Application of Ethical Approach to Accounting Thought in Financial Reporting By Nigerian Banks

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Abstract

Globally, there have been increased cases of unethical financial reporting. However, ethical financial reporting is critical to user's decision making, the growth of capital markets and the dignity of the accounting profession. Adegbie & Adeniji (2010) and Imeokparia (2013) reported serious and diverse unethical challenges in the Nigerian banking industry after the 2004 reforms. This paper explores this claim by assessing the application of the ethical approach to accounting thought in financial reporting in the Nigerian banking industry over the period 2004 to 2012. Based on eleven developed themes, one hundred and thirty-five financial reports were observed. Descriptive statistics, application index and ANOVA statistics was utilized to analyse the data. The computed mean application index of 92.2 percent and the results of the ANOVA statistics among the banks do not provide sufficient evidence to suggest that there is any serious ethical challenge in the industry as far as financial reporting is concerned. The paper concluded that though no serious unethical financial reporting tendencies might exist in the industry, and therefore there is the need to sustain and improve on the ethical tempo. This can be achieved through greater monitoring and enforcement of ethical regulatory code in the industry by the regulators.

Keywords: Ethics, Accounting Thought, Ethical Approach, Financial Reporting, Ethical Financial Reporting, Unethical Financial Reporting.

1.0 Introduction

Corporate management, particularly managing directors have responsibility to prepare and publish financial reports for the consumption of interested parties upon certification by external auditors. This task is to be ethically carried out by adopting the provisions and requirements of accounting standards, statutory regulatory frameworks and professional guidelines. Unfortunately, corporate board of directors and external auditors alike are culpably found guilty of unethical financial reporting. The accounting scandals involving Cadbury Nigeria Plc and Enron and Andresen in the United States illustrate this fact.

The users of financial reports are concerned about the quality of the reports and in particular, require the information disclosed to be truthful for their decision-making (Enderle, 2004). Ethics is fundamental to the relevance of financial reporting information for user's decision making. Gowthorpe & Amat (2005) cited in Abubakar (2011) maintained that ethical violation in financial reporting is not only an unfair practice to users but also jeopardise the very objective of the financial reports. According to Afolabi (2013) relevance of financial reports is the provision of information regarding the financial position, performance and changes in financial position which is useful to users in making management and investment decisions.

Enderle (2004) stated that the Enron and Andersen scandal particularly raise searchlight on the ethics of financial reporting. Enderle further posits that the ethics of financial reporting is now an important problem of the financial sector. In Nigeria, Imeokparia (2013) reported that the financial services business especially the 2004 consolidation reform in the banking industry brought the issue of ethical conduct to the front burner position. This however does not suggest that ethical violation only persist in the financial sector. Afolabi (2013) pointed out cases of noncompliance with ethics and accounting standards in the Nigerian manufacturing sector.

The ethical approach is one of the approaches to accounting thoughts that has influence on financial reporting practice. Other approaches to accounting thoughts include the legal, economic, tax, behavioural and structural approaches (Henriksen & Breda, 2001; Hamid, 2009; Dandago & Ormin, 2011). The ethical approach to accounting thought is concerned with the issues of truth, fairness, equity and justice in financial reporting. This approach like the others guide financial reporting practice where there is no accounting standard on issue for treating an accounting item or a choice is allowed between alternative methods in accounts (Hamid, 2009; Dandago & Ormin, 2011). In either of these situations, the ethical approach require preparers of financial reports to report in a manner or choose that method which does not only impair users decision making but equitably consider their interest in the information disclosed.

Ethical financial reporting is dependent on distinct but interrelated factors of preparers and certifiers behaviour and regulatory framework underpinnings (Enderle, 2004; Abubakar, 2011; Akenbor & Ibanichuka, 2012). This is because if the regulatory framework does not provide the right environment to guide financial reporting function, financial reports are likely to be unethically produced. Corporate director's honesty, transparency and adherence to stipulated laws and standards will influence the quality of financial reports. Similarly, certifiers such as external auditor's adherence to professional ethics will guarantee financial reporting quality.

Though, several studies have been conducted on these distinct but interrelated factors influencing ethical financial reporting and financial reporting quality in Nigeria (Amadi, 2005; Oladoyin, Elumilade & Ashaolu, 2005; Muhammad, 2009; Adegbie & Adeniji, 2010; Abubakar, 2011; Adeyemi & Fagbemi, 2011; Ogbonna & Ebimobowei, 2012 and Imeokparia, 2013) to mention but a few; this current study was prompted by Mautz & Gray (1970) and Gomes, Carnegie, Napier, Parker & West (2011) advocacy for more empirical study into accounting thoughts in context and in particular, the findings of Adegbie & Adeniji (2010) and Imeokparia (2013) that there exists diverse ethical challenges in the post-consolidation (2004) era in Nigerian banks. Furthermore, the focus of these previous studies was not primarily to determine the level to which the financial reports of the concerned companies were ethically prepared and most of the studies were but opinion research whereby data was collected using questionnaire. Adegbie & Adeniji (2010) pointed out that within the banking industry, financial reports prepared by accountants, certified by auditors and for which directors are responsible is the ideal basis for assessing ethical financial reporting.

This paper therefore using financial reports, adopts the ethical approach to accounting thought framework to assess the ethical content of financial reports of Nigerian banks. Specifically, it sought to assess the extent to which Nigerian banks apply the ethical approach to accounting thought in financial reporting and to determine the level of variation (if any) in the application of the approach among the banks. Accordingly, it was hypothesized that (i) Nigerian banks do no significantly apply the ethical approach in financial reporting, and (ii) there is no significant difference in the application of the ethical approach in financial reporting among Nigerian banks.

This paper contributes to the debate on ethics and financial reporting quality. It empirically provides evidence on the ethical content of Nigerian bank's financial reports. This insight is useful to users in determining the degree of reliance to repose in banks financial reports while making investment and other decisions and to regulators in taking appropriate measures to strengthen ethical compliance in the industry, hence improve financial reporting quality.

2.0 Conceptual Framework

Accounting thoughts are construed as accounting ideas or rules, which constitute accounting theory that guide accounting practice (Muhammad, 2009). It is about accounting ideas which form sound reasoning and provides basis for practice in the accounting domain. Abubakar (2011) view ethics as a system of moral principles which is the basis for appropriate conduct.

The ethical approach to accounting thought is a framework to accounting practice (financial reporting), which advocates truthfulness, fairness, equity and justice (Dandago & Ormin, 2011). Guided by this accounting thought, whether or not there is an accounting standard that specify the treatment of an item in the accounts or in a situation where choice is to be made between alternative methods such as in depreciation of assets, a firm financial reporting and the alternative method adopted must not end in misleading financial reports. Hamid (2009) opined that the ethical approach to accounting thought is concerned with the question of whether or not there is a solution to an accounting problem than is the provision of GAAPs and pronouncement by accounting bodies. This shows that with or without authoritative accounting rules, the ethical approach provides a useful basis for financial reporting that does not jeopardise user's interests.

Enderle (2004) explained truthful financial reporting to encompass the correctness, accuracy, comprehensiveness, objectivity and understandability of reported numbers and the factual representation of the processes and state of affairs of an entity in the financial reports. Fairness is the quality of financial reports been unbiased and impartial to any of the user groups. Equity and justice emphasize equitable consideration of the interest of all user groups in situations where judgment is to be exercised on an item to be reported in the financial reports.

Afolabi (2013) described financial report as formal and comprehensive statement that provides detail about the financial activities of an organization. Therefore, financial reporting could be seen as the process of preparing and communicating on the financial activities of an organization to those who have interest in it. Financial reporting as a process is to be ethically carried out.

Ethical financial reporting can be distinguished from unethical financial reporting in that the former is underscored by truthfulness, fairness, equity, justice, transparency and observance of accounting standards and rules whereas the latter is deliberate manipulation or misrepresentation of accounting numbers that accrues some form of benefit, directly or indirectly, to preparers to the detriment of some or all users of the information disclosed. Unethical financial reporting is often associated with concepts such as creative accounting, income smoothing, earnings management, earnings smoothing or financial engineering. The bottom line is that, these practices do not represent true and fair view of financial affairs; whether or not perpetuated under the guise of flexible accounting standards and regulations, hence are ethical issues in financial reporting.

2.1 Ethics and Financial Reporting

The world over, there are national accounting standards, legal and professional regulations on financial reporting. In Nigeria; accounting standards issue by the

NASB (now Nigeria Financial Reporting Council, NFRC), statutory regulations such as those issued by the SEC, CBN, NSE, and professional code of conducts by accounting bodies especially those by ICAN and ANAN provide the framework for ethical financial reporting. According to Afolabi (2013), the reason why national standards, corporate governance, professional ethics and code of ethics are issued to guide financial reporting is to prevent fraud and scandals which might hinder effective decision making by users. In other words, the essential of ethics in financial reporting is provision of qualitative information for user's decision making purposes.

Notwithstanding these standards and rules, like elsewhere, Nigerian firms have been severally criticized for engaging in unethical financial reporting practices (Muhammad, 2003; Bello, 2009; Adegbie & Adeniji, 2010; Otusanya & Lauwo, 2010; Afolabi, 2013; Imeokparia, 2013). Unethical financial reporting in the country has been attributed to abuses and self-interest of managing directors (Osazevbaru, 2012), external auditors (Amadi, 2005; Abubakar, 2011; Ogbonna & Ebimobowei, 2012; Musa, Success & Iyaji, 2014) and regulatory flexibility or lapses (Enderle, 2004; Akenbor & Ibanichuka, 2012; Imeokparia, 2013). Indeed, the unethical behaviour of external auditors and corporate management has attracted wide interest by professional accounting bodies, business leaders and researchers (Gaffikin, 2007).

The regulatory quality has been blamed for the increase wave of scandals in financial reporting. For example, the Enron and Andersen scandal was associated with regulatory lapses. Enderle (2004), argued that the then existing regulatory framework did not provide sufficient guidance for complex accounting matters hence served as fertile ground for the Enron scandal.

From the external auditor's point of view, Nigerian auditors have been seen to act unethically in several respects (Abubakar, 2003; Ebbah, 2003; Amadi, 2005; Ogbonna & Ebimobowei, 2012). Specifically, Muhammad (2003) observed with dismay that the professional ethics of accounting has almost completely been thrown to the wind in the country. Abubakar (2011) indicates that audit firms in Nigeria involve in unethical practices both in securing and discharging audit assignment. He was emphatic that the manner in which auditors in the country pursue audit assignment impairs their independence.

To corroborate, Otusanya & Lauwo (2010) analysis of the role of auditors in the Nigerian banking crisis revealed that not only did auditors approach their audit with less than the expected professionalism and diligence; they were culpably involved in scandals that led to the collapse of some of the banks. They lament that major accounting firms are becoming more and more willing to increase their profits by indulging in anti-social practices that show scant regard for social norms and even legal rules and regulation. Otusanya & Lauwa (2010) suggest self-interest and profit motives are responsible for the relegation of ethical codes of conduct to the background by auditors in the country. In addition, the mechanism for the effective enforcement of sanction might also be lacking. The unethical conduct of auditors is not restricted to Nigeria. Idigbe (2007) pointed out that auditors have not done their work as they are supposed to; else, the high wave of accounting scandals witnessed across the globe would not have occurred. According to Lufitig & Quellete (2009) as cited in Ogbonna & Ebimobowei (2011), the recent collapse of corporations such as Enron, Tyco International, WorldCom, and Global Crossing among others are a result of unethical practices by accountants.

Corporate managers like auditors are found to act unethically. According to Ogbonna & Ebimobowei (2011), financial reporting requires a great deal of ethical observance by the directors whose responsibility it is to prepare financial reports and external auditors who attest to the credibility of the reports. The practice of unscrupulous company directors making capital appear like profit and distributing it in form of dividends to a group of shareholders out of capital paid by another group of shareholders is regarded unethical just like income smoothing. Indeed, the former practice necessitated the inclusion of the clause that "dividend must be paid out of profit" under company legislation in countries like the United States (US). A similar unethical practice in US was prohibited by the Clayton Act of 1914. This Act prohibited merger and acquisition deals where such will result to reduced competition and create monopoly in an industry. There are similar clauses in the Company and Allied Matters Act (CAMA) 2004 as amended in Nigeria. These literatures indicate the reporting of the affairs of businesses in the country and elsewhere to be short of the true and fair view criteria. This practice clearly violates the ethical approach to accounting information production.

These unethical practices have far reaching consequences on financial reporting, the accounting discipline and the economy at large. Okafor (2006) stated that the main objective of ethics in financial reporting is to ensure that reporting entities comply with codes that facilitate public confidence in their services (Afolabi, 2013). Faboyede, Mukoro, Oyewo & Obigbemi (2014) noted that recent dubious manipulation and misrepresentation of accounting numbers in financial reports have seriously undermined the worth and relevance of the reports and rendered it unproductive. Egwuonwa (1997) cited in Adegbie & Adeniji (2010) maintained that trust and confidence in financial reporting is all about ethics of financial reporting. The unethical behaviour of corporate directors and examiners of financial reports therefore has a fundamental consequence of loss of public confidence and reliance on the reports. The spiral effect is demeaning of the accounting profession and the development of capital markets.

In the mist of high unethical behavior especially as it relates to external auditors, Abubakar (2011) recommends that a change be instituted in the mentality of auditors by making them believe that adherence to ethics is meant to improve their professional conduct and not to make them loss their job. This recommendation is challenged by this research because it supposes that auditors in the country do not appreciate or know their professional duties and rights as it relates to the security of their appointment as auditors. These issues are made clear by Sections 360 and 362 of CAMA 2004 as amended. It is also in an effort to curtail unethical practices which results to misleading financial information that following the Enron scandal, the Sarbanes-Oxley Act of 2002 was passed in America. The Act requires principal executives and financial officers of public companies to certify the veracity of information disclosed in financial reports (El-Gazzar, Fornaro & Jacob, 2006). This measure among others adopted to prevent corporate management from deception and misleading the investing public is yet to yield the desired results since financial reporting scandals continue to persist around the globe (America inclusive).

Perhaps, it is on this premise that Enderle (2004) came to a conclusion that a synthesis of government and regulatory bodies (the macro players) ability to set up rules and enforce them, and the proper application and interpretation of the set rules by provider's, certifiers and user's organizations (the meso players) as well as the behaviour of persons involved in financial reporting (the micro players) is imperative to ensure ethics in financial reporting.

2.2 Theoretical Framework

This paper is underpinned by the agency, stakeholder's and compliance theories. The agency theory draws on the agent-principal relationship within the corporate world of business (Sharma, 2013). Shareholders who are regarded as the principal entrust the management of their businesses into the hands of the agent (managers). This relationship behoves on the managers as agents not only to be accountable to the shareholders (Barde, 2009b; Sharma, 2013; Samaila, 2014) but also act in their best interest. Accountability to shareholders is ensured through financial reporting while to act in the best interest of shareholders require managers been guided by ethics in all dealing including financial reporting. However, a conflict of interest arises in the agency-principal relationship whereby mangers as agents may tend to uphold their interest above that of shareholders. By placing their interest above that of their principal, managers act unethically by making accounting choices that are detrimental to shareholders. The accounting decisions and choices made pursuant to personal interests results to unethical financial reporting. The agency theory is criticized for its narrow view of financial reporting.

Barde (2009) maintained that the stakeholder's theory view the firm as a social person and as such is expected to be responsible and accountable to all stakeholders including the shareholders, government, creditors, employees, financial analyst, community and the general public. Put differently, the theory states that financial reporting should provide information that is relevant and useful for the decision needs of all user groups. To meet this condition, financial reporting will not only have to be true and fair but also ethically prepared.

This paper was anchored on the stakeholder's theory. Hence, it is maintained that financial reporting should be ethically performed so that all the user groups are not presented with false accounting information that misleads their decision-making.

3.0 Methodology

This paper assesses the application of the ethical approach to accounting thought in financial reporting by Nigerian banks during the period 2004 to 2013. The base year 2004 was selected with recourse to the 2004 reform by the regulatory authority-Central Bank of Nigeria that consolidated the sector. The consolidation of the sector may have significant impact on the activities of banks including their financial reporting practice. Data was collected up to 2013 because as at the time of the research, financial statements from where data was extracted were available only up to that year. Using a filter whereby a bank must be quoted on the Nigerian Stock Exchange, be a Nigerian based bank and have complete data, 15 banks out of the 21 quoted banks as at 31st December, 2011 were selected for the study. The sampled banks include Access Bank, Diamond Bank, Eco Bank, Fidelity Bank, First Bank, First City Monument Bank, Guaranty Trust Bank, Skye Bank, Stanbic-IBTC Bank, Sterling Bank, Union Bank, United Bank for Africa, Unity Bank, Wema Bank, and Zenith Bank. For the purpose of the study these banks were designated Bank 1, Bank 2 …Bank 15 with Bank 1 being Access Bank, Bank 2 Diamond Bank … and Bank 15 Zenith Bank respectively.

The application of the ethical approach in financial reporting was determined with recourse to eleven themes (see appendix I) developed from the related literatures of Enderle (2004), Bello (2009), Adegbie & Adeniji (2010), Otusanya & Lauwo (2010), Adeyemi & Fagbemi (2011), Afolabi (2013), and Imeokparia (2013). Data was extracted from annual accounts and reports of the sampled banks through a check of the reflection of the themes. Consistent with the application (compliance) studies of Barde (2009a), 1 is assign where there is full application of a theme, 0.5 for partial application and 0 for non-application. The data was analysed using descriptive statistics (mean, maximum, minimum and standard deviation), application index and ANOVA statistics. The application index grading criteria by Kantudu (2005) whereby a score of 70-100% = Strongly Applied (SA), 50-69% = Semi-Strongly Applied (SSA), 40-59% = Weakly Applied (WA), 20-39% = Very Weakly Applied (VWA), and 0-19% = Not Applied (NA) was adopted.

4.0 Results and Discussion

4.1 Level of Application of the Ethical Approach in Financial Reporting

Table 1 presents the computed application indices of the ethical approach in financial reporting by Nigerian banks. The table summarises bank-by-bank and combined annual level of application of the ethical approach to accounting thought in financial reporting.

Table 1: Banks Level of Application of the Ethical Approach in Financial Reporting

Year	Banks																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Mean App. Index	Max	Min
2004	86.4	86.4	86.4	95.5	86.4	86.4	90.9	86.4	95.5	86.4	86.4	90.9	100.0	86.4	86.4	89.1	100.0	86.4
2005	86.4	95.5	86.4	86.4	90.9	86.4	100.0	86.4	95.5	86.4	95.5	90.9	100.0	86.4	86.4	90.6	100.0	86.4
2006	86.4	95.5	86.4	86.4	100.0	86.4	90.9	86.4	95.5	86.4	95.5	100.0	100.0	77.3	100.0	91.5	100.0	77.3
2007	86.4	95.5	86.4	86.4	100.0	95.5	90.9	86.4	95.5	86.4	86.4	100.0	100.0	95.5	95.5	92.4	100.0	86.4
2008	86.4	95.5	77.3	95.5	100.0	86.4	86.4	86.4	95.5	86.4	100.0	100.0	77.3	95.5	90.9	90.6	100.0	77.3
2009	100.0	100.0	95.5	95.5	100.0	100.0	100.0	86.4	86.4	86.4	100.0	95.5	95.5	95.5	100.0	95.8	100.0	86.4
2010	90.9	100.0	86.4	95.5	100.0	90.9	95.5	86.4	86.4	86.4	100.0	100.0	100.0	86.4	100.0	93.6	100.0	86.4
2011	90.9	100.0	86.4	95.5	90.9	90.9	95.5	95.5	86.4	95.5	100.0	90.9	100.0	86.4	100.0	93.6	100.0	86.4
2012	95.5	90.9	86.4	100.0	100.0	90.9	100.0	86.4	86.4	95.5	90.9	90.9	100.0	86.4	90.9	92.7	100.0	86.4
Mean App. Index	89.9	95.5	86.4	92.9	96.5	90.4	94.4	87.4	91.4	88.4	94.9	95.5	97.0	88.4	94.4	**92.2**		
Max	100.0	100.0	95.5	100.0	100.0	100.0	100.0	95.5	95.5	95.5	100.0	100.0	100.0	95.5	100.0	98.5		

Min	86.4	86.4	77.3	86.4	86.4	86.4	86.4	86.4	86.4	86.4	86.4	90.9	77.3	77.3	86.4	84.8		
Std Dev	5.0	4.5	4.5	5.1	5.5	4.8	5.0	3.0	4.8	4.0	5.8	4.5	7.5	6.1	5.9	5.1		
Remark	SA	SA	SA	SA	SA	SA	SA	SA	SA	SA	SA	SA	SA	SA	SA	SA		

Note: This table summarizes the extent of application of the 11 themes of the ethical approach to accounting thought in financial reporting by sampled banks during the period 2004-2012. The computed values are expressed in percentage and are regarded as application index. The application index is derived by dividing the number of themes applied by a bank by the total number of themes applicable (i.e 11). A 3-point scoring system was adopted; 1 = fully applied, 0.5 = partially applied and 0 = not applied. Accordingly, full application of the approaches in financial reporting in any year by any bank or by all banks will result to an application index of 100 percent. A value of < 19 = "Not Applied", 20-39 = "Very Weakly Applied", 40-59 = "Weakly Applied", 50-69 = "Semi-Strongly Applied", and 70-100 = "Strongly Applied". The table is generated from Annual Reports and Accounts using Microsoft Excel 2010.

The bank-by-bank analysis reveals that all the banks strongly applied the ethical approach to accounting thought in financial reporting as none of the mean application indices falls below 70 percent. Specifically, Bank 1 recorded mean application index of 89.9 percent, Bank 2 of 95.5 percent, Bank 3 of 86.4 percent, Bank 4 of 92.9 percent and Bank 5 of 96.5. Also, Banks 6, 7, 8, 9 and 10 mean application indices are 90.4, 94.4, 87.4, 91.4, and 88.4 percents respectively. While that of Banks 11, 12, 13, 14, and 15 are 94.9, 95.5, 97.0, 88.4, and 94.4 percents respectively.

A closed consideration of the mean indices shows that Banks 2 and 12 have same level of application of the approach of 95.5 percent and Banks 7 and 15 of 94.4 percent. This likely show that the banks have same attitude to ethics as far as ethics in financial reporting is concerned. In fact, the variation in the maximum and minimum application indices in the case of Banks 2 and 12 and standard deviation in the case of Banks 7 and 15 are evidence that these banks have no common code of ethics regulating their financial reporting; hence their same level of application can best be attributed to attitude. Indeed, apart from the industrial ethical code contain in statutory guidelines, organizations often have their code of ethics.

Table 1 also shows that except for Banks 9, 10 and 14 whose maximum application never exceeded 95.5 percent, all the other banks in one year or the other achieved 100 percent application. Similarly, except for Banks 3, 13 and 14 whose minimum in any year is 77.3 percent, most of the banks recorded a minimum of 86.4 percent with Bank 12 minimum being 90.9 percent. The computed standard deviations of most of the banks shows significant variation in the level of application of the approach in financial reporting; the highest dispersed being Bank 13 with 7.5 and the least Bank 8 with 3.0. These parameters clearly shows the attitude of the banks towards ethical financial reporting is not the same and that mere regulation on the subject of ethics in financial reporting may not achieve the same level of ethical financial reporting in the industry. The mean ranking shows that Bank 13 which application level is most dispersed was more ethical in its financial reporting and Bank 10 and 14 the least ethical. This is indicated by the mean application index of 97 percent for Bank 13 and 88.4 percent for Bank 10 and Bank 14.

The combined analysis in Table 1 shows strongly applied level of the ethical approach in financial reporting in each of the years. The mean application index by 2004 of 89.1 percent rose steadily to climax 95.8 percent by 2009 and then decline to a low of 92.7 percent by 2012. It is also obvious that in each of the years, the maximum application of 100 percent was recorded and the minimum application not falling beyond 77.3 percent. A look at the fluctuation in the annual level of application reveals it was dispersed as the least standard deviation is 4.5.

By and large, Table 1 indicates that the overall level of application of the ethical approach in financial reporting by Nigerian banks during the study period was 92.2 percent with maximum of 98.5 percent and minimum of 84.8 percent. The standard deviation of 5.1 shows elements of dispersion in the level of application of the approach by the banks. It is also instructive that the mean highest level of application of 95.8 percent occurred in 2009 with the least of 89.1 in 2004.

While the least application in 2004 which rose to a climax of 95.8 percent in 2009 may be indication of greater searchlight on ethics by the regulatory authorities especially the CBN after the consolidation reforms in the industry, the 2009 highest level which implies that banks were more ethical in financial reporting in that year does not provide evidence that financial reporting can reveal certain internal irregularities and challenges as the CBN special audit report in the year indicted most of the banks of being turbulent with Non-Performing Loans. This is because though the report indicted nine out of the twenty-five that emerged from the reforms were turbulent; it was not indication that no cases of NPLs were found in other banks. In fact, Opanachi (2011) documented that banks were involved in reckless lending due to the huge capital at their disposal.

Notwithstanding, the overall mean application of 92.2 percent is substantial evidence to conclude that Nigerian banks significantly apply the ethical approach to accounting thought in financial reporting. In other words, Nigerian banks are significantly ethical in their financial reporting.

The test of difference in the application of the ethical approach to accounting thought in financial reporting among banks as reported in Table 2 shows that there is no significant difference in the application of the approach as all the p-values with the exception of Bank 5 exceeds the 0.05 significance level. A further consideration of the mean squares indicates that Bank 5 recorded the highest level of variation in application of the approach (with between groups sum of 155.410) while Bank 3 has least variation (with between groups sum of 0.000).

Table 2: Summary Results of ANOVA Statistics

Bank	Sum of Squares	Mean Square	F	Sig.
Bank 1	16.488	8.244	0.275	0.769
Bank 2	92.708	46.354	3.862	0.084
Bank 3	0.000	0.000	0.000	1.000
Bank 4	30.340	15.170	0.504	0.628
Bank 5	155.410	77.705	5.630	0.042
Bank 6	28.781	14.390	0.560	0.598
Bank 7	79.202	39.601	2.013	0.214
Bank 8	11.501	5.751	0.556	0.601
Bank 9	59.807	29.904	1.444	0.308
Bank 10	46.006	23.003	1.667	0.266
Bank 11	85.092	42.546	1.417	0.313
Bank 12	88.327	44.164	3.428	0.102
Bank 13	102.756	51.378	0.879	0.462
Bank 14	46.006	23.003	0.556	0.601

Bank 15	83.355	41.677	1.277	0.345

Note: This table summarizes the results of the ANOVA tests of difference in level of application of the ethical approach to accounting thoughts in financial reporting by quoted Nigerian banks. The table shows the sum of squares, mean square, F-statistics and p-value for each of the sampled banks. The ANOVA was run at 0.05 level of significance. The table is developed from Table 1 using SPSS 21.

The high (92.2 percent) level of application of the ethical approach in financial reporting as revealed by this study does not overwhelmingly support the findings of Adegbie & Adeniji (2010) and Imeokparia (2013) that there are serious ethical challenges in Nigerian banks in the post-consolidation period. Nevertheless, Adegbie & Adeniji (2010) and Imeokparia (2013) findings cannot be completely dismissed because they show the challenge as diverse which implies this challenge is not only restricted to financial reporting but may incorporate other aspects of banking operations such as marketing, lending among others that are not obvious from financial reports. This means that further research is required into all aspects of banking ethics to convincingly substantiate their finding.

However, the less than 100 percent ethical financial reporting in the Nigerian banking industry has much to be desired hence Adegbie & Adeniji (2010) submission of their being ethical concerns in the banks. This means that some measures especially regulatory wise are necessary for a 100 percent ethical reporting in the industry. Adegbie & Adeniji (2010) and Imeokparia (2013) pointed out weak regulatory supervision as an important challenge to ethical financial reporting in the Nigerian banking industry. Enderle (2004) also argued that it is not proper for preparers and examiners to be accused of wrong doing in financial reporting when the regulatory rules are deficient, misleading and encourages unethical behaviour. Therefore, regulatory bodies have a crucial role in tackling the problem of unethical financial reporting. In fact, the insignificant difference in the application of the ethical approach in financial reporting by the banks is an indication that the mechanism for ethical financial reporting exists in the industry, thus greater surveillance remains a condition to forester it.

The results also have implication on corporate governance in banks. Faboyede, Mukoro, Oyewo and Obigbie (2014) and Adegbie & Adeniji (2010) show that corporate governance has significant effect on ethical practices of firm's financial reporting. In particular, audit committee's diligent discharge of its oversight function over board of directors and external auditors thereby preventing circumvention of ethical regulatory guidelines cannot be overemphasized in ensuring ethical financial reporting in the industry.

5.0 Conclusions and Recommendation

The application of ethics in financial reporting is to discourage falsification and misrepresentation in financial reporting by company directors whose duty it is to prepare the reports and accountants in practice who express opinion on the reports. Ethical financial reporting is critical to user's effective decision making in banks and all other types of businesses. The development and issuance of ethical codes on financial reporting practice by the regulatory authorities and professional accounting bodies is to ensure that reported numbers are credible and truthful for user's decision purposes. Ethically guided, companies' financial reports are meaningful and relevant for decision making by all interest groups. The increase in cases of firms reporting good state of health and going bankrupt overnight calls for greater attention to the ethics of financial reporting by firm management, regulatory authorities and the professional accounting bodies.

While this study do not overwhelmingly establish the notion that there were serious ethical challenges in the Nigerian banking industry as claimed by Adegbie & Adeniji (2010) and Imeokparia (2013). However, there is the need to maintain and improve the tempo of ethics in financial reporting in the industry. The intensification of monitoring and enforcement of ethical codes in financial reporting by the regulatory bodies is paramount. This is because the degree of confidence and reliance reposed on the financial reports published in the industry is bound to witness decline if ethical reporting is not fostered especially following the global financial meltdown, increase cases of corporate scandals around the globe and regulatory reports of high NPLs in the industry.

The main shortcoming of this study is that in assessing ethical financial reporting in the industry, much reliance was placed on the report of external auditors whereas many studies as documented in this paper have criticised the manner in which external auditors approach and perform their audit assignments in Nigeria. The implication is that low ethical adherence of the banks external auditors will have negative effect on the reported results.

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Appendix I: Ethical Approach to Accounting Thoughts Themes

S/n	Theme	Detail	Component of Financial Report Check	Req. No.
1	Income Smoothing	If practiced, then, not ethical	*Standard deviation of profits	r_1
2	Dividend	Should be paid out of profit. If paid out of capital; that is, in any year which a loss is incured, then not ethical	Profit After Tax	r_2
3	Fairness, equity and justice	Financial reports that accommodate the interest of all users	Notes to Accounts	r_3
4	Truthfulness	Correct and non-misleading financial reports	Unqualified auditor's report	r_4
5	Compliance with requirements	Accounts should be prepared following the requirements of CAMA and other relevant statutes	Auditors Report	r_5
6	Publication of Accounts	Accounts are to be published timely within a period of not more than four months from end of financial year	Auditors Report	r_6
7	Directors	The interest of each director	Directors Report	r_7

	interest	of the company in terms of shareholding should be declared		
8	Directors and external auditors	Directors and external auditor(s) should discharge their responsibilities with utmost propriety and ethically	Audit Committee Report	r_8
9	Provision for losses	Company should make adequate provision for losses such as Non-Performing Loans (NPLs) in accordance with the prudential guidelines for licensed banks	Auditors Report	r_9
10	Contraventions	Company should act ethically in accordance to the dictates of relevant laws	Auditors Report	r_{10}
11	Sustainability and Social Responsibility	Company should be socially and environmentally responsible to the community within which it operates	Corporate Social Responsibility Report	r_{11}

*Income smoothing is determined by the level of dispersion of profits over the study period, measured by standard deviation of profit after tax. Insignificant dispersion signals probability of income smoothing (Myers & Skinner, 2002 and Markarian & Gill-de-Albornoz, 2010). Standard deviation of less than 1 is insignificant, signaling income smoothing while standard deviation of 1 and above is significant, therefore indicates absence of income smoothing.