International Research Journal of Accounting, Finance and Banking
Volume.16, Number 6; June-2025;
ISSN: 2836-7944 | Impact Factor: 11.30
https://zapjournals.com/Journals/index.php/irjafb
Published By: Zendo Academic Publishing

GREY DIRECTORS AND TIMELINESS OF FINANCIAL REPORTING: EVIDENCE FROM NIGERIA

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Article Info
Keywords: Grey Directors, Financial Reporting Timeliness, Audit Report Lag, Corporate Governance, Emerging Markets
DOI
10.5281/zenodo.17175732

Abstract
This study examined how grey directors' influence in corporate boards affects the timeliness of financial reporting among firms in Nigeria's financial services sector. Using a panel dataset comprising 330 firm-year observations from 30 listed companies over the period 2012–2022, the study operationalized reporting timeliness through audit report lag and captured grey directors' influence via their equity ownership stakes. Descriptive statistics, correlation analysis, and fixed-effects regression were used to analyse the data. On average, financial reports were filed 104 days post fiscal year-end, indicating moderate reporting delays within the sector. The findings reveal a negative and statistically significant relationship between grey directors' influence and audit report lag, which explains that a higher involvement of grey directors is associated with improved financial reporting timeliness. Notably, while the correlation analysis indicated an insignificant association, the regression analysis yielded significant results, underscoring the nuanced role of grey directors in corporate governance dynamics. This study contributes to the literature on board composition and disclosure timeliness in emerging markets and offers policy implications for enhancing governance structures. It recommends that shareholders consider retaining high-performing grey directors for extended tenures; preferably spanning at least, a decade; to foster consistency and efficiency in financial reporting practices.

1. INTRODUCTION

The timely disclosure of financial reports is fundamental to the efficient functioning of capital markets. For investors, creditors, regulators, and other stakeholders, timely financial information enhances decision-making by reducing information asymmetry and increasing market transparency. In line with the International Accounting Standards Board (IASB) conceptual framework, financial reports are relevant only when they are accurate and promptly delivered. Thus, delays in financial reporting can undermine the usefulness of such disclosures and

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erode investor confidence (Odjaremu & Jeroh, 2019; Brooks, Cheng, Liu, & Yu, 2021; Abbas, Siregar, & Basuki, 2021; Akiri & Jeroh, 2022).

In Nigeria, regulatory provisions, such as the 2012 Code of Corporate Governance, require all listed firms to submit audited financial statements within 90 days of the fiscal year-end. However, empirical evidence continues to show widespread delays in compliance across sectors (Atanda, Osemene, & Fanimokun, 2023). Despite these regulatory timelines, preliminary observations reveal that some firms take up to 400 days to publish their reports, rendering them largely irrelevant for timely investment or policy decisions. Such extended delays raise critical concerns about governance mechanisms that influence reporting practices in Nigeria's corporate environment.

While prior studies (e.g., Oladipupo & Izedonmi, 2013; Monye-Emina & Jeroh, 2014; Ashibuogwu, 2022) acknowledge that a certain degree of reporting lag may be unavoidable due to audit complexity and statutory requirements. However, the persistence and scale of delays in Nigeria suggest deeper structural issues. Among the key governance-related factors influencing financial disclosure, board composition has received considerable academic attention. Several studies have explored how board size, independence, gender diversity, expertise, and audit firms' attributes affect the timeliness and/or quality of financial reporting (Al-Absy & Hasan, 2023; Alexeyeva, 2023; Obiora & Jeroh, 2024; Atokpe & Jeroh, 2024). However, a crucial but underexplored dimension is the role of grey directors; a subset of non-executive directors who, despite not being company employees, maintain professional or personal ties with the firm (Kumar & Singh, 2012).

Traditionally, effective boards can be characterized by high levels of independence based on the premise that independent directors enhance oversight and mitigate managerial opportunism. However, emerging scholarship questions whether so-called "independent" directors are truly independent in practice (Slutzky, 2021). Grey directors, often excluded from discussions on board independence, may in fact serve as influential monitors due to their economic interest in the firm, particularly where they hold equity stakes. Their unique positioning (as insiders by affiliation but outsiders by role) may enable them to exert pressure on management to comply with disclosure regulations without being hindered by the detachment that sometimes characterizes fully independent directors.

Despite their potential significance, the influence of grey directors on financial reporting timeliness has received limited empirical attention, particularly within the context of emerging markets such as Nigeria. This study addresses this gap by investigating the extent to which grey directors impact the timeliness of financial reporting in Nigeria's financial services sector; a critical industry where timely information is paramount for risk management and investor confidence.

This study contributes to the literature in two key ways. First, it introduces grey director influence as a novel explanatory factor for variations in financial reporting timeliness. Second, it offers contextual insights into the effectiveness of corporate governance in Nigeria, an environment characterized by weak enforcement and governance heterogeneity. The remainder of the paper is structured as follows: Section 2 presents the theoretical and empirical literature; Section 3 outlines the research methodology; Section 4 discusses the results; and Section 5 concludes with implications and recommendations.

2. LITERATURE REVIEW

2.1. Timeliness of Financial Reporting

Timeliness is a critical qualitative attribute of financial reporting that directly influences the relevance and decision-usefulness of accounting information. According to the International Accounting Standards Board (IASB), timely financial reports enable stakeholders—particularly investors, regulators, and analysts—to make informed decisions before the information becomes outdated. Al-Ajmi (2008) emphasized that delayed disclosure diminishes financial statements' economic value, while McGee and Tarangelo (2008) defined financial reporting timeliness as the interval between a company's fiscal year-end and the public release of its audited financial statements.

The literature identifies various dimensions of reporting delays, including audit delay, financial statement delay, and annual general meeting (AGM) delay (Karim, Ahmed, & Islam, 2006). These delays vary significantly across jurisdictions and sectors. For example, McGee and Tarangelo (2008) found that firms in China complete financial reporting within a window of 24–181 days post-year-end, with a median of just two days in certain cases. In contrast, Karim et al. (2006) documented an average delay of 192 days for listed firms in Bangladesh, highlighting disparities in regulatory enforcement and institutional quality.

In the Nigerian context, Iyoha (2012) provided sectoral averages for audit report lags: 82 days in banking, 153 in insurance, 144 in food and beverage, and 137 in petroleum, 145 in health, 96 in agriculture, and 119 in conglomerates. These variations reflect differences in audit complexity, internal governance systems, and sector-specific regulatory demands. As Nigeria's corporate sector increasingly attracts foreign investment, the demand for timely and transparent financial disclosures has grown, prompting regulatory authorities to strengthen enforcement mechanisms and reduce reporting lags.

Several legal and institutional frameworks govern Nigeria's financial reporting timelines. The Companies and Allied Matters Act (CAMA), the Investments and Securities Act (ISA) of 1999, and sector-specific laws such as the Banks and Other Financial Institutions Act (BOFIA) of 1991 establish guidelines for financial reporting and submission to relevant authorities. For example, the BOFIA requires banks to submit audited financial statements to the Central Bank of Nigeria (CBN) within 4 months of the financial year-end. Similarly, the Nigerian Securities and Exchange Commission (SEC), through the Code of Corporate Governance, mandates listed firms to publish and submit their audited reports within 90 days after the fiscal year-end. Other agencies, such as the National Insurance Commission (NAICOM) and the Corporate Affairs Commission (CAC), have parallel reporting requirements tailored to their respective oversight responsibilities.

Despite these statutory provisions, financial reporting delays remain pervasive across Nigerian firms. Factors contributing to these delays include weak regulatory enforcement, complex audit procedures, and internal governance mechanism deficiencies (Atanda, Osemene, & Fanimokun, 2023). The role of the board of directors is particularly salient within the governance domain. Boards are legally tasked with ensuring the accuracy and timeliness of financial disclosures, and board composition (including the presence and influence of non-executive directors) has been shown to shape reporting outcomes (Huang et al., 2021).

While much of the literature has focused on traditional governance characteristics such as board independence, size, and gender diversity, relatively little attention has been paid to the influence of grey directors; non-executive directors with prior affiliations or economic ties to the firm. These directors, often classified outside the binary of independent vs. executive, may possess both firm-specific insight and a monitoring incentive through share ownership. Whether their presence expedites or delays the reporting process is an open empirical question, particularly within the institutional and regulatory environment of Nigeria.

Accordingly, this study investigates the timeliness of financial reporting in Nigeria's financial services sector, with a specific focus on the role of grey directors. By assessing how board composition affects compliance, transparency, and overall corporate governance effectiveness in emerging economies, the research contributes to a nuanced understanding of how their presence affects the timing of audited financial disclosures.

2.2. The Concept of Grey Directors

Grey directors, also referred to as affiliate directors, represent a distinct category within modern corporations' boardroom architecture. While classified as non-executive directors differ significantly from truly independent directors due to their pre-existing business, professional, or personal ties to the firm. According to Kumar and

Singh (2012), grey directors are non-executive board members who are not employees of the firm but maintain significant affiliations, whether through past employment, professional service relationships, or equity ownership. Similarly, Chesini and Giaretta (2013) describes grey directors as individuals who are external to the company's operational management but nevertheless possess an enduring connection to the organization.

Although often grouped with outside directors, grey directors occupy a conceptual space between independence and insider status. Several studies have recognized that while grey directors formally operate as non-executive board members similar to independent directors, their historical affiliations with the firm may significantly influence their respective oversight function (Kumar & Singh, 2012; Chesini & Giaretta, 2013). This hybrid governance role offers both strategic benefits and governance risks. On the one hand, grey directors may enhance board effectiveness by leveraging firm-specific knowledge and demonstrating stronger alignment with shareholder interests, particularly where they hold equity stakes in the firm (Mathuva et al., 2019). On the other hand, their existing or prior relationships with the company may compromise perceived independence, thereby weakening the objectivity of board monitoring and increasing the risk of conflict of interest (Hoitash, 2011). Thus, the presence of grey directors represents a trade-off between informational advantage and governance neutrality, raising important questions about their net effect on board oversight and corporate transparency.

The literature on grey directors remains fragmented, with competing perspectives regarding their effectiveness in enhancing corporate governance and performance. One school of thought (e.g., Kumar & Singh, 2012; Chesini & Giaretta, 2013) argues that grey directors strengthen monitoring functions by being sufficiently detached from management, yet adequately informed to curb opportunistic behavior and mitigate earnings management. In this view, their presence enhances board vigilance and promotes alignment with shareholder interests. In contrast, critics caution that grey directors' affiliations may give rise to latent conflicts of interest, potentially undermining board independence and weakening the objectivity of their oversight role.

Empirical findings on the performance implications of grey directors have been inconclusive, particularly in the financial services sector. While some studies report a positive association between board affiliation and firm performance (Agrawal & Knoeber, 2015), others point to ambiguous independence as a potential governance risk (Ado, Isa, & Ahmad, 2020). These conflicting results underscore the need for more granular research, especially in emerging markets where governance structures are still maturing and regulatory enforcement may be inconsistent.

Notably, within the Nigerian context, research on grey directors remains scant. Existing studies on board composition in Nigeria have predominantly focused on traditional metrics such as board size, gender diversity, executive/non-executive mix, and independence. These studies have generally linked board characteristics to firm performance, financial transparency, and shareholder value. However, little empirical attention has been paid to how grey directors may influence the timeliness of financial reporting**,** a core governance outcome with direct implications for regulatory compliance and market efficiency.

This study addresses this gap by exploring the influence of grey directors on Nigerian financial institutions' financial reporting timeliness. Given that timeliness is a key determinant of the relevance of financial information (and that delays in reporting often stem from weak monitoring or governance failures) grey directors may represent an overlooked but important lever in the board's oversight function. By investigating their potential role in enhancing or hindering timely financial disclosures, this study contributes to a more nuanced understanding of board dynamics in emerging economies.

2.3 Empirical Review

The literature on the timeliness of financial reporting has grown substantially, particularly within the fields of financial accounting and corporate governance. Numerous studies have examined its determinants, with a strong focus on firm-specific characteristics, audit attributes, and board-level governance mechanisms. However, a notable gap persists in the empirical exploration of how grey directors (a unique category of non-executive directors) impact financial reporting timeliness, particularly in developing economies like Nigeria.

Abdulmalik (2015) conducted an empirical study on the influence of board composition, including independent and grey directors on financial reporting quality in Malaysian firms. Using a sample of 100 listed firms and applying Generalized Least Squares (GLS) regression, the study found that the presence of grey directors was weakly but positively associated with reduced earnings management. Although the study did not directly examine reporting timeliness, the findings shows that grey directors may contribute to improved oversight of financial disclosures, albeit with modest effectiveness.

In the Nigerian context, Ohaka and Akani (2017) investigated how firm characteristics, such as age, size, leverage, and performance, influence financial reporting timeliness. Analyzing 33 firms over a four-year period using GLS regression, they reported an average reporting lag of 122 days post-year-end. Firm age had a significant positive effect on timeliness, whereas firm size, leverage, and profitability were negatively associated with timely disclosure. The study emphasized the complementary role of corporate governance in moderating these relationships although it did not isolate the impact of specific board structures such as grey directorship.

Eluyela et al. (2020) examined the role of grey directors in the Nigerian banking sector, focusing on their influence on board effectiveness and firm performance. The study analysed panel data from 14 deposit money banks between 2010 and 2017 using Fully Modified Ordinary Least Squares (FMOLS) and co-integration tests. While other board characteristics, such as board size and the presence of non-executive directors, were positively associated with firm performance, grey directors showed negligible long-term impact. This result underscores the need for further investigation into the conditional or contextual role of grey directors in influencing governance outcomes.

More directly related to the theme of financial reporting timeliness, Atanda et al. (2023) explored the effect of board characteristics (excluding grey directors) on reporting lag in Nigerian financial institutions. Using the Generalized Method of Moments (GMM) on a panel of 24 publicly listed financial firms from 2010 to 2020, the study found that board size contributed to more timely reporting, while financial expertise and board independence were paradoxically associated with longer audit lags. Interestingly, board diligence (measured at the frequency of meetings) had a minimal impact. Although grey directors were excluded from the analysis, the study reinforces the broader governance-reporting timeliness nexus.

Other international studies have provided indirect but useful insights. For instance, Alexeyeva (2023) examined the effects of multiple and outside directorships on audit quality across Swedish firms over a large dataset of more than 177,000 firm-year observations. The study found that directors with external board affiliations tend to enhance audit quality and are more likely to influence the choice of high-quality auditors. While grey directors were not specifically analyzed, the study supports the idea that affiliated non-executive directors can exert meaningful governance pressure through their network and oversight roles.

In Turkey, Celic et al. (2023) analyzed 2,204 firm-year observations to examine how ownership structures influence the timeliness of financial reporting. The study identified a significant negative relationship between both foreign and concentrated corporate ownership and reporting timeliness, implying that ownership concentration might deter prompt disclosure. This further highlights the interplay between internal governance arrangements and disclosure practices.

Additional evidence from Ashibuogwu (2022) focused on board characteristics in Nigerian commercial banks, such as independence, gender diversity, size, and diligence. Using data from 2012 to 2018, the study found that while gender diversity and board diligence negatively affected reporting timeliness, board independence had no significant effect. As with prior studies, grey directors were not directly examined, underscoring the gap in literature that this study seeks to address.

Although the direct relationship between grey directors and reporting timeliness remains underexplored, related studies shows their potential importance. Hsu and Wu (2014) found that a higher proportion of grey directors reduces the likelihood of firms losing their going-concern status, meaning that they may act as stabilizing agents. Similarly, Borokhovich et al. (2014) reported that grey directors are more likely to prioritize shareholder interests and play a proactive role in succession planning. Hoitash (2011) and Beasley (1996) also found that firms with a higher presence of grey directors exhibited stronger internal controls and a lower incidence of financial statement fraud.

Taken together, these findings shows that grey directors may enhance governance effectiveness by improving oversight quality and reducing managerial opportunism. By extension, their presence could contribute to more timely financial reporting, particularly through enhanced audit process monitoring and regulatory compliance pressure. Nonetheless, the absence of direct empirical evidence (especially in the Nigerian context) necessitates further investigation.

Therefore, this study fills a critical gap by empirically examining the relationship between grey director presence and financial reporting timeliness in Nigeria's financial services sector. In doing so, it extends the literature on corporate governance by integrating a relatively neglected board attribute into the discourse on timely disclosure.

2.3. Theoretical framework and hypothesis development

This study was anchored on the agency theory, which offers a foundational lens for understanding the dynamics between corporate managers and shareholders in modern corporations. Originating from the seminal work of Jensen and Meckling (1976), agency theory conceptualizes the firm as a nexus of contracts in which the principals (shareholders) delegate decision-making authority to agents (managers). This delegation creates the potential for agency problems arising from divergent interests and information asymmetries between the two parties. Specifically, managers may withhold or delay critical information (including financial disclosures) when it conflicts with their personal incentives, thereby compromising the transparency that shareholders depend on for informed decision-making (Amjad, Bilal, & Tufail, 2013).

In the context of financial reporting, a key expectation of shareholders is the timely disclosure of audited financial statements. However, managers may strategically delay financial reporting to conceal poor performance, manipulate earnings timing, or avoid scrutiny because they often control the flow of information and the timing of its release. This behavior heightens agency risk and erodes investor confidence and market efficiency (Mak & Li, 2021).

Shareholders establish monitoring mechanisms to mitigate such agency conflicts, most notably through the board of directors. The board serves as a governance structure that oversees managerial activities and seeks to align executive behavior with shareholder interests. However, the effectiveness of this oversight function depends not only on the existence of the board but also on its composition and characteristics (Brooks et al., 2021). Agency theory shows that a well-structured board with sufficiently independent yet adequately informed members can reduce managerial discretion and improve governance outcomes, including more timely and accurate financial reporting.

Within this framework, grey directors (non-executive directors with prior affiliations or economic interests in the firm) represent a particularly intriguing governance mechanism. Unlike traditional independent directors, grey directors are positioned to act as both monitors and stakeholders. Their dual identity (external to management but connected to the firm) may incentivize them to enhance oversight without being fully removed from the economic consequences of managerial decisions. According to Mathuva et al. (2019), significant shareholders such as grey directors are more likely to exert meaningful influence on corporate decisions and are intrinsically motivated to maximize firm value.

From an agency theory perspective, this shows that the presence of grey directors can reduce agency costs by aligning the interests of managers and shareholders. Their financial stakes in the firm (e.g., shareholding) provide them with both the motive and capacity to demand higher levels of transparency and accountability. As such, grey directors may push for the timely release of audited financial reports to maintain investor trust, regulatory compliance, and long-term firm value.

While board monitoring has generally been associated with improved financial reporting outcomes, this study extends agency theory by focusing on the nuanced role of grey directors within the board structure. Specifically, it hypothesizes that board with a greater proportion of grey directors are more effective in enforcing timely disclosure practices, thereby reducing financial reporting delays.

In summary, agency theory provides a robust theoretical justification for examining the relationship between grey directors and financial reporting timeliness**.** It predicts a positive association between the monitoring role of grey directors and financial disclosure promptness, particularly in a governance environment where regulatory enforcement may be weak or inconsistent, as is often the case in emerging markets such as Nigeria.

In line with the above school of thought, the study, therefore, hypothesizes the following:

H₁: Greater dominance of grey directors is associated with a lesser likelihood of financial reporting delay.

Figure 1 shows a schematic representation of the expected relationships:

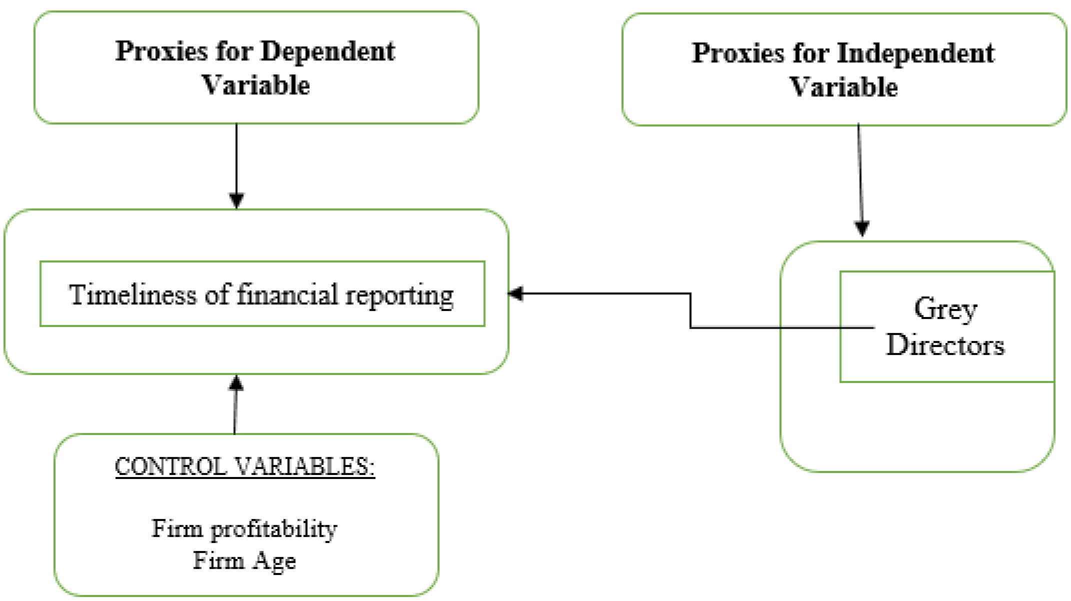

Fig. 1: *Conceptual model of the model*

Figure 1 depicts the schematic representation of the expected interlinks between the independent variable of grey directors and the measure of financial reporting timeliness.

3. RESEARCH DESIGN

3.1. Sample Selection

The sample of the study includes financial companies listed in the financial services sector of the Nigerian Exchange Group between 2012 and 2022. The study employs the purposive sampling technique by selecting thirty (30) financial companies, which amounted to approximately 61% of the population. The secondary panel data covered an 11-year period studied (2012–2022), amounting to balanced panel data of 330 firm-year observations. The financial and non-financial data were hand-extracted from the NGX database.

3.2. Empirical Model

To test the study hypotheses, the paper estimates the following panel regression model: The assumption is that the variable of financial reporting timeliness is a function of the dominance of grey directors and is controlled by firm profitability and age, as shown in the following functional form:

Financial reporting timeliness = f (Grey directors) …………………………. (i)

The mathematical form is given as follows:

$AUDL_{i,t} = \beta_0 + \beta_1 GREYDIR_{i,t} + \beta_2 CONTROLS_{i,t} + \beta_3 YEAR\ FIXED\ EFFECTS_{i,t} + \epsilon_{i,t}$…. (ii)

Where: $\beta_0 .. \beta_3$ represents the regressors; $AUDL$ represents the audit report lag, which is a measure of financial reporting timeliness; $CONTROLS$ = Coefficient of control variables (e.g., firm profitability and age); and ϵ = Error Term.

3.3. Measurement of the Variables

Considering the fact that the use of secondary data reduces researcher bias, this study adopts the ex-post facto design which Ukolobi and Jeroh (2020) and Sinebe and Jeroh (2023) discourages researchers from manipulating research outcomes. In line with other prior studies, we measured the dependent variable of the timeliness of financial reporting using the audit report lag. Brooks et al. (2021) and Oladipupo and Izedonmi (2013) operationalized it as the number of days between the date of the balance sheet close and the date of the audit report sign. The shorter the audit report lag, the faster the audited financial reports will be released. For the independent variable of grey directors, we use the proportion of company shares owned by the grey directors. The apriori expectation is a negative relationship, implying that the greater dominance of the grey directors will reduce the delay in reporting. For the control variables, the return on assets was used to measure firm profitability, whereas firm listing age was used as a proxy for firm age. The assumption is that profitable and older firms are more likely to have shorter reporting delays.

3.4. Estimation method

Descriptive statistics and correlation analysis were employed for the preliminary analysis of the panel data. The outcome of the Hausman test for the regression analysis shows the suitability of the fixed-effect panel regression over the random effect. Therefore, we employed the fixed effect technique using the Panel EGLS method in order to take care of the estimation bias arising from unobserved heterogeneity. EViews software version 10 was used for the analysis.

4. RESULTS AND DISCUSSION

Table 1. Result of the Descriptive Statistics

	AUDL (nos.)	GREYDIR (%)	ROA (ratio)	AGE (nos.)
Mean	104.372	21.699	0.0269	21.833
Median	83.0000	10.054	0.0192	19.000
Maximum	429.000	85.860	0.8719	53.000
Minimum	29.0000	-0.530	-0.5974	3.0000
Std. Dev.	66.9827	25.447	0.0849	11.639
Observations	330	330	330	330

Where: AUDL = Audit report lag (proxy for timeliness of financial reporting), GREYDIR = proportion of company shares held by independent grey directors (proxy for the dominance of grey directors in corporate boards), ROA = return on assets (proxy for firm profitability); and AGE = firm listing age.

From Table 1, the variable AUDL (audit delay) has a mean value of 104.37, implying that, on average, the sampled firms took approximately 104 days to complete and file their audited financial reports with the regulatory bodies after the financial year-end. It also implied that, on average, the sampled financial firms filed their audited reports within the regulatory deadline of 120 days, as stipulated by the 2020 Companies and Allied Matters Acts (CAMA) 2020. However, the minimum and maximum values of 29.0 and 429.0, respectively, suggest that while it took the auditors of some sampled financial companies just 29 days (after the financial year-end) to complete the entire audit process by signing the audit report, it took others more than one year and two months to complete the audit process. The median value indicates that approximately 50% of the sampled financial companies have an audit report lag of less than 83 days after the balance sheet close date. It is most likely that those 50% are primarily commercial banks, which have a 90-day statutory due date.

The mean value of 21.698 for the variable GREYDIR shows that the independent (outside) directors of the sample companies own approximately 22% of the shares of the sampled financial companies. The minimum and maximum values of 0.00 and 85.86, respectively, suggest that the highest percentage of shares owned by an independent director among the sampled financial companies is approximately 86%, while there are some companies among the sample where the grey directors do not hold any company shares. The median value also showed that approximately 15 out of the sampled 30 companies have up to 10% of their shares under the control of the grey directors.

The variable of return on assets (ROA) has a mean value of 0.0269 (approximately 3%) with minimum and maximum values of -0.597 and 0.8719, respectively. The average ROA of approximately 3% for the sampled financial companies, taken together, can be considered a moderate overall performance, although the higher the ROA, the better. However, the maximum value of over 87% (i.e., 0.8719) implies that some financial organizations in the sample were very efficient at utilizing their assets to produce earnings, while others had poor performance in relation to their total assets due to a negative minimum value of -0.597. However, the standard deviation of approximately 8.5% is an indication of the greater dominance of high-performing financial firms among the sample.

The mean variable of AGE (measured using the year the firms got listed on the NGX) showed that the average age of the sampled financial firms is approximately 22 years. The minimum value for firm age is 3, while the maximum value is 53, suggesting, among other things, that the sampled companies have an age listing of 3 years (smallest) and 53 years (largest). Thus, some of the sampled financial companies were listed approximately two years after the start of the study, while the oldest firm in terms of listing year has been listed for approximately 53 years.

Table 2. ***Results of the Correlation Matrix***

Correlation t-Statistic Probability	AUDL	GREYDIR	ROA	AGE
AUDL	1.000000 ----- -----			
GREYDIR	-0.072931 -1.324363 0.1863	1.000000 ----- -----		
ROA	-0.159716 -2.930199 0.003***	-0.002224 -0.040285 0.9679	1.000000 ----- -----	
AGE	-0.087481 -1.590440 0.1127	-0.147127 -2.693908 0.007***	-0.095980 -1.746339 0.081*	1.000000 ----- -----

NOTE: ***, **, and *. Significant at the 1%, 5%, and 10% levels.

From Table 2, the result of the correlation matrix revealed that the key variable of interest in the study (GREYDIR) showed a negative correlation coefficient of -0.073, which means that it tends to move in the opposite direction as with the variable AUDL. However, the probability value of 0.186 (i.e., > 5%) implies that the correlation between GREYDIR and AUDL is statistically non-significant due to the high probability value of 18.6%.

On the other hand, the control variables ROA and AGE both possess negative correlation coefficients, but only the former is statistically significant at the 1% confidence level. This implies that a higher ROA is associated with a shorter AUDL.

Table 3. ***Fixed-effect panel regression results***

Dependent Variable: AUDL
Method: Panel EGLS (Cross-section weights)
Date: 11/30/23 Time: 21:04
Sample: 2012–2022.
Periods included: 11
The cross-sections included: 30
Total panel (balanced) observations: 330

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	172.6905	10.83663	15.93581	0.0000
GREYDIR	-0.244604	0.124194	-1.969534	0.0498
ROA	-69.51140	38.53385	-1.803905	0.0723
AGE	-2.801594	0.435459	-6.433660	0.0000
	Effects Specification			
Cross-section fixed (dummy variables)				
	Weighted Statistics			
R-squared	0.574288	Mean var dependent		148.8082
Adjusted R-squared	0.528265	S.D. dependent var		70.45799
S.E. of the regression	46.69718	Sum squared resid		645465.5
F-statistic	12.47831	Durbin-Watson stat		1.133127
Prob(F-statistic)	0.000000			
	Unweighted Statistics			
R-squared	0.475754	Mean var dependent		104.4255
Sum squared resid	773691.6	Durbin-Watson stat		0.921950

Source: EViews 10

Table 3 shows that a linear relationship was established from the estimation of the model owing to its overall significance at the 1% level. This is due to the high f-statistic value of 12.478 and the corresponding low probability value of 0.000 (*p*-value <0.01). Additionally, the adjusted R-squared revealed that the independent variables together only accounted for approximately 47% of the variances in the response variable of AUDL. This is an indication of a fitted model with good explanatory power.

On the behavior of the explanatory variables toward the variations in the response variable, the results showed that GREYDIR has a negative coefficient of -0.2446 and a probability value of 0.0498, which is significant at the 5% confidence level. Holding other variables constant, higher grey director share ownership significantly reduces audit report lag among the sampled financial companies by up to 24.4%. The implication of the negative relationship obtained between GREYDIR and AUDL implies that financial companies with greater dominance of grey directors' shareholdings are associated with lesser reporting lags, which are among the measures of higher audit quality and financial statement integrity.

On the performance of the two control variables, ROA and AGE, both possessed negative coefficients and were equally statistically significant at the 10% and 1% levels, respectively. The interpretation here is that, ceteris paribus, highly profitable financial firms are associated with less audit delay at the 10% confidence level (i.e., that they are associated with higher financial reporting quality). Similarly, the significant inverse relationship between AGE and the financial reporting quality proxy of timeliness signifies that, all things being equal, older financial companies are strongly associated with shorter financial reporting delays.

4.1. DISCUSSION

From Table 3, the analysis of the fixed effect estimation reveals that the variable GREYDIR has a significant negative relationship with the dependent variable audit report lag, which was used as a proxy for the timeliness of financial reporting. This means that the hypothesis that a greater dominance of grey directors is associated with a lesser likelihood of financial reporting delay cannot be rejected. Holding other variables constant, this implies that increases in the share dominance by grey directors are associated with a significant decline in the degree of audit report delay. In other words, the presence and dominance of grey directors are associated with the timelier disclosure of audited financial reports. This result is in agreement with the apriori expectation of a negative coefficient for the GREYDIR variable.

Theoretically, the result supports the alignment effect theory, which holds that directors' shareholdings reduce the agency cost associated with monitoring the managers because the concerned directors would be wary of the risks associated with flouting regulatory requirements and would try to avoid reputational damage due to the substantial nature of their investments. Empirically, the result supports the results of Iyoha (2012), who found that the presence of outside directors influences the timeliness of financial reporting in the Nigerian banking sector. The result also ties in with those of Karim et al. (2006), who found that independent directors effectively curtailed excessive financial reporting delays in Malaysia. The findings of this study support those of Karim, Ahmed, and Islam (2006) and Soyemi (2020), who discovered empirical evidence that the influence of independent outside directors on the board reduced the longer delay time for listed Bangladesh companies by a significant number of days.

5. CONCLUSION AND RECOMMENDATIONS

Stakeholders now have doubts about the veracity and transparency of the financial information that listed companies are presenting because of some notable firms' persistent failures. This follows the aftermath of the collapse of several Nigerian financial institutions. Literature evidence shows that poor corporate governance and weak board monitoring mechanisms are among the causes of corporate failure and accounting scandals. There is also evidence that delays in the issuance of audited financial reports are a sign of an impending financial crisis and a red flag of 'bad news. These factors have increased research interest in the issue of financial reporting quality from the dimension of the timeliness of financial reporting.

Consequently, the recent codes of corporate governance in different contexts have emphasized the need for greater board independence and recommended that firms should have more outside (independent) directors on the board in order to effectively execute their monitoring functions. Understanding the significance of different board attributes in constraining managerial opportunism has increased academic researchers' interest in how board compositions affect different organizational outcomes. However, the observed paucity of empirical studies examining how the presence of grey directors affects different financial reporting quality measures ignited the need for this study.

In line with the above, this study investigates the relationship between the presence of grey directors and the timeliness of financial reporting. The sample consisted of thirty (30) companies out of the 49 listed in the financial services sector as of year-ended 2022. Preliminary analysis using a correlation matrix showed that the dominance of the grey directors is negatively correlated with the measure of audit report lag, but such an association is statistically non-significant. However, the outcome of the fixed effect regression analysis shows a significant negative relationship between the dominance of the grey directors and the timeliness of financial reporting (using the audit delay measure) at the 5% confidence level. Thus, holding other variables constant, the greater dominance of grey directors on corporate boards is associated with a significant decline in the degree of audit report delay. In other words, the presence and dominance of grey directors are associated with the timelier disclosure of audited financial reports, which increases the value and relevance of the disclosed information.

The study recommends that shareholders with significant voting rights should endeavour to ensure that highly effective grey directors retain their seats in the company board for, at least, a 10-financial year period in order to consolidate effective corporate governance systems. More so, the result of the study appeared somewhat inconclusive considering that the variable GREYDIR, despite maintaining the same coefficient sign in the correlation and the regression results, appeared non-significant in the former and significant in the latter. This could be attributed to the use of a sole independent variable (share dominance of the grey directors) in the model. Further studies can be conducted to include the characteristics of the grey directors, such as ethnicity, nationality, education, and gender, among others, to determine how each may influence different financial reporting quality constructs.

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