Journal of Accounting and Financial Management E-ISSN 2504-8856 P-ISSN 2695-2211
Vol 10. No. 1 2024 www.iiardjournals.org

Effect Of Whistleblowing Mechanism on Financial Reporting Quality in Quoted Multinational Oil and Gas Firms in Nigeria

[1]Adewara, Yinka M., [2]Awotomilusi, Niyi S., and [3]Akpan, James U.
[123]Department of Accounting, College of Social and Management Sciences,
Afe Babalola University, Ado-Ekiti, Ekiti State, Nigeria
Corresponding author: akpanjah247@pg.abuad.edu.ng

DOI: 10.56201/jafm.v10.no1.2024.pg33.53

Abstract

Financial reporting aids the quality of financial statement as it plays a fundamental role in the functioning of an organization. Therefore, this study examined the effect of whistleblowing mechanism on financial reporting quality in quoted multinational oil and gas firms in Nigeria. A survey research design was adopted and data collected were analyzed using descriptive statistics and ordinary least square regression analysis. The Quality of financial reporting was captured by accuracy and reliability, transparency and disclosure, consistency and comparability, relevance and materiality and timeliness. From the result, a direct impact existing between whistleblowing and all the five variables was discovered. This result was also corroborated by the findings of the correlation matrix. The result shows that whistleblowing among quoted multinational oil and gas firms in Nigeria enhances high-quality financial information useful for better decision making, and above all promotes public trust. It was advanced that all agencies of the government, professional bodies coupled with the law enforcement agencies should work in harmony to protect whistleblowers as this will further enhance financial reporting quality among firms in Nigeria.

Keywords: *Financial Reporting, Whistleblowing, Accuracy and Reliability, Transparency and Disclosure, Consistency and Comparability, Relevance and Materiality and Timeliness*

JEL Classification: M41

1. Introduction

Financial reporting quality plays a fundamental role in the functioning of financial markets, as it ensures the provision of accurate and reliable information to stakeholders for decision-making. In the context of multinational oil and gas firms operating in Nigeria, the importance of robust financial reporting cannot be overstated (Hong, 2023). These firms wield significant economic influence and are critical to the country's energy sector and overall economic growth. However, maintaining the integrity of financial reporting in this sector is not without challenges, as it is susceptible to fraudulent activities and misreporting (Kaplan, 2011).

Whistleblowing mechanisms have emerged as powerful tools in the fight against financial irregularities, offering a means to enhance transparency, accountability, and corporate governance. Whistleblowers, who are employees or insiders within an organization, play a pivotal role in exposing wrongdoing, such as fraudulent financial reporting, unethical practices, or violations of laws and regulations (Putra et al., 2022). By reporting these incidents, whistleblowers contribute to the detection and prevention of financial misconduct, ultimately safeguarding the interests of investors, shareholders, and other stakeholders (Fasua & Osifo, 2017).

The Nigerian oil and gas industry, with its complex operations and multinational presence, faces unique challenges in maintaining financial reporting quality. The sector operates in a dynamic environment characterized by intricate contractual arrangements, extensive supply chains, and significant regulatory oversight (De-Maria, 2018). Ensuring the accuracy and reliability of financial reporting in multinational oil and gas firms operating in Nigeria is crucial for maintaining investor confidence and overall market stability. Whistleblowing mechanisms can act as a catalyst in improving financial reporting quality by facilitating the detection and prevention of financial irregularities (Erin & Bamigboye, 2020).

Previous studies have established the positive impact of effective whistleblowing mechanisms on financial reporting quality in various organizational contexts (De Maria, 2018; Kaplan, 2011; Vandekerckhove & Tsahuridu, 2010). However, the specific dynamics and challenges faced by multinational oil and gas firms operating in Nigeria necessitate a focused investigation. The Nigerian context introduces unique cultural, legal, and regulatory factors that may influence the effectiveness of whistleblowing mechanisms in this particular industry.

This study aims to investigate the effect of whistleblowing mechanisms on financial reporting quality in quoted multinational oil and gas firms in Nigeria. By examining the relationship between the presence and effectiveness of whistleblowing mechanisms and financial reporting quality, this study seeks to contribute to the existing literature on corporate governance, transparency, and accountability in the Nigerian oil and gas industry. The findings of this study are expected to contribute to the existing literature by shedding light on the role of whistleblowing mechanisms in improving financial reporting quality in multinational oil and gas firms operating in Nigeria. Moreover, the research will provide valuable insights to policymakers, regulators, and industry practitioners in developing strategies to enhance transparency, accountability, and ethical conduct within organizations.

2. Literature Review

2.1 Conceptual Review

2.1.1 Whistleblowing

Whistleblowing refers to the act of reporting or disclosing information about illegal, unethical, or fraudulent activities within an organization to individuals or entities that have the authority or ability to take appropriate action (Vandekerckhove & Tsahuridu, 2010). A whistleblower, often an employee or insider, observes or becomes aware of wrongdoing, such as financial misconduct, corruption, safety violations, environmental hazards, or other forms of unethical behavior, and decides to bring it to the attention of relevant parties. Whistleblowing serves as a mechanism to expose and address wrongdoing that may harm the public interest, and organizational integrity, or violate laws and regulations (Yusoff et al., 2023). Whistleblowers play a critical role in promoting transparency, accountability, and good governance by disclosing information that would otherwise remain concealed or unknown. Their actions aim to prevent or rectify harm, protect the rights and well-being of stakeholders, and uphold ethical standards within organizations and society at large.

Whistleblowing can take various forms, including reporting concerns internally within the organization, submitting complaints to regulatory authorities, or disclosing information to the media or public. Whistleblowers may be protected by laws or organizational policies that shield them from retaliation or adverse consequences for their disclosure (Dennis et al., 2013). These protections are intended to encourage individuals to come forward with information and ensure their safety and well-being. Whistleblowing is an essential mechanism for exposing wrongdoing and promoting transparency, accountability, and ethical conduct within organizations and society. It serves as a powerful tool for combating corruption, financial fraud, and other forms of misconduct, ultimately contributing to the betterment of organizations and the public interest (Brennan, 2007).

2.1.2 Financial Reporting Quality

Financial reporting quality refers to the extent to which financial reports accurately and transparently represent the financial position, performance, and cash flows of an organization. It reflects the reliability, relevance, and usefulness of the information presented in financial statements. High-quality financial reporting promotes transparency, accountability, and trust among stakeholders (Danny et al., 2011). It enables investors, creditors, regulators, and other users to assess an organization's financial health, make informed decisions, and evaluate its performance. Conversely, poor financial reporting quality can lead to misleading information, distorted perceptions, and potential risks for stakeholders (Erin & Bamigboye, 2020). Assessing financial reporting quality involves evaluating the extent to which financial reports meet these characteristics and principles. Independent audits, internal controls, and regulatory oversight are some mechanisms used to enhance and ensure the quality of financial reporting (Hong, 2023).

2.1.2.1 Accuracy and Reliability

Accuracy and reliability are essential qualities that contribute to the trustworthiness and credibility of information. In the context of financial reporting, accuracy, and reliability refer to the degree to which the information presented in financial statements is free from material errors, and biases, and faithfully represents the underlying financial transactions and events. Accuracy refers to the correctness and precision of financial information (Imang et al., 2017). Accurate financial reporting ensures that the reported figures are free from significant errors, omissions, or distortions. It involves the use of reliable data sources, appropriate accounting principles, and accurate calculations to produce financial statements that reflect the true financial position, performance, and cash flows of an organization.

Reliability refers to the dependability and trustworthiness of financial information. Reliable financial reporting ensures that the reported information can be used with confidence by stakeholders to make informed decisions. It involves the consistent application of accounting policies, appropriate internal controls, and unbiased reporting practices (Ulfah et al., 2020). Reliable financial reporting instills confidence in users of financial statements, such as investors, creditors, regulators, and other stakeholders. It allows them to make informed decisions, assess the financial health of an organization, and compare its performance with other entities. Accuracy and reliability are integral qualities of financial reporting. Accuracy ensures the correctness and precision of financial information, while reliability ensures its dependability and trustworthiness. By adhering to these qualities, financial reporting can provide stakeholders with reliable and meaningful information for decision-making and evaluation. Financial reports should provide information that is free from material errors, omissions, or biases. The data and disclosures should be based on sound accounting principles, and supported by appropriate evidence and documentation (Agbogun et al., 2021).

2.1.2.2 Transparency and Disclosure

Transparency and disclosure are essential concepts in financial reporting that promote openness, clarity, and accessibility of information to stakeholders. They involve providing comprehensive and meaningful information about an organization's financial position, performance, and activities to enable informed decision-making and foster trust. Transparency refers to the extent to which an organization provides clear and easily understandable information about its financial and non-financial aspects (Basri, 2021). Transparent financial reporting ensures that stakeholders have access to relevant and reliable information necessary to assess the organization's operations, risks, and financial health. Transparency helps stakeholders understand the organization's financial position, performance, and prospects, enabling them to make informed decisions and hold the organization accountable.

Disclosure refers to the act of providing specific information or details about an organization's financial and non-financial activities. It involves the comprehensive and timely communication of relevant facts, figures, and events to stakeholders. Disclosure requirements may vary based on applicable accounting standards, legal regulations, and industry-specific reporting guidelines (Daffa et al., 2022). The objective of the disclosure is to provide stakeholders with the necessary information to assess the organization's performance, risks, and compliance with applicable laws and regulations. Transparent and comprehensive disclosure practices enhance stakeholders' understanding of an organization's financial affairs, foster trust, and facilitate informed decision-making (Basri, 2021). They also contribute to market efficiency, accountability, and stakeholder confidence in the organization's financial reporting. Financial reports should provide clear and comprehensive information about the organization's financial activities, including the recognition, measurement, and presentation of assets, liabilities, revenues, expenses, and equity. Transparent disclosures enable stakeholders to understand the organization's financial performance and make informed decisions (Ulfah et al., 2020).

2.1.2.3 Consistency and Comparability

Consistency and comparability are two fundamental concepts in financial reporting that help users make meaningful comparisons of financial information over time and across different entities. They ensure that financial statements are presented in a standardized and consistent manner, enabling stakeholders to analyze trends, evaluate performance, and make informed decisions (Daffa et al., 2022). Consistency in financial reporting refers to the application of the same accounting principles, policies, and methods from one reporting period to another. It implies that accounting practices and treatments should remain unchanged unless there is a valid reason for change or a requirement by accounting standards. Consistency ensures that financial statements are prepared using uniform accounting standards and practices, allowing users to make meaningful comparisons of financial information within the same entity over different periods (De-Maria, 2018).

Comparability in financial reporting refers to the ability to compare financial information of different entities or between different reporting periods. It involves the use of consistent accounting principles and practices across entities and over time, enabling users to identify similarities, differences, and trends in financial performance and position (Dennis, 2013). Comparability allows stakeholders to benchmark the financial performance and position of an organization against its peers, industry standards, or previous periods. It assists in making informed decisions, assessing relative strengths and weaknesses, and evaluating the organization's performance within a broader context.

Consistency and comparability together contribute to the usefulness and reliability of financial reporting. By ensuring consistent accounting practices and facilitating meaningful comparisons, they enhance stakeholders' ability to understand, analyze, and interpret financial information for decision-making purposes. Financial reports should maintain consistency in the application of accounting policies and practices over time. This allows for meaningful comparisons of financial information across periods, facilitating analysis and evaluation of performance, trends, and changes in financial position (Kaplan, 2011).

2.1.2.4 Relevance and Materiality

Relevance and materiality are two critical concepts in financial reporting that help ensure the usefulness and significance of the information provided to users. They help determine what information should be included in financial statements and disclosures to enable stakeholders to make informed decisions. Relevance in financial reporting refers to the capacity of information to influence the economic decisions of users. Relevant information is capable of making a difference in users' assessments and evaluations of an organization's financial position, performance, and prospects (Hong, 2023). To be considered relevant, information should have predictive, confirmatory, or feedback value. Materiality in financial reporting refers to the significance or importance of information in the context of a particular decision-making process. Materiality is assessed by considering whether omitting or misstating the information could influence the decisions made by users. Materiality focuses on the impact of the information on the users' understanding and evaluation of the financial statements. Materiality is a subjective concept that depends on the specific circumstances, the nature of the information, and users' perspectives. Information is considered material if its omission or misstatement could reasonably influence the economic decisions of users (Erin & Bamigboye, 2020).

Relevance and materiality work together to ensure that financial reporting provides information that is meaningful, significant, and useful for stakeholders. Relevant information is essential for decision-making, while materiality helps determine the significance of information in the overall financial reporting context. By incorporating relevant and material information, financial reporting provides users with insights and knowledge necessary for evaluating an organization's performance, risks, and prospects. Financial reports should include information that is relevant to the needs of users, such as investors, creditors, and other stakeholders. Material information, which can influence users' economic decisions, should be disclosed to ensure the reports' usefulness and reliability (Danny et al., 2011).

2.1.2.5 Timeliness

Timeliness in financial reporting refers to the promptness and availability of financial information to users. It emphasizes the importance of providing financial statements, disclosures, and other relevant information in a timely manner to ensure its relevance and usefulness for decision-making purposes (Agbogun et al., 2021). The importance of timeliness in financial reporting lies in its ability to provide users with current and relevant information for decision-making. Timely financial reporting enables stakeholders, such as investors, creditors, regulators, and analysts, to assess an organization's financial performance, make informed investment decisions, evaluate creditworthiness, and monitor compliance with regulations. It also facilitates effective communication between the organization and its stakeholders, fostering transparency and accountability (Yusoff et al., 2023).

Delays or lack of timeliness in financial reporting can hinder stakeholders' ability to obtain timely insights, leading to a potential loss of confidence, decreased market efficiency, and hindered decision-making. Therefore, organizations strive to ensure the timely preparation and reporting of financial information to meet the needs and expectations of their stakeholders. Financial reports should be prepared and presented in a timely manner, providing up-to-date information to users. Timeliness enhances the usefulness of financial information for decision-making and reduces the risk of outdated or irrelevant data (Imang et al., 2017).

2.1.2.2 Whistleblowing and Financial Reporting Quality

Whistleblowing can have a significant impact on the quality of financial reporting within organizations. Whistleblowing refers to the act of reporting concerns, misconduct, or wrongdoing within an organization to appropriate authorities or individuals, typically with the aim of promoting transparency, accountability, and ethical conduct. Whistleblowing can serve as an effective mechanism for detecting fraudulent activities, irregularities, or unethical practices that may impact the integrity of financial reporting (Danny et al., 2011). Whistleblowers who have knowledge of fraudulent financial reporting or misrepresentation of financial information can bring attention to such issues, enabling prompt investigation and corrective actions.

Whistleblowing systems encourage employees to report potential violations of accounting standards, internal control weaknesses, or non-compliance with financial reporting requirements. By reporting such issues, whistleblowers contribute to the improvement of internal control systems and corporate governance practices, leading to enhanced financial reporting quality. Whistleblowing plays a vital role in risk management and fraud prevention. By providing a mechanism for employees to report concerns, organizations can proactively identify and address potential risks that may undermine the accuracy and reliability of financial reporting. This can lead to the implementation of effective controls and measures to mitigate risks and prevent fraudulent activities (Agbogun et al., 2021).

Whistleblowing can help foster an ethical culture within organizations. When employees feel encouraged and protected to report misconduct or unethical behavior, it sends a strong message that integrity and ethical conduct are valued. A strong ethical culture promotes the accurate and transparent reporting of financial information, supporting overall financial reporting quality. Whistleblowing mechanisms that effectively address concerns related to financial reporting can contribute to building stakeholder confidence and trust (Ulfah et al., 2020). When stakeholders perceive that an organization is committed to maintaining high standards of financial reporting and actively addressing any misconduct, it enhances their trust in the reported financial information. It is important for organizations to establish robust whistleblowing mechanisms that protect whistleblowers from retaliation and ensure the confidentiality and proper handling of reported concerns. By doing so, organizations can encourage a culture of openness, integrity, and accountability, which ultimately contributes to the overall quality of financial reporting (Hong, 2023).

2.2 Theoretical Framework

This study is hinged on Ethics and Moral Theory propounded by Immanuel Kant in 1787. The link between whistleblowing and the quality of financial reporting in quoted oil and gas multinational firms in Nigeria can be examined through the lens of ethics and moral theory, specifically adopting Immanuel Kant's proposition (De-George, 2006). Kant's ethical theory emphasizes the moral duty to tell the truth and report any wrongdoing based on rationality. By applying Kant's theory to whistleblowing, it can be argued that employees have a moral obligation to act righteously and disclose wrongdoing in good faith. Whistleblowing can be seen as an act of fulfilling one's moral duty to uphold honesty, transparency, and ethical behavior within the organization.

In the context of financial reporting, accountants and preparers of financial statements play a crucial role in ensuring the accuracy and reliability of financial information. Their adherence to ethical principles and commitment to professionalism is vital in maintaining public trust and acting in the public interest. Kant's theory supports the idea that accountants and preparers have a moral right to act in the public interest and honor their professional responsibilities. Whistleblowing mechanisms serve as a means for accountants and preparers to fulfill their moral obligation by reporting any financial misconduct or fraudulent activities that may compromise the quality of financial reporting. By blowing the whistle, these individuals demonstrate their commitment to upholding ethical standards, promoting transparency, and safeguarding the public interest. Therefore, based on Kant's ethical theory and the belief that whistleblowing is a moral obligation, it can be argued that accountants and preparers of financial statements in quoted oil and gas multinational firms in Nigeria have a moral right to act in the public interest and ensure the quality of financial reporting. Whistleblowing becomes a mechanism for them to uphold their moral duty and contribute to the integrity of financial reporting in the organization and the overall market.

2.3 Empirical Review

Yusoff et al. (2023) conducted a study to assess the whistleblowing intention among employees working in Halal-certified food manufacturing companies. They examined various factors influencing this intention, such as attitude, subjective norm, perceived behavioral control, perceived organizational support, religious obligation, knowledge, personal cost reporting, personal responsibility, and seriousness of wrongdoing. The study involved 210 employees from these companies in Selangor, who responded to a structured questionnaire. The findings revealed a high level of whistleblowing intention among the employees, and most of the factors that influenced their decision to blow the whistle had positive and favorable mean scores. The relatively low mean score for personal cost reporting indicated that employees perceived minimal personal costs associated with whistleblowing.

Daffa et al. (2022) aimed to investigate the impact of leader support on whistleblowing intentions among employees in BMT (Islamic cooperatives). Their research was based on descriptive qualitative research and involved in-depth interviews. The study found that the whistleblowing system was not fully implemented in some companies, suggesting that employees might not be aware of the system. In contrast, in one company, the leader was familiar with whistleblowing but did not fully understand it, resulting in the implementation being carried out differently. The study emphasized the importance of leader support in encouraging reporting fraud, as it can positively influence employees' intentions to blow the whistle.

Putra et al. (2022) examined the mediating role of Fraud Prevention in the relationship between Internal Audit, Risk Management, Whistleblowing Systems, Big Data Analytics, and the prevention of financial crime behavior. The study addressed the limited strategic formulation in risk management, internal audit, whistleblowing system, and big data analytics for early fraud detection and prevention of financial crime behavior in Indonesia, particularly in various regions such as Aceh, North Sumatra, Riau, Kepulauan Riau, South Sumatra, Bangka Belitung, Jambi, West Sumatra, Bengkulu, and Lampung. The research was informed by a comprehensive literature review of 90 articles from leading academic journals published between the early 1990s and 2021. The study underscored the importance of Fraud Prevention efforts as a mediator in the relationship between Internal Audit, Risk Management, Whistleblowing System, and Big Data Analytics, aiming to address the issue of fraud and financial crime behavior in various Indonesian regional governments.

Agbogun et al. (2021) conducted a study to examine the impact of whistleblowing on accountability within the public sector. They employed an ex post facto design and collected data from primary sources. A total of 150 questionnaires were distributed, and 145 were retrieved and used for data analysis. The study established a simple regression model and found a significant relationship between whistleblowing mechanisms and accountability in public sector organizations.

Erin and Bamigboye (2020) investigated the influence of the whistleblowing framework on earnings management in Nigerian financial firms listed on the Nigerian Stock Exchange from 2013 to 2017. The study utilized a sample of 50 financial institutions in Nigeria and incorporated insights from legitimacy theory. They developed a whistleblowing index to measure the effectiveness of the whistleblowing framework and accounted for other determinants such as audit committee size, risk committee independence, audit committee independence, external audit size, board composition, firm size, and international ownership. Earnings management was assessed through discretionary accruals. The study employed content analysis and the generalized method of moments for data analysis. The findings indicated that Nigerian financial firms have increased their efforts in whistleblowing disclosure, leading to a significant reduction in earnings management practices.

Ulfah et al. (2020) analyzed factors influencing the reporting of fraud (whistleblowing) within organizations, focusing on the choice between internal and external reporting channels. The study aimed to explore fraud within the context of Indonesian culture and developed hypotheses based on predictors of whistleblowing intention. Data was collected from 2,214 civil servants in Indonesian regency, city, and provincial governments through survey letters and direct messages on social media. A logistic regression model was employed to analyze the data and test the hypotheses. The findings revealed that whistleblowing, individual factors and situational factors significantly predicted the selection of reporting channels by civil servants in Indonesia. The study also found that fear of retaliation had a stronger influence compared to public service motivation, resulting in limited opportunities for alternative whistleblowing reporting channels.

Imang et al. (2017) analyzed whistleblowing systems for the prevention of financial reporting fraud and examined the moderating role of ethical behavior. The study utilized a descriptive research design and survey method, targeting students from the Faculty of Economics at Pekalongan University. The sample was determined using purposive sampling, and multiple linear regression analysis was employed for data analysis. The study concluded that whistleblowing systems had a positive influence on the prevention of financial reporting fraud, and their influence on trends in financial fraud through ethical behavior was deemed unacceptable.

Fasua and Osifo (2017) examined effective whistleblowing mechanisms and audit committees in the Nigerian banking sector. The study utilized a multivariate regression technique and logistic regression analysis to test the proposed hypotheses. The study suggested that the Nigerian banking sector with independent, well-structured, expert, and diligent audit committees is more likely to establish effective whistleblowing mechanisms. The findings revealed a strong association between effective whistleblowing mechanisms in the Nigerian banking sector and audit committee independence, audit committee financial expertise, and audit committee meetings. The study emphasized the need to strengthen the whistleblowing mechanism within the Nigerian banking sector.

Previous studies have established the positive impact of effective whistleblowing mechanisms on financial reporting quality in various organizational contexts (Agbogun et al., 2021; Basri, 2021; De Maria, 2018; Kaplan, 2011; Vandekerckhove & Tsahuridu, 2010). However, no single study considers the effect of whistleblowing in oil and gas firms in Nigeria. in line with this, this study aimed to investigate the effect of whistleblowing on the financial reporting quality of oil and gas firms in Nigeria. The following hypotheses were formulated in order to direct the flow of this work:

H$_{01}$: Whistleblowing has no significant effect on the accuracy and reliability of financial reporting quality in oil and gas firms in Nigeria.

H$_{02}$: Whistleblowing has no significant effect on the transparency and disclosure of financial reporting quality in oil and gas firms in Nigeria.

H$_{03}$: Whistleblowing has no significant effect on the consistency and comparability of financial reporting quality in oil and gas firms in Nigeria.

H$_{04}$: Whistleblowing has no significant effect on the relevance and materiality of financial reporting quality in oil and gas firms in Nigeria.

H$_{05}$: Whistleblowing has no significant effect on the timeliness of financial reporting quality in oil and gas firms in Nigeria.

3. Methodology

This study employed a survey research design and data was obtained through the administration of well-structured questionnaires with key stakeholders such as whistleblowers, auditors, accountants, regulators, and executives of quoted oil and gas multinational firms in Nigeria. The study adopted purposively sampling techniques by distributing a total number of 420 questionnaires from which 385 questionnaires were returned representing 92% of the total population. Data collected were analyzed using descriptive statistics and ordinary least square regression analysis.

3.1 Test for Reliability

Table 1 revealed the test for reliability on effect of whistleblowing mechanism on financial reporting quality in quoted multinational oil and gas firms in Nigeria. Six (6) items each on accuracy and reliability, transparency and disclosure, consistency and comparability, relevance and materiality, timeliness and whistleblowing were raised and their respective Cronbach Alpha are 0.825, 0.854, 0.901, 0.856, 0.871 and 0.775. In line with this, it was concluded that the outcome of Cronbach Alpha were all consistent..

Table 1 Test for Cronbach Alpha

S/N	Variable	No. of Items	Cronbach's Alpha
1	Accuracy and Reliability (ARFRQ)	6	0.825

2	Transparency and Disclosure (TDFRQ)	6	0.854
3	Consistency and Comparability (CCFRQ)	6	0.901
4	Relevance and Materiality (RMFRQ)	6	0.856
5	Timeliness (TFRQ)	6	0.871
6	Whistleblowing (WISB)	6	0.775

***Source:* Author's Computation (2023)**

3.2 Model Specification

The work of Agbogun *et al.* (2021) model was adjusted to suit the purpose of this study. Therefore, the model employed in this study takes this form:

Financial reporting quality was decomposed into five (5) models stated as:

In a more functional form, the model can be stated as:

Where:

FRQ = Financial Reporting Quality

AFRQ = Accuracy and Reliability

TDFRQ = Transparency and Disclosure

CCFRQ = Consistency and Comparability

RMFRQ = Relevance and Materiality

TFRQ = Timeliness

WISB = Whistleblowing

3.3 *A priori* Expectation

The expected relationship provided in equation 3.12 based on theory revealed that accuracy and reliability, transparency and disclosure, consistency and comparability, relevance and materiality, timeliness will have a positive impact on whistleblowing as:

$$\frac{\delta ARFRQ}{\delta WISB} > 0 \ \frac{\delta TDFRQ}{\delta WISB} > 0 ., \ \frac{\delta CCFRQ}{\delta WISB} > 0 \ \frac{\delta RMFRQ}{\delta WISB} > 0 \ \frac{\delta TFRQ}{\delta WISB} > 0$$

4. RESULT AND DISCUSSION

4.1. Descriptive Statistics

Table 2 revealed the descriptive statistics and it shows that the mean value of accuracy and reliability, transparency and disclosure, consistency and comparability, relevance and materiality, timeliness of financial reporting and whistleblowing are 4.098, 4.0745, 4.0732, 4.0435, 4.0909 and 3.9965 respectively. The result showed that all the variables have a high positive mean value on five points scale. Their respective standard deviation of 0.31092, 0.3367, 0.3662, 0.3972, 0.54083 and 0.47506 are lower than their recorded mean values. The Skewed recorded that all the variables are negatively skewed, implied that they all have a long left tail. The values of their kurtosis show that only accuracy and reliability of financial reporting has a kurtosis value that exceeded 3 thus refers to as leptokurtic while others have their kurtosis values lesser than 3 therefore described as Platykurtic distribution

Table 2 Descriptive Statistics

Variables	ARFRQ	TDFRQ	CCFRQ	RMFRQ	TFRQ	WISB
Obs	385	385	385	385	385	385
Mean	4.098	4.0745	4.0732	4.0435	4.0909	3.9965
Std. Deviation	0.31092	0.3367	0.3662	0.3972	0.54083	0.47506
Minimum	2	2	2	2	2	2
Maximum	4.71	4.67	4.8	5	5	5
Skewness	-1.49	-1.117	-0.945	-0.48	-0.814	-0.627
Kurtosis	5.155	2.766	1.787	0.925	0.753	0.312

Source: Author's Compilation (2023)

4.2. Correlation Matrix

The tables in 3-7 showed the correlation matrix on the effect of whistleblowing mechanism on financial reporting quality in Nigeria. Table 3 revealed the correlation matrix for accuracy and reliability, table 4 shows the correlation matrix for transparency and disclosure, table 5 indicated the correlation matrix for consistency and comparability, table 6 reported the correlation matrix for relevance and materiality while table 7 reported timeliness of financial reporting quality. The outcome of all these tables shows that positive and significant correlation exists between whistleblowing and all the five dependent variables.

Table 3 Correlation Analysis for Model One

	ARFRQ	WISB
ARFRQ	1.0000	
WISB	0.603**	1.0000
	(0.000)	

Source: Author's Computation, (2023)

Table 4 Correlation Analysis for Model Two

	TDFRQ	WISB
TDFRQ	1.0000	
WISB	0.674**	1.0000
	(0.000)	

Source: Author's Computation, (2023)

Table 5 Correlation Analysis for Model Three

	CCFRQ	WISB
CCFRQ	1.0000	
WISB	0.735**	1.0000
	(0.000)	

Source: Author's Computation, (2023)

Table 6 Correlation Analysis for Model Four

	RMFRQ	WISB
RMFRQ	1.0000	
WISB	0.822**	1.0000
	(0.000)	

Source: Author's Computation, (2023)

Table 7 Correlation Analysis for Model Five

	TFRQ	WISB
TFRQ	1.0000	
WISB	0.807**	1.0000
	(0.000)	

Source: Author's Computation, (2023)

4.3. Whistleblowing and Financial Reporting Quality of Quoted multinational oil and gas in Nigeria

Table 8a revealed that whistleblowing only explains accuracy and reliability to the turn of 36% while the remaining percentages account for other variables outside the model. Conversely, the F-statistics was very significant with a value of 218.361 meaning that whistleblowing and accuracy and reliability are significant. Similarly, the statistical significant of whistleblowing parameter as given by its beta coefficient is reported in Table 8b. If whistleblowing is held constant accuracy and reliability of financial reporting will rise by 2.522 units. Whistleblowing has a significant positive coefficient of 0.394, indicating that as whistleblowing rises by a unit, will lead to a 0.394 unit increase in accuracy and reliability of financial reporting quality.

Similarly, when transparency and disclosure of financial reporting quality was used to represent quality of financial reporting as provided in Table 9a, its coefficient of determination stood at 45%, meaning that about 45% variation in whistleblowing accounts for transparency and disclosure while other percentages is given by the error term. The F-statistics is very significant with a value of 318.229. More so, the statistical significant of whistleblowing parameter on transparency and disclosure is reported in Table 9b. It shows that if whistleblowing is held constant transparency and disclosure of financial reporting will increase by 2.166 units. Whistleblowing has a significant direct impact of 0.477. It implied that as whistleblowing rises, will result to 0.477 unit increase in transparency and disclosure.

When consistency and comparability was used to represent quality of financial reporting as provided in Table 10a, its coefficient of determination stood at 54%, meaning that about 54% variation in whistleblowing is explained by consistency and comparability while other percentages is given random term. The F-statistics is significant with a value of 449.921. More so, the statistical significant of whistleblowing parameter on consistency and comparability is reported in Table 10b. It shows that if whistleblowing is held constant consistency and comparability of financial reporting will increase by 1.809 units. Whistleblowing has a significant direct impact of 0.567, implied that as whistleblowing rises by a unit, leads to a 0.567 unit increase in consistency and comparability reporting quality.

Conversely, when relevance and materiality was used to represent quality of financial reporting as provided in Table 11a, its coefficient of determination stood at 68%, meaning that about 68% variation in whistleblowing is revealed by relevance and materiality while other percentages is given by random term. The F-statistics is significant with a value of 797.672. More so, the statistical significant of whistleblowing parameter on relevance and materiality is reported in Table 11b. It shows that if whistleblowing is held constant relevance and materiality of financial reporting will rise by 1.297 units. Whistleblowing has a significant direct impact of 0.687, implied that as whistleblowing rises will lead to a 0.687 unit increase in relevance and materiality of financial reporting quality.

On model five which explain whistleblowing and timeliness as provided in table 12a and b, it was revealed that the coefficient of determination 65% meaning that about 65% variations in whistleblowing explained timeliness of financial reporting quality while other percentages is given by error term. The F-statistics is significant with a value of 715.353. More so, the statistical significant of whistleblowing parameter on timeliness of financial reporting quality is reported in Table 12b. It shows that if whistleblowing is held constant timeliness of financial reporting quality will increase by 0.419 units. Whistleblowing has a significant direct effect of 0.919. It implied that as whistleblowing increases by a unit, will lead to a 0.687 unit increase in timeliness. The positive relationship of all the whistleblowing on all the five (5) dependent variables support Yusoff *et al.* (2023), Ulfah *et al.* (2020), Daffa *et al.* (2022), Putra et al. (2022), Agbogun *et al.* (2021), Erin and Bamigboye (2020) among others works.

Table 8a Regression Summary for Model One

Model	R	R^2	Adj. R^2	Estimated Std.	F Change	Sig. F Change
1	.603[a]	.363	.361	.24845	218.361	.000

a. WISB

b. DV. ARFRQ

Table 8b Coefficient of Variation for Model One

Model		Unstandardized Coeff. B	Unstandardized Coeff. Std. Error	Standardized Coeff. Beta	t	Sig.
1	(Const.)	2.522	.107		23.478	.000
	WISB	.394	.027	.603	14.777	.000

a. DV: ARFRQ

Table 9a Regression Summary for Model Two

Model	R	R^2	Adj. R^2	Estimated Std.	F Change	Sig. F Change
1	.674[a]	.454	.452	.24916	318.229	.000

a. Predictors: (Constant), WISB

b. DV: TDFRQ

Table 9b Coefficient of Variation for Model Two

Model		Unstandardized Coeff. B	Std. Error	Standardized Coeff. Beta	t	Sig.
1	(Const.)	2.166	.108		20.111	.000
	WISB	.477	.027	.674	17.839	.000

a. DV: TDFRQ

Table 10a Regression Summary for Model Three

Model	R	R^2	Adj. R^2	Estimated Std.	F Change	Sig. F Change
1	.735[a]	.540	.539	.24864	449.921	.000

a. Predictors: (Constant), WISB

b. DV: CCFRQ

Table 10b Coefficient of Variation for Model Three

Model		Unstandardized Coeff. B	Std. Error	Standardized Coeff. Beta	t	Sig.
1	(Const.)	1.809	.107		16.829	.000
	WISB	.567	.027	.735	21.211	.000

a. DV: CCFRQ

Table 11a Regression Summary for Model Four

Model	R	R^2	Adj. R^2	Estimated Std.	F Change	Sig. F Change
1	.822[a]	.676	.675	.22652	797.672	.000

a. Predictors: (Const.), WISB

b. DV: RMFRQ

Table 11b Coefficient of Variation for Model Four

Model		Unstandardized Coeff.		Standardized Coeff.		
		B	Std. Error	Beta	t	Sig.
1	(Const.)	1.297	.098		13.243	.000
	WISB	.687	.024	.822	28.243	.000

a. DV: RMFRQ

Table 12a Regression Summary for Model Five

Model	R	R^2	Adj. R^2	Estimated Std.	F Change	Sig. F Change
1	.807[a]	.651	.650	.31978	715.353	.000

a. Predictors: (Const.), WISB

b. DV: TFRQ

Table 12b Coefficient of Variation for Model Five

Model		Unstandardized Coeff. B	Std. Error	Standardized Coeff. Beta	t	Sig.
1	(Const.)	.419	.138		3.031	.003
	WISB	.919	.034	.807	26.746	.000

a. DV: CCFRQ

DV = Dependent Variable

Source: Author's Field Survey, (2023)

4.4. Discussion of Findings

The study employed regression analysis of OLS to reveal the relationship between whistleblowing and quality of financial reporing in Nigeria. Quality of financial reporting was captured by accuracy and reliability, transparency and disclosure, consistency and comparability, relevance and materiality and timeliness. From the five models, the study discovered significant positive relationship between whistleblowing and all the five dependent variables. This result was also corroborated by the findings of correlation matrix. The result connotes that whistleblowing improves the quality of financial reporting in Nigeria. The result implied that whistleblowing among quoted multinational oil and gas firms in Nigeria enhances high-quality financial information useful for better decision making, and above all promotes public trust

5. CONCLUSION AND RECOMMENDATIONS

The study investigated whistleblowing and financial reporting quality of quoted multinational oil and gas firms in Nigeria. Five models (accuracy and reliability, transparency and disclosure, consistency and comparability, relevance and materiality, timeliness) were employed to capture financial reporting quality. Regression analysis of OLS was used in the analysis and also supported with correlation analysis. The F statistics that denotes the overall significant revealed that whistleblowing is significant on all the five models. Therefore concluded that whistleblowing promotes financial reporting quality among multinational oil and gas firms in Nigeria. In this line of result, the study advanced that all agencies of the government, professional bodies coupled with the law enforcement agencies should work in harmony to protect whistleblowers as this will further enhance the quality of financial reporting among firms in Nigeria.

References

Agbogun, O.B., Odunze, M.O., & Onuora, J.K.D. (2021). Effect of whistleblowing on accountability in the public sector organizations in Nigeria. *International Journal of Innovative Finance and Economics Research, 9*(1), 71-80.

Basri, U.F. (2021). Whistleblowing system dan peran audit internal dalam mencegah fraud. *Islamic Accounting and Finance Review, 2*(2), 11-28.

Brennan, N., & Kelly, J. (2007). A study of whistle-blowing among trainee auditors. *British Accounting Review, 39*(1), 61-87.

Central Bank of Nigeria, Code of corporate governance for banks and discount houses and guidelines for whistle-blowing in the Nigerian banking industry, Retrieved from www.cbn.gov.ng, pp.25-35, 2014.

Daffa, M.I., Moh. Mas'udi, & Ilmi Mu'min Musyrifin. (2022). Leaders and whistleblowers: application of whistleblowing in Islamic financial institutions. *Journal of Islamic Economic and Business Research, 2*(1). 76-89. https://doi.org/10.18196/jiebr. v2i1.50

Danny, K., Alexis, D., & George, D. (2011). Accounting students' intent to blow the whistle on corporate fraudulent financial reporting: An experiment. *International Journal of Business and Social Sciences, .2*(4), 14-24.

De-Maria, W. (2018). Whistleblowing and financial reporting quality: Evidence from Italy. Journal of Business Ethics, 147(2), 419-438.

Dennis, B., Yan, C., Blair, S., & Yafang, T. (2013). A comparative study of the propensity of whistle-blowing: Empirical evidence from China, Taiwan, and the United States. *International Journal of Accounting and Financial Reporting, 3*(2), 1-23.

De-George, R.T. Business ethics. 2nd. ed., Vol. 2, Upper Saddle River, NJ: Prentice Hall, 2006, 15-25.

Erin, O., & Bamigboye, O.A. (2020). Does the whistleblowing framework influence earnings management? An empirical investigation. *International Journal of Disclosure and Governance, 6*(1), 26-45.

Fasua, H.K., & Osifo, O.U.I. (2017). Effective whistle-blowing mechanism and audit committee in the Nigerian banking sector. *Journal of Business and Management Sciences*, *5*(1), 28-26. https://doi:10.12691/jbms-5-1-3

Hong, N.T.P. (2023). The financial reporting quality for commercial banks: Empirical evidence in Vietnam. *Intern. Journal of Profess. Bus. Review, 8*(6), 1-12.

Imang, D.P., Imam, G., & Tarmizi, A. (2017). The effects of the whistleblowing system on financial statements fraud: Ethical behavior as the mediators. *International Journal of Civil Engineering and Technology, 8*(10), 1592–1598.

Kant, I. Groundwork of the metaphysics of morals. 1st ed., vol. 2, New York: Harper Row Publishers, 1964, 12-24.

Kaplan, S. E. (2011). The effects of a modified internal audit structure on whistleblowing and financial reporting quality. Contemporary Accounting Research, 28(4), 1191-1223.

Putra, I., Sulistiyo, U., Diah, E., Rahayu, S., & Hidayat, S. (2022). The influence of internal audit, risk management, whistleblowing system, and big data analytics on financial crime behavior prevention. *Cogent Economics & Finance, 10*(1) 1-27. https://doi.org/10.1080/23322039.2022.2148363

Ulfah, Y., Irwansyah, I., Ikbal, M., Paminto, A., & Darma, D.O. (2020). Employees are faced with whistleblowing reporting channel alternatives: Which one is more desirable? *Espacios, 41*(31), 18-32.

Vandekerckhove, W., & Tsahuridu, E. (2010). Integrating virtue ethics into whistleblowing. Journal of Business Ethics, 91(3), 323-335.

Yusoff, N.M., Ahmad, A.N., & Dahlal, N.M. (2023). The degree of whistleblowing intention and its determinants among halal food manufacturing employees. *Journal of Fatwa Management and Research. 28*(2), 14-38.