



Assessing the Deterrents to Quality Financial Reporting in Corporate Organizations

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Research Article

Abstract

Purpose: The study aims to assess the deterrents to quality financial reporting in corporate organizations and provide an acceptable solution to address the identified challenges.

Methodology: The data were collected using self-administered questionnaires; the unit of analysis was corporate organizations based in Lira, Uganda, and the unit of inquiry was employees. The study assessed discriminant validity among the latent variables using the Heterotrait-Monotrait Ratio, and correlations among the latent variables were computed. To enhance validity and reliability, the study addressed common method bias. A structural equation model was also developed to assess its predictive value and the strength of relationships among the latent variables.

Results: The study found that high-quality reporting is associated with good accounting standards. A positive change in financial reporting strategies improves the quality of financial reporting. It is also noted that the use of qualified staff and ICT would enhance the quality of financial reporting.

Implications: Corporate organizations that apply sound accounting standards, integrate ICT, and empower boards to perform oversight roles in accordance with established policies will always grow faster.

Originality: This study examined the often overlooked, yet significant aspects of quality financial reporting in most corporate organizations, whereas the existing literature focuses primarily on regulatory issues and compliance. The study focused on specificities and hindrances to accuracy and transparency in financial reporting.

Keywords: Quality Financial Reporting, Information Discloser, Internal Control System, Governance, Information and Communication Technology

1. Introduction

Numerous financial scandals, manipulations, and fraud have been reported by various commercial entities worldwide. Such developments are concerning and have a negative social influence on corporate actions worldwide. According to Alslihat et al. (2017), a financial report (FR) is a statement issued by a company, enterprise, or corporation that outlines the financial methods employed and presents financial data for a given period, such as earnings and expenses. Financial reporting (FR) is intended to provide a company with information on its earnings and expenditures, including cash distributions and dividends, that is relevant to its stakeholders (Rapina et al., 2019). Companies often provide stakeholders with financial information that is crucial to the day-to-day administration of a company. A routine task of modern FR

demands that particular skills, including synthesis, data collection, and analysis from both internal and external sources, yield sufficient information for decision-making (O'Connell et al., 2021).

Quality Financial Reporting (QFR) is not limited to financial information; it should also encompass non-financial information that is significant to economic decision-making (Asyik et al., 2022). If a financial report is of high quality, it can report profits earned over the reporting period and can be used to measure future profits (Dang et al., 2020). An excellent FR helps stakeholders and management assess the soundness of the financial statements and evaluate financial performance, thereby informing their decisions (Kantudu & Alhassan, 2022). However, organizations have experienced difficulties in publishing comprehensive, accurate, reliable, and valid financial data; consequently, it is acknowledged that an agreed-upon FR standard exists (Salaudeen & Alayemi, 2020). It's noted that several companies whose financial reporting has come under scrutiny due to financial information falsification have been steadily rising (Pangaribuan, Wahyuni, Yoewono, & Sunarsi, 2022), whereas stakeholders have consistently questioned and refuted the validity and accuracy of the financial data on the profitability of the business (Shubitata, 2021). Despite the various controls implemented to enhance transparency and accountability, several challenges persist that hinder the attainment of higher-quality financial reporting standards (Jasim & Ibrahim, 2023). For example, in Uganda, business entities struggle to report their revenue and profits; the report indicates that 70% of these entities reported their annual expenditure, whereas only 2.3% reported their annual profits (Banga et al., 2021). It's also noted that businesses are on spot for incomplete and inaccurate financial records (Byamukama, 2023; Ministry of Finance, Planning and Economic Development [MOFPED], 2023; New Vision, 2022). Such scenarios signal non-compliance with financial reporting norms and standards and can expose entities to fines and legal repercussions. This, therefore, denies many entities the benefits of high-quality financial reporting, such as access to government contracts and valid, reliable tax assessments, and would create a trustworthy, high-quality FR that would command the serious attention of experts, regulators, and consumers of financial information. This study was guided by the following objectives:

1. To establish the relationship between firm specialization and quality financial reporting.
2. To establish the relationship between deterrence factors and quality financial reporting.
3. To establish the deterrent factors affecting quality financial reporting.
4. To access the strategies used in improving quality financial reporting.

2. Literature review

Quality financial reporting has been recognized as a bedrock of effective corporate governance. It guarantees that financial information is relevant, reliable, and comparable, and that it accurately reflects an organization's financial position. Despite the existence of internationally accepted accounting standards and updated regulatory frameworks, persistent challenges continue to undermine the quality of financial reporting in corporate organizations. The literature review is structured through the following subheadings: Quality financial reporting, determinants of quality financial reporting, deterrent factors affecting quality financial reporting, and strategies to improve financial reporting.

2.1. Quality financial reporting (QFR)

Financial reporting refers to a narrative report that combines quantitative accounting statements and may be directed to all stakeholders and lenders (Weetman, 2018). Quality financial reporting is defined as the extent to which a financial statement discloses the financial position in a periodic report and increases investors' trust in their ability to make an informed judgment (Samuel, Mudzamir, & Ali, 2017). The identification, collection, and evaluation of all the organization's transactions form the basis of the accounting maintained for business objectives (Wahyuni et al., 2020). FR provides different stakeholders with timely, accurate, and trustworthy financial data needed to make decisions regarding an entity's day-to-day operations (Chang et al., 2019). The primary goal of FR is to provide users with reliable financial information to support informed decision-making. FR forms part of the accountability report of a company's

financial position, prepared periodically and used for planning purposes in decision-making (Mbir et al., 2020). The essential significance of financial reporting is that it provides more valuable information to decision-makers and other stakeholders regarding a firm's financial position (Gamayuni, 2020).

Organizations can sustain a meaningful competitive advantage through the financial reporting system while adapting to creative development (O'Connell et al., 2021). The quality of financial reporting enhances economic stability (Alsmady, 2022) by reducing information asymmetry and eliminating individual or managerial control over the company's operations. QFR may be achieved when it enhances the end user's ability to reduce capital-investment costs and profit from capital allocation (Budai et al., 2021). QFR is significant in the provision of valuable information that would help in predicting the future performance of a firm, which affects the investor's views on a firm's growth prospects and supports managers in decision-making (Zhong & Ren, 2022).

2.2.Determinants of quality financial reporting

Regulatory supervision is a key factor in financial reporting (FR), and a transparent financial reporting system helps stakeholders understand the drivers of transparency in an organization's financial performance (Costello et al., 2019). The authenticity, reliability, content, and quality of the financial statements would be adversely affected by any management intervention in the disclosure of financial information (Vladu et al., 2017). This implies that the effectiveness of financial disclosure depends on how users use the information in their decision-making (De Luca et al., 2020). The verifiability, timeliness, comparability, and understandability of a quality FR are enhanced by the reliability and validity of the information that is presented (Owalabi et al., 2020). It's critical to remember that the ability and comparability complement the fundamental qualities required to produce high-quality financial reports (Rashid, 2020). The faithful representation and relevant qualities that aid efficient decision-making for all users are the two main qualitative features used to measure the quality of FR (Abed et al., 2022). Human resource competencies, technology, and internal control systems are among the variables that may affect the quality of financial reports (Suwanda, 2015).

H1: Firm specialization has a significant negative effect on the quality of financial reporting.

2.3.Information disclosure

Corporate organizations need to consider the interests of their stakeholders and recognize that, to maintain the business's legitimacy in society, financial information must be disclosed (Sultana et al., 2021). Voluntary disclosure of information is more likely when a firm has a high-quality financial report (Pangaribuan et al., 2022). According to Budai et al. (2021), high-quality financial information is achieved when it reduces the cost of capital, supports investment, and yields profits on borrowed funds. To reduce public skepticism within the firm, managers should increase transparency across all sectors, thereby increasing public trust in the firm (Grimmelikhuijsen et al., 2021). whereas increasing transparency may make information accessible, it would also increase public trust in the business or organization (Brock et al., 2021). Firms that adhere to strict regulatory standards exhibit high levels of transparency in financial reporting, which is a key driver of the quality of financial reporting (Isidro et al., 2020). External parties may identify significant factors like interests, capacity, acceptance, and goals when a firm is transparent (Park & Gil-Garcia, 2021). A reliable, high-quality financial report increases transparency of information for all stakeholders, not only final users (Gatea et al., 2021).

2.4.Governance

According to Garcia-Lacalle & Torres (2021), an organization must demonstrate strong financial performance, effective governance, and good accountability to be viable. Adebayo (2022) found that basic

factors such as corporate governance and weak financial statements are predictors of Quality financial reporting. Non-financial services are affected by the quality of FR, which is largely determined by governance norms and managerial capabilities (Garcia-Meca & Garcia-Sanchez, 2018). It's important to note that inadequate governance and control systems can lead to a decline in the quality of financial reporting (Bimo et al., 2019). Tran et al (2021) found that good governance and management commitment play a significant role in determining the quality of financial reporting.

Profit after tax on assets, firm size, and ownership can be used to assess the quality of financial reporting (Hung et al., 2023). According to Ngoc Hung et al. (2023), firm size, profitability, ownership status, and profit after tax on all assets are important variables that can affect the quality of financial statements. An organization's financial reporting system is strongly influenced by factors such as company size, free cash flow capacity, ownership, age, and the Global Reporting Initiative (Kumar et al., 2021). According to the Worldwide Reporting Framework 2013 (Orobias, 2021), accountants' skills are highly important and constitute a significant portion of the evaluation. The quality of financial reporting and statements is significantly influenced by the role of a co-worker, the information system, and familiarity with accounting rules (Ginanjar et al., 2020).

2.5. Internal control system

The quality of financial reporting is higher in organizations with superior internal control systems, information technology, adherence to accounting standards, and an active internal audit function (Anto & Yusran, 2023). The effectiveness of internal audit, the caliber of its members, the board's knowledge, and the functions each individual performs within an organization all have a vital impact on the quality of financial reporting (Kaawaase et al., 2021). Supervisors and managers should continue operationalizing internal control systems across all departments of the firm to demonstrate a commitment to improving the quality of financial reporting (Bangsa, 2018). A robust internal control system and the quality of internal controls play an important role in the preparation of a high-quality financial report (Monteiro et al., 2021).

2.6. Information and Communication Technology

Companies use technology to enhance their financial reporting, as computerized accounting systems are expected to improve the quality of financial reporting (Itang, 2021). According to Muraina & Dandago (2020), the adoption of a standard accounting system by an organization has a positive impact on financial reporting and accountability. Shubita (2021) emphasized that stakeholders should include profit data, along with other relevant information, when assessing a company's performance and forecasting its future cash flows. Managers' commitment is often assessed by the level of financial accountability and management (Pancawati et al., 2020). Authentic and reliable financial reports can be obtained through a robust accounting information system (Darmawan, 2021).

2.7. Deterrent factors affecting quality financial reporting

According to Hassan & Marston (2019), the body of financial disclosure is extensive and extends beyond elements that affect voluntary disclosure; it encompasses factors that influence disclosure in the economy. Implementing a financial reporting system in an organization is often challenging due to its complexity and limited understanding (Mawutor et al., 2019). Communication barriers affect how accounting information is perceived by managers, which can lead to poor managerial judgment and reduce the effectiveness of communication links (Zadorozhnyi et al., 2021). For people who rely on financial information in financial reports to make investment decisions, there is a heightened risk of distorting that information and influencing users' opinions and perspectives (Danescu et al., 2021). Businesses are focusing on meeting information demands from various stakeholders to keep up with rising competition resulting from the loosening of financial regulations, rapid technological development, globalization, and financial and economic crises (Setiyawati & Doktoralina, 2019). Most firms struggle with management changes, poor

communication, and a lack of professional and academic support, all of which affect how organizations disclose financial information (Mnif & Znazen, 2020). The usefulness of financial information may be enhanced by presenting more accurate and relevant information in a timely, verifiable manner that can be compared by other users (Bajra & Cadez, 2018). Kustono & Nanggala (2020) found that staff professionalism enhances the quality of financial reporting. This implies that staff professionalism is a deterrent to the quality of financial reporting. However, Mustapha et al. (2019) found a non-significant negative relationship between professionalism and the quality of financial reporting, suggesting that deterrent factors such as staff professionalism do not necessarily explain significant variation in the quality of financial reporting. From the foregoing literature, we draw the following hypothesis.

H2: Financial Reporting Deterrents have a significant negative effect on the Financial Reporting Quality.

2.8.Strategies to improve financial reporting

The analysis of financial statements as a tool for managing a firm would be significantly improved by the adoption of an obligatory requirement to disclose non-financial measures in corporate reporting systems (Osadchy, 2018). The use of the appropriate financial reporting standards could greatly raise the calibre of FRs (Klish et al., 2022). A high-quality FR can be produced with the application of good accounting standards, an internal control system, information technology, and efficient human resources (Anto & Yusran, 2023). Due to its cost-saving benefits, ease of maintenance, and high levels of accountability and transparency in corporate operations, internet reporting has been embraced by many firms as the ideal option (Windarti, 2020). The quality of financial reporting would increase if a commercial enterprise consistently adopted risk assessment (Kwanbo et al., 2023). Monitoring characteristics that successfully deliver excellent financial reporting in a business is important (Mahdi Sahi et al., 2022). Policy makers should always instruct their personnel to adhere to it, as control activities, control environments, and monitoring are among the main factors that support the development of high-quality financial reporting (Muhammad & Isah, 2020). In light of the foregoing literature, the following hypothesis is derived.

H3: Financial Reporting Strategies have a significant positive effect on the Financial Reporting Quality.

3. Methodology

3.1 Design, population, and sample

This study adopted a quantitative cross-sectional survey design, utilizing data collected using self-administered survey questionnaires (Kumar, 2011; Moissenko et al., 2016). A quantitative research design was used to establish relationships among deterrence factors, financial reporting strategies, and quality financial reporting, and to examine the firm's position within the conceptual model, employing a structural equation model (SEM). Due to resource constraints, this study could not be conducted across all corporate organizations in Lira City; therefore, inferences were drawn to address the entire population. The study population comprised 188 corporate organizations in Lira City, and a sample of 80 manufacturing and service organizations was drawn from this population. Krejcie and Morgan (1970) The sample size determination table was used to determine a sample of 80 organizations. This study realized a response rate of 88% (41 out of 80 organizations) for the unit of analysis and 80% (131 out of 160 respondents) for the unit of inquiry.

The unit of analysis was a corporate organization based in Lira City, and the unit of inquiry was senior-level employees with considerable knowledge of financial reporting. Two respondents per organization were selected to participate in the study, yielding a total of 160 respondents across the 80 corporate organizations. The unit of analysis above was selected because it is the primary implementer of financial policies and decisions that collectively affect the quality of financial reporting. Stratified random sampling was used for selecting respondents to participate in the study. Stratified sampling was specifically used for

categorizing corporate organizations into stratus based on their nature of operations, namely, whether manufacturing or service organization while simple random sampling was used for selecting respondents from each stratum to participate in the study and in this case providing unbiased estimates of the population parameters and increased likelihood of a representative sample. With simple random sampling, each respondent has equal chance of participating in the study and the sample chosen accurately represents the population and its classifications. Survey questionnaires from the objectives of the study were administered to respondents so as to collect primary data, while secondary data were sourced from journal articles, newspaper articles, and reports in order to reinforce the primary data.

3.2 Measurement validation

To test for internal consistency of the research instrument, we used Cronbach's alpha and composite reliability (rho_a) as suggested by Doré et al. (2017). The results show coefficients ranging between .891 and .929 and .914 and .943 for Cronbach's alpha and Rho_a, respectively. This confirms the internal consistency of our instrument, as all coefficients exceed the recommended value of 0.7 (Hair et al., 2022) (see Table 1). Additionally, AVE coefficients ranging from .604 to .704 indicate that our instrument was valid, as the range exceeds the minimum cutoff value of .5 recommended by Hair et al. (2022). To assess the measurement and structural models and test the hypotheses, we used Smart PLS 4.

Table 1: Reliability and Validity

	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>	<i>AVE</i>	<i>VIF</i>
Deterrence Factors	.913	.931	.659	1.992
Financial Reporting Strategies	.891	.914	.604	1.877
Enhanced Financial Reporting	.929	.943	.704	2.630
AVE- Average Variance Extracted				
VIF - Variance Inflation Factor				

The Cronbach Alpha and composite reliability coefficients for all the constructs depicted in Table 1 are all above the cut-off value of .7, which, according to Hair et al. (2019) proves that the internal consistency of the constructs is high. The VIF for all the latent variables is less than the recommended value of less than 5 (Kock, 2015), signaling that collinearity is not an issue in the model.

3.3 Measurement validity

We evaluated discriminant validity among the latent variables using the Heterotrait-Monotrait Ratio (HTMT). As depicted in Table 2, the correlations for all the latent variables range between .260 and .627. Since the HTMT values are all below the recommended threshold of .90 (Ringle et al., 2024) This means that discriminant validity has been satisfactorily established for all the variables in our model.

Table 2: Discriminant Validity- Using Heterotrait Monotrait (HTMT) Ratio

	<i>Financial Reporting Deterrents</i>	<i>Enhanced Financial Reporting</i>	<i>Financial Reporting Strategies</i>
Deterrence Factors			
Enhanced Financial Reporting	.274		
Financial Reporting Strategies	.260	.627	

The relationship between the latent constructs in Table 2 shows that all the coefficients are below the recommended cut-off point of .9 (Hair et al., 2019). The outputs in Tables 1 and 2 indicate that common method variance is not a concern in this study. Consistent with Hair et al (2019), the cross-loadings for all the latent variables in Table 3 and AVE in Table 1 passed the threshold value for convergent validity since the cross-loadings and AVE for each variable realized a value of above .708 and .5, respectively.

Table 3: Discriminant Validity- Examination of Cross-loadings

	<i>Financial Reporting Deterrents</i>	<i>Financial Reporting Quality</i>	<i>Financial Reporting Strategies</i>
DTFR1	.757	.221	.205
DTFR2	.758	.221	.240
DTFR3	.756	.148	.128
DTFR5	.802	.234	.234
DTFR6	.844	.221	.159
DTFR7	.886	.232	.180
DTFR8	.867	.172	.191
ENFR2	.238	.772	.423
ENFR3	.305	.884	.472
ENFR4	.260	.806	.453
ENFR5	.162	.837	.482
ENFR6	.084	.817	.468
ENFR7	.238	.892	.492
ENFR8	.192	.859	.555
FRST10	.112	.556	.742
FRST2	.178	.320	.793
FRST4	.226	.391	.773
FRST6	.264	.416	.820
FRST7	.196	.340	.777
FRST8	.128	.543	.753
FRST9	.171	.539	.780

3.4 Controlling for common methods bias (CMB)

Common method bias, also known as common methods variance or method bias, is the possible inflation or deflation of correlations between observed variables, particularly in self-report, single-method, and cross-sectional surveys (Malhotra et al., 2017). This suggests that correlations and other observed metrics may lead to inaccurate inferences about the extent and significance of the link (Malhotra et al., 2017). The underlying sources of common method variance in self-reported surveys include common rate effects related to the use of a single respondent, such as social desirability biases, leniency biases, acquiescence biases, mood state, and consistency motif biases (Malhotra et al., 2017; Podsakoff et al., 2003), as well as biases relating to item characteristics and item context effects (Malhotra et al., 2017; Podsakoff et al., 2003). To control CMB, we employed procedural measures such as making questions brief and precise, minimizing double-barreled questions, and restricting the use of negatively worded items. We ensured respondents' confidentiality, allowing them to provide unbiased responses. We also made several follow-up calls and sent email reminders to individuals who did not respond promptly to the questionnaire. In addition, we tailored previously validated measuring scales to the study environment. We also contacted three academic experts and two managers to confirm that the items were clear and accurately reflected their respective constructions. Furthermore, we employed two respondents for each unit of study, distributing 160 questionnaires to 80 firms.

4. Results

4.1 Respondents' demographic characteristics

The results in Table 4 indicate that most corporate organizations in Lira City (63%) were operating with current working capital between 50 and 100 million. This was followed by 31.7% of organizations operating

with a capital of less than 50 million. The fewest organizations, representing 4.9%, operated with current working capital between 100 and 150 million. Furthermore, Table 4 reveals that 53.7% of organizations were engaged in service provision, whereas 46.3% were engaged in manufacturing. In Table 5, the results reveal that 64.1% of participants from corporate organizations were male, whereas 35.9% were female, indicating that more males are engaged in the operations of corporate organizations in Lira City.

With respect to the age group of respondents, the results show that close to half of the participants (49.6%) ranged from 35-19 years, followed by 45% of participants whose age was between 20-34%, and the least age group of 50 years and above, which constituted 7% of the participants. This implies that employees in corporate organizations in Lira City are sufficiently energetic to perform physically demanding work, such as manufacturing and service provision. Regarding the highest educational attainment, the study found that nearly 95% of participants had a university degree, 3.8% had a two-year diploma, 0.8% had a two-year certificate, and 0.8% had secondary education or less. This implies that employees in corporate organizations possess the necessary educational qualifications to enable their organizations to manage resources and strategies to enhance the quality of their financial reporting. Tables 4 and 5 present demographic details for both the firm and the individual respondents.

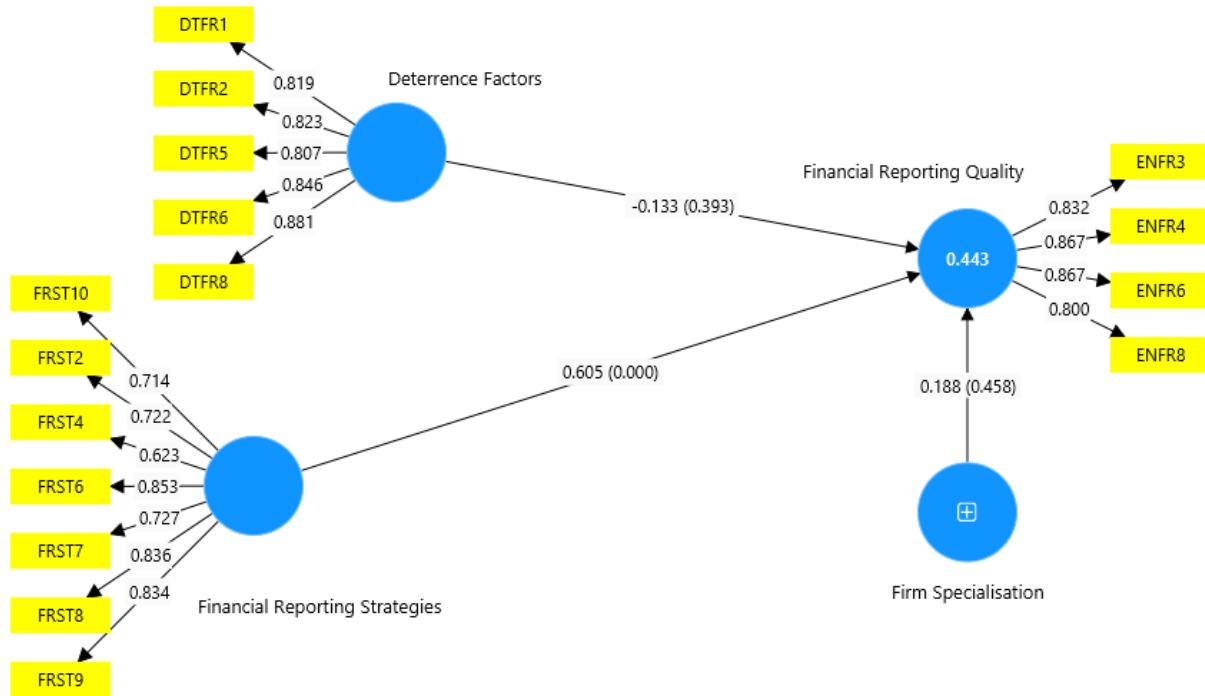
Table 4: Firm characteristics

Current Total Working Capital	Count	Percent	Cumulative (%)
Less Than 50 m	13	31.7	31.7
50 - 100 m	26	63.4	95.1
100 - 150 m	2	4.9	100.0
Description of the firm	Count	Percent	Cumulative (%)
Manufacturing	19	46.3	46.3
Service	22	53.7	100.0
Total Number of Institutions	41	100.0	

Table 5. Individual characteristics

Gender	Count	Percent	Cumulative (%)
Male	84	64.1	64.1
Female	47	35.9	100.0
Age Group	Count	Percent	Cumulative (%)
20 - 34 yrs	59	45.0	45.0
35 - 49 yrs	65	49.6	94.7
50 yrs & above	7	5.3	100.0
Highest education level attained	Count	Percent	Cumulative (%)
Secondary & below	1	0.8	0.8
Two-Year Certificate	1	0.8	1.5
Two-Year Diploma	5	3.8	5.3
University Degree	124	94.7	100.0
Total Number of individuals	41	100.0	

Figure 1 depicts the structural model for predicting quality financial reporting, with the subsequent R-squared and path coefficients obtained via bootstrapping in Smart PLS 4. The structural model was developed to assess its predictive value and the strength of the relationships among the latent variables. According to Hair et al (2011), R Square is considered weak, moderate, and substantial if the values are .25, .5, and .75, respectively. In this study, the R-squared of 0.443 for the inner path model in Figure 1 indicates that the endogenous variable has weak explanatory power. Approximately 44.3% of the variation in the quality of financial reporting can be explained by the combined effects of deterrence factors, financial reporting strategies, and the interaction between firm specialization.

Figure 1: Structural Model for Prediction of Quality Financial Reporting**Table 6: Hypotheses Testing**

	B	Std. Error	T statistics	p-values	95% Bias Corrected CI
Firm Specialization \rightarrow Quality Financial Reporting	.188	.253	.743	.458	[-0.296,0.683]
Deterrence Factors \rightarrow Quality Financial Reporting	-.133	.155	.854	.393	[-0.441,0.248]
Financial Reporting Strategies \rightarrow Quality Financial Reporting	.605	.153	3.964	.000	[0.164,0.807]

The findings in Table 6 reveal a negative and insignificant effect of deterrent factors on the quality of financial reporting (H1: $\beta = -0.133$, $p = .393$; with lower and upper bounds of -0.441 and 0.248), thus, hypothesis 1 (H1) is rejected. The 95% Bias-Corrected Confidence Interval (CI) for the effect of deterrent factors on financial reporting includes the null effect (i.e., zero), indicating that the null hypothesis (i.e., no significant relationship between deterrent factors and quality financial reporting) cannot be rejected. Thus, we cannot be 95% confident that deterrent factors significantly affect the quality of financial reporting among corporate organizations in Lira City. However, a significant positive effect on the financial reporting strategies on the quality of financial reporting was established (H1: $\beta = .605$, $p = .000$); therefore, hypothesis 2 is supported. The 95% confidence interval for the effect of financial reporting strategies on quality financial reporting does not contain zero (95% Bias Corrected CI of 0.164 and 0.807). Therefore, we are 95% confident that financial reporting strategies have a significant positive effect on the quality of financial reporting among corporate organizations in Lira City.

5. Discussion

Empirically, high-quality accounting standards make it easier for firms to comply with accounting standards, thus further guaranteeing the integrity of financial reporting and the effective oversight role of the regulating body in ensuring that the financial reports of firms comply with relevant regulations. These findings were supported by the works of Klish et al. (2022), who alluded that the use of the appropriate

financial reporting standards could greatly raise the caliber of financial reports. The findings are further supported by Anto and Yusran (2023), who suggest that a high-quality FR can be produced with the application of good accounting standards, an internal control system, information technology, and efficient human resources. The findings are also supported by signaling theory, which posits that reliable accounting information aligned with recommended accounting standards serves as a crucial signal of the accuracy and quality of an organization's financial reports.

Furthermore, there is a negative and insignificant relationship between deterrence factors and the quality of financial reporting among corporate organizations in Lira City. This implies that even if deterrence factors like inefficient and unreliable ICT systems, communication barriers, lack of professionalism, poor accounting systems, and poor internal control systems diminish, the improvement in the quality of financial reporting will be minimal. Contextually, we found that whereas deterrence factors such as unreliable ICT systems and weak internal control systems were prevalent, corporate entities in Lira had established compensating controls, such as regular manual review of financial reports and journal entries by management, which appear suitable for addressing some of these deterrence factors. Other controls used by corporate entities included segregation of duties to prevent any single employee from controlling the entire financial process, and regular, independent reconciliation and review of key accounts by finance personnel to detect missing data and validate financial statements. We found that corporate organizations in Lira City maintained backup and recovery systems, particularly using external hard drives or SSDs, which help safeguard critical financial information in the event of system failures.

Generally, the compensating controls implemented by corporate organizations in Lira City have helped them address deterrent factors, such as ICT system challenges and financial control weaknesses, and reduce risks that undermine the quality of financial reporting, including errors in financial reports. The findings are supported by Mustapha et al. (2019), who established a negative and insignificant relationship between professionalism and the quality of financial reporting. Similarly, Mustapha (2018) found no interaction effect of professionalism on the relationship between staff competence and the quality of financial reporting in public sector organizations in Nigeria's four North-West geopolitical states. This implies that, whereas professionalism is a valuable trait, it must be supported by alternative management controls, such as regular review of financial transactions, to have a meaningful effect on the quality of financial reporting. However, the findings contradict those of Kustono & Nanggala (2020), who found that staff professionalism positively influences the quality of financial reporting. The findings are inconsistent with Call et al. (2017), who reiterated that firms with a high-quality workforce (in terms of higher levels of educational attainment) are more likely to produce high-quality financial reporting. The findings further contradict Olamide (2024), whose study confirmed positive and significant relationships between user competence in accounting systems and the quality of financial reporting, as well as between accounting information quality and the quality of financial reporting.

5. Conclusions

This study examined how each of the exogenous variables (namely, firm specialization, deterrence factors, and financial reporting quality) relates to the endogenous variable (in this case, the quality of financial reporting) in the context of corporate organizations in Lira city. This study established a positive and significant relationship between financial reporting strategies and the quality of financial reporting, thereby supporting *H3*. This implies that a positive change in financial reporting strategies results in improved financial reporting quality. In other words, firms that successfully implement financial reporting strategies, such as employing qualified accounting staff, implementing relevant information and communication technology systems, and maintaining accurate accounting records, are likely to enhance the quality of their financial reporting. When staff in the accounting department are well qualified and undergo regular training on new accounting standards and best practices in accounting, the chances of them making errors tend to diminish, thus enhancing the quality of financial reporting in the firm. Additionally, the use of information

and communication technologies, such as Enterprise Resource Planning, helps streamline and integrate financial records, leading to timely and more accurate financial reporting.

6. Policy recommendations

To address key policy issues, the study recommends a robust policy shift to establish an effective internal control system that includes regular audits to remediate weaknesses and discrepancies identified during audits. It's important to consistently address the issues that arose during the audit and to take the auditors' recommendations seriously. Application of good accounting standards that are relevant, accurate, and consistent in providing transparent reporting and fostering corporate governance through empowering the board to play a good oversight role and embracing stakeholder engagement for the purposes of building confidence. Integration of information technology that supports data analysis, which would support the identification of trends and the detection of any anomalies in the financial information. Profitability and ownership, such that all the stakeholders should be in a position to know the profitability metrics and areas of manipulation.

6. Research contributions

Corporate enterprises would benefit from identifying significant areas for improvement in the development of high-quality financial reports. Regulatory bodies and other stakeholders would develop sound policies to improve the quality of financial reporting, and tax authorities would adopt them in tax collection. Investors would benefit from the QFR while monitoring the progress of their investments. Other stakeholders would benefit from policy perspectives when their boards are considering policies for daily operations. The corporate governance perspective would enhance accountability and transparency.

7. Limitations and Directions for Future Research

The study is limited to the manufacturing and services sectors; areas such as agriculture and the public sector were not considered; therefore, the generalizations from the findings may be problematic for other stakeholders. The study's geographical scope and respondent characteristics are insufficiently comprehensive. However, the findings can still guide further research. The study adopted a quantitative approach to data collection and avoided a qualitative approach, which would have yielded additional information that the quantitative approach could have omitted. We therefore recommend that future studies employ a mixed-methods approach when addressing such a topic or focus.

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Authors' Contributions: Marus Eton conceptualized the idea, developed the background information and methodology, developed tools, collected data, and prepared the final report. Fabian Mwosi prepared the literature review, refined the data collection tools, collected and analyzed the data, and contributed to the final research report. Simon Peter Olupot helped develop the literature review, refine the tools, collect and analyze data, and contribute to the final report. Bernard Patrick Ogwel was instrumental in the literature review, methodology, discussion, and final report writing. Sam Aita Kilimvi was instrumental in conceptualization, methodology, data collection and curation, discussions, and the compilation of the final report. All the authors made substantial contributions.

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