

Debt Management and Financial Reporting Accuracy: Catalysts for Financial Management in State-owned Tertiary Institutions in South-South, Nigeria

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Abstract

The study was carried out to examine to investigate how Debt Management and Financial Reporting Accuracy act as catalysts on Financial Management in State-owned Tertiary Institutions in South- South, Nigeria. Correlation design was used for the study. The population of the study was 164 internal auditors in all State-owned tertiary institutions in the study area. Selective sample technique was adopted to sample 154 internal auditors in the Conventional Education Sector in the State-owned tertiary institutions. Instrument titled “Debt Management and Financial Reporting Accuracy in State-owned Tertiary Institutions Questionnaire” by the researcher and used for data collection. The instrument was subjected to face and content validity . a reliability coefficient of 0.87 was obtained for the instrument using Cronbach Alpha Statistics. R and R² values of simple linear regression was used to answer the research questions while F-values of simple linear regression was used to test the hypotheses at .05 level of significance. The findings of the study revealed that the extent to which debt management and financial reporting accuracy act as catalysts in financial management in State-owned tertiary institutions were significance. Based on the findings of the study, it was concluded that debt management and financial reporting accuracy if properly used could act as catalysts in financial management in State-owned tertiary institutions in South-South, Nigeria. It was recommended among others that State-owned tertiary institutions should adopt and enforce IPSAS-Compliant Financial Standards to enhance accuracy, transparency, and comparability of financial reports.

Keywords: Debt Management, Financial Reporting Accuracy, and Financial Management

Introduction

Effective financial management is critical to the operational stability and sustainability of tertiary institutions, especially in developing countries where public funding remains the primary source of revenue. In Nigeria State-owned tertiary institution play a significant role in human capital development as there are mostly affordable by the citizenry, yet many are grappling with financial instability, inadequate infrastructure, and declining academic quality (Sani 2023). These issues are often rooted in systemic weaknesses in debt management and financial reporting practices.

Debt management according to Vaidya (2021) is the process of acquiring, monitoring and servicing debt to ensure financial sustainability without compromising institutional objectives. In the context of public institutions as stated by Aribaba *et al.* (2021) for debt management to be effectively and efficiently carried out, all external creditors bills which have been admitted by the Debt Recording and Settlement Department must be vetted by the internal audit and control prior to further actions on them. In the same vein, Adebayo *et al.* (2021) saw internal audit as an instrument that ensures bills are settled in accordance with the understanding reached by all stakeholders on external debt settlement procedures. Okwuosa (2021) stated that the lender, whether a bank, a lending institution or an investor is always of the opinion that the borrower will be able to repay the loan on or before maturity, hence, debt management capacity is a key indicator of trust worthiness of any institution.

Jimoh *et al.* (2020) observed that debt management refers to the strategies and practices individuals, businesses or government use to handle and repay debt effectively. Ndieupa (2018) stated that system audit in the internal audit identifies and evaluates inherent risks and adequacy of their mitigating controls and their impacts on the achievement of Debt Management Office's objectives. Hence, Federal Government of Nigeria (2024) through Independent Corrupt Practices and other Related Offences Commission (ICPC) saw it as part of responsibilities of internal audit leader to interact with the firm of external auditors for the purpose of ensuring that the statutory requirements of the DMO relating to the audit are complied with through accurate financial reporting which enhances transparency, supports evidence-based decision making and strengthens accountability. Financial reporting according to Sackey (2023) is the process of disclosing financial data to stakeholders to aid in decision making. Financial reporting accuracy serve as the primary tool for communicating on institution's financial position. Accurate financial reporting enhances transparency, and strengthens accountability in an institution. Abubakar *et al.* (2021) observed that accountability in the use of school finance is a function of internal auditing. Accurate financial reporting involves presenting reliable, timely and complete financial statements in compliance with relevant accounting standards (Olowokere & Ibrahim 2021).

According to Adewara (2023) financial reporting accuracy in public institutions is often hindered by inadequate financial systems, lack of skilled personnel, and minimal oversight. In the Nigerian Context, compliance with the international Public Sector Accounting Standards (IPSAS) has been encouraged to improve the quality of financial reporting in the public sector. Lauren (2023) observed that a variety of factors affect the consistency of financial reporting. The standards of financial reporting is affected by collecting quality data and hiring knowledgeable staff, financial reporting accuracy according to Abdulai *et al.* (2021) is heavily affected by reporting efficiency, computerized accounting, and staff competence. Financial reporting accuracy is achieved when reporting requirements are followed and reliable data is captured for processing.

Relationship between Debt Management, Financial Reporting Accuracy and Financial Management

Empirical studies suggest a strong correlation between sound debt management, accurate financial reporting and financial management (Oko, 2023). Institutions that effectively managed debt tend to experience greater fiscal discipline, better resource allocation and increased stakeholders' confidence (Tarus and Joseph 2020). According to a study conducted by Adebayo and kareem (2020) effective debt management in State-owned tertiary institutions is essential to ensure financial sustainability, improve operations and maintain a positive credit profile which if directed towards long term investment will increase capital formation and achieve sustainable economic growth in the economy. In another study conducted by Hikmayah and Aswar (2019) showed that accurate financial reporting is a key enabler of debt sustainability as it provides a clear picture of income and expenditure, which can help management make informed decisions on resource distribution on areas of need of the institutions. Oladejo *et al.* (2021) in their study revealed that financial reporting accuracy, computerized accounting systems and personnel competences were found to be determinants of quality financial reporting accuracy. Despite the recognized importance of these financial functions, there is a noticeable gap in literature and practice regarding how debt management and financial reporting accuracy collectively influenced the financial health of state-owned tertiary institutions in South-South, Nigeria. This study therefore, seeks to examine, the relationship between debt management, financial management in State-owned tertiary institutions in south-south, Nigeria.

Statement of the Problem

State-owned tertiary institutions in South-South, Nigeria face persistent financial challenges that undermine their capacity to deliver quality education and sustain operational efficiency. Among the most critical issues are poor debt management practices and inaccurate financial reporting. Despite budgetary allocations from government sources, many of these institutions, operate under financial distress due to ineffective debt tracking systems, weak internal controls, and lack of transparency in financial disclosures. Absence of reliable financial information impedes sound decision making, leading to misallocation of resources, delayed project execution, and a widening gap between available funds and expenditure obligations. Furthermore, the inability to maintain accurate and timely financial reports affects institutional accountability and compliance with regulatory standards. This not only threatens the sustainability of these institutions but also compromises their ability to attract external funding, grant and partnerships.

Given the importance of sound debt management and accurate financial reporting as pillars of effective financial management, there is a critical need to investigate the extent to which these variables influence financial management in State-owned tertiary institutions in South-South, Nigeria.

Objectives of the Study

1. Examine the extent to which debt management acts as a catalyst on financial management in State-owned tertiary institutions in South-South, Nigeria.
2. Examine the extent financial reporting accounting act as a catalyst on financial management in State-owned tertiary institutions in South-South, Nigeria.

Research Questions

1. To what extent does debt management act as a catalyst on financial management in State-owned tertiary institutions in South-South, Nigeria?
2. To what extent does financial reporting accuracy act as a catalyst on financial management in State-owned tertiary institutions in South-South, Nigeria?

Research Hypotheses

- Ho₁** The extent to which debt management act as a catalyst on financial management in State-owned tertiary institutions in South-South, Nigeria is not significant
- Ho₂** The extent to which financial reporting accuracy act as a catalyst on financial management in State-owned tertiary institution in South-South, Nigeria is not significant.

Methodology

A correlation research design was adopted for the study with a population of 164 internal auditors in all the State-owned tertiary institutions in South-South, Nigeria. Selective sampling technique was adopted by the researcher to sample 154 internal auditors in Conventional Education Sector of the State-owned tertiary institutions with a return rate of 130. Instrument titled “Debt Management and Financial Reporting Accuracy on Financial Management Questionnaire (DMFRAFMQ)” was developed by the researcher and validated by three experts, two from Department of Business Education, Faculty of Vocational Education, Library and Information Science and one from Test and Measurement Unit, Department of Educational Foundations, Guidance and Counseling, Faculty of Education, all in the University of Uyo. Instrument reliability was determined using Cronbach Alpha reliability methods. A reliability test was carried out using respondents from internal audit unit in the University of Uyo which is a Federal University who were not part of the study. A reliability index of 0.87 was obtained indicating a high reliability coefficient. The researcher used simple linear regression model. The coefficient of determination (R^2) was used in answering research questions while the F-value of the regression model was used to test the hypotheses at .05 level of significance.

Result and Discussion of Findings

Research Question 1: To what extent does debt management acts as a catalyst on financial management in State-owned tertiary institutions in South-South, Nigeria?

Table 1: Result of Simple Linear Regression of the Extent Debt Management influence Financial Management of State- owned Tertiary Institutions in South –South, Nigeria (n=130)

Variables	R	R ²	Adjusted R ²	Remarks
Debt management				
Financial management	0.787	0.620	0.617	High Extent

The result presented in Table 1, revealed the R-value of .787 as the strength of the relationship between debt management and financial management of State- owned tertiary institutions in South –South, Nigeria. The R² – value of .620 also shown in Table 1, indicates that only (62.0 %)t variation in financial management is explained or predicted by debt management. This means that debt management influence financial management of State- owned tertiary institutions in South –South, Nigeria to a high extent.

Research Question 2: To what extent does financial reporting accuracy acts as a catalyst on financial management in State-owned tertiary institutions in South-South, Nigeria?

Table 2 : Result of Simple Linear Regression of the Extent Financial Reporting Accuracy influence Financial Management of State- owned Tertiary Institutions in South –South, Nigeria (n=130)

Variables	R	R ²	Adjusted R ²	Remarks
Financial reporting accuracy				
Financial management	0.818	0.669	0.667	Very High Extent

The result presented in Table 2 revealed the R-value of .818 as the strength of the relationship between financial reporting accuracy and financial management of State- owned tertiary institutions in South –South, Nigeria. The R² – value of .669 also shown in Table 2 indicates that only (66.9 %) variation in financial management is explained or predicted by financial reporting accuracy. This means that financial reporting accuracy influence financial management of State- owned tertiary institutions in South –South, Nigeria to a very high extent.

Null Hypothesis 1: The extent to which debt management acts as a catalyst on financial management in State-owned tertiary institutions in South-South, Nigeria is not significant

Table 3: Simple Linear Regression Analysis of the extent to which Debt Management influence Financial Management in State-owned Tertiary Institutions in South- South (n=130)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	3394.57	1	3394.57	6.05	.00 ^b
Residual	5713.15	128	44.63		
Total	9107.72	129			
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	20.84	1.80		1.56	.000
Debt management	1.74	.12	.79	14.44	.000

The result in Table 3 shows the F-ratio of 76.05 with the corresponding probability level of significance of .00 alpha at 1 and 128 degrees of freedom. This level of significance is less than .05 in which the decision is based. With this result, the null hypothesis was rejected. The result in Table 3 also shows an unstandardized coefficient (B) of 1.74 which indicates that for every unit rise in debt management, financial management increases by 1.74. Furthermore, the result in Table 3 shows the t-value of 14.44, with its corresponding probability level of significance of .000 Alpha. This level of significance is less than .05 in which the decision is based. With this result, the null hypothesis was rejected. This result implies that the extent to which debt management influence financial management in State-owned tertiary institutions in South-South is significant.

Null Hypothesis 2: The extent to which financial reporting accuracy acts as a catalyst on financial management in State-owned tertiary institution in South-South, Nigeria is not significant.

Table 4: Simple Linear Regression Analysis of the extent to which Financial Reporting Accuracy influence Financial Management in State-owned Tertiary Institutions in South-South (n=130)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	3795.78	1	3795.78	1.47	.00 ^b
Residual	5311.94	128	41.50		
Total	9107.72	129			
Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta		
(Constant)	9.59	2.30		.16	.00
Financial reporting accuracy	2.28	.14	.82	6.10	.00

The result in Table 4 shows the F-ratio of 91.47 with the corresponding probability level of significance of .00 alpha at 1 and 128 degrees of freedom. This level of significance is less than .05 in which the decision is based. With this result, the null hypothesis was rejected. The result in Table 4 also shows an unstandardized coefficient (B) of 2.28 which indicates that for every unit rise in financial reporting accuracy, financial management increases by 2.28. Furthermore, the result in Table 4 shows the t-value of 16.10, with its corresponding probability level of significance of .00 alpha. This level of significance is less than .05 in which the decision is based. With this result, the null hypothesis was rejected. This result implies that the extent to which financial reporting accuracy influence financial management in State-owned tertiary institutions in South-South is significant.

Conclusion

This study carefully examined how debt management and financial reporting accuracy act as catalysts in financial management in State-owned tertiary institutions in South-South, Nigeria. Based on the findings of the study, it was concluded that if debts are properly managed and there is timely and accurate reporting of financial transactions, there would be efficient and effective financial management in these institutions.

Recommendations

1. There should be establishment of a centralized debt management framework in all state-owned tertiary institution in South-South, Nigeria.
2. State-owned Institutions should adopt and enforce IPSAS-complaint Financial Reporting standards to enhance accuracy, transparency and comparability of financial reports.
3. Robust internal control system should be established to monitor financial operations and ensure compliance with financial policies
4. Capacity building and professional development should be organized for finance and administrative staff on debt management strategies, financial reporting systems and modern accounting tools, among others.

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