the independent variables on FRQ all things held constant to 0.4487 and 0.4136 respectively. Implying, a 45% of ownership structure proxy by institutional ownership and managerial ownership explain the variation in FRQ in the study with an overall significant P-value of 0.000. The study results are in line with the finding in (Kurawa et al., 2021) which showed a significant effect of ownership structure on financial reporting quality moderated by audit firm tenure.

## **5. Conclusion and Recommendations**

This study examined ownership structure and FRQ; moderating effect of audit firm tenure. FRQ is important for the various user groups in the listed financial service firms, resulting into a continuous demand for quality in the reporting process. Thus, a high score on financial reporting will always result in confidence on the side of the various user groups, showing better accountability and, low confidence where the financial reporting is poor. The study showed that institutional ownership does not have a significant effect on FRQ directly but has an indirect significant when audit firm tenure moderates the relationship, indicating the significant influence of institutional ownership on the activities of managements. Managerial ownership on the other hand has a significant effect on FRQ of Nigeria financial service firms but became insignificant when audit firm moderate the relationship. This may be attributable to the fact that audit firm tenure can help to check the opportunistic behavior of managerial among listed financial service firms in Nigeria thus, the effect is insignificant effect. The study therefore recommends that the various user group should advocates for more institutional ownership and less managerial ownership to help monitor check management and external audit firm should be allowed a longer tenure above 4 and less the 10 years the legal time allowed by the financial Reporting Council ACT in Nigeria.

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