FIRM CHARACTERISTICS AND FINANCIAL REPORTING QUALITY IN NIGERIA

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ABSTRACT

Firm characteristics include firm size, leverage, liquidity, sales growth, asset growth and turnover. Others include ownership structure, board characteristics, age of the firm, dividend pay-out, profitability, access to capital markets and growth opportunities. The study adopted the use of discretionary accruals research design. The population of this study consists of all quoted non-financial firms on the floor of the Nigerian Exchange Group (NGX) There were 154 quoted firms on the NGX as at 31st December, 2022 (NGX, 2022). Out of those firms, 46 were classified as financial quoted firms while the non-financial was 108. the statistical formula for determining sample size is used to determine the sample size with 5% being used as the limit of tolerable error. The sample size according to Okeke, (1995), which made the sample to be 80. The results from the panel regression estimated reveal mix findings for the firm characteristic variables in relation to the financial reporting quality. The result showed that profitability is found to have no significant relationship with financial reporting quality, leverage was found to have a positive relationship with financial reporting quality. The study recommends that emphasis should not be on structuring the financial report to show profit at all cost but rather management should prepare the financial statement to show the true state of affairs of the firm at any point in time.

Keywords: Firm Characteristics, Reporting quality, Profitability, Leverage, Nigeria.

INTRODUCTION

Accounting information is relevant to the extent that it is proficient of influencing a decision maker by helping such decision maker to form forecast about an outcome of present event and to confirm or correct prior expectations (Bushman, Chen, Engel, & Smith, 2014; Shehu, & Ahmad, 2019). In order for information to be relevant, it must be timely, and it must have predictive value or feedback value or both

(Bello, 2019). Financial report should always provide reliable information to assist users in decision making. The financial reports should contain relevant, reliable, comparable and understandable information (Kamaruzaman, Mazlifa, & Maisarah, 2009). Reliability has to do with the quality of financial information which is reasonably free from error and bias and faithfully represents what it is intended to stand for (Shehu et. al., 2019). The quality of the financial report is measured by its understandability, reliability, relevance, faithfulness, comparability and timeliness. These quality indicators measure the meaningfulness and usefulness of financial reports to users. Understandability is how effectively the information contained in the financial reports communicates to the users for decision making purposes (Greuning, Scott, & Terblanche, 2019; Ogbenjuwa, 2020).

A firm characteristic is the firm's demographic and managerial variables which, in turn, comprise part of the firm's internal environment (Chinedu, & Chinedu, 2018; Zou & Stan, 1998). According to Kogan, and Tian (2012), firm characteristics include firm size, leverage, liquidity, sales growth, asset growth and turnover. Others include ownership structure, board characteristics, age of the firm, dividend pay-out, profitability, access to capital markets and growth opportunities (Khalil, 2011; McKnight & Weir, 2008; Subrahmanyam, & Titman, 2001). There are also several firm characteristics that differ systematically across firms. Previous research shows that firms engaging in earnings management activity are often small in size (Shehu, et. al. 2019), less profitable (Defond, & Jiambalvo, 1991), lower growth rate, and have higher leverage than their industry average (Catagna, & Matoksy, 2008). These studies hypothesize that the degree of profit will depend on the firm's operating performance. When operating performance is unusually high, managers tend to decrease profit. When operating performance is poor, managers tend to increase profit, however, if operating performance is extremely poor, some firms may decrease profits further which is so called 'taking bath' strategy. Profit is a key element that improves the growth of a firm, hence is necessary for managers to manage their firms to make reasonable profit.

Profitability is an important firm characteristic that are believed can affect financial reporting quality. Profitability explains the firm's ability to earn profits in a certain period (Hermuningsih, 2012). Mahboub (2017) found that profitability has no significant impact on financial reporting quality, however Hassan and Bello (2013) found that profitability has positive and significant impact on financial reporting quality. These might happen because firms that earn more profit tend to disclose more information to improve financial reporting quality, to distinguish them from firms with worse performance (Putri, & Indriani, 2019). While Leverage is an investment strategy of using borrowed money, specifically the use of various financial instruments or borrowed capital to increase the potential return of an investment. Leverage can also be referred to the amount of debt a firm uses to finance assets. Leverage is any technique involving using debt (borrowed funds) rather than fresh equity (value of owned assets minus liabilities) in the purchase of an asset, with the expectation that the after tax profit to equity holders from the transaction will exceed the borrowing cost, frequently by several multiple factors hence the derivation of the word from the effect of a lever in physics, a simple machine which amplifies the application of a comparatively small input force into a correspondingly greater output force. Normally, the lender will set a limit on how much risk it is prepared to take and will set a limit on how much leverage it will permit, and would require the acquired asset to be provided as collateral security for the loan (Damodaran, 2011). Leveraging enables gains to be multiplied and also on another hand losses are multiplied and the risk is that, leveraging result in a loss, if financing costs exceed the income from the asset, or the value of the asset falls (Damodaran, 2011).

The main objective of this study is to examine the impact of firms' characteristics on the quality of financial reporting of quoted non-financial firms in Nigeria. It is therefore posited that firm profits, leverage, have no significant relationship on the financial reporting quality of quoted non-financial firms in Nigeria. The motivation for this study hinged on a number of reasons. Nigeria is the largest market in Africa by the virtue of her size. The importance of financial reporting quality is clearer as in the case of the international financial reporting standards (IFRS) and its impact on accounting standard of various nations across the globe on value relevance of the information in the financial statements for different users. Therefore, the

findings of this study are expected to have particular positive implications of coming up with policies and standards that will control manipulative accounting by regulators responsible for ensuring high quality financial reporting.

Statement of the Research Problem

Firm characteristics and financial reporting quality is an important issue in the present-day firms. Quality financial reports will lead to growth and will in turn increase the profitability of the firm. The quality of financial reports has always been an issue of interest among regulatory bodies, shareholders, researchers and the accounting profession itself. This is due to the fact that financial reporting has been a principal means of communicating financial information to outside users (Johnson, et. al., 2002) and the use of financial report itself in assessing the economic performance and condition of a business in the quest to monitor management's actions and assists in making economic decisions (Shehu, et. at., 2019).

Profit is an important aspect of firms' characteristics which portrays the fact that the firm is doing well in their business. However, some firms do declare profit even though the business is not in a healthy state and they usually use the auditors to produce financial reports that is showing the effective growth and perform to would be investors. Another problem of firms is diverting their leverage to some other activities instead of making use of the fund for the purpose in which the fund is met for. This is usually common with small firms that may have some other issues to take care of while the big firms may decide to divert such fund to another new line of business which they may want to engage.

The following research questions are expected to be answered at the end of this study:

1. What is the relationship between profitability and financial reporting quality of quoted non-financial firms in Nigeria?
2. What is the relationship between leverage and financial reporting quality of quoted non-financial firms in Nigeria?

Objective of the Study

The broad objective of this study is to assess the impact of firm characteristics and financial reporting quality of quoted non-financial firms in Nigeria. The specific objectives of the study are to: determine

1. the relationship between profitability and financial reporting quality of quoted non-financial firms in Nigeria
2. the relationship between leverage and financial reporting quality of quoted non-financial firms in Nigeria;

Research Hypotheses

The following null hypotheses will be tested in the course of the study:

Ho_1: Profitability has no significant relationship with financial reporting quality of quoted non-financial firms in Nigeria.

Ho_2: Leverage has no significant relationship with financial reporting quality of quoted non-financial firms in Nigeria.

LITERATURE REVIEW

Concept of Firm Characteristics

Firm characteristics are factors that are mostly under the control of management. The firm characteristics include firm size, liquidity, leverage, sales growth, and firm age. On the other hand, the macroeconomic indicators are those factors that are beyond the control of management. This includes interest rate, GDP, and industry size (Sumaira, & Amjad, 2013). This means that the profitability of manufacturing goods firms could be ascertained using firm specific attributes (internal attributes) and macroeconomics variables (external attributes) as major determinants of profitability of the companies (Dioha, et. al, 2018). Firm characteristics such as profitability, firm size, liquidity, leverage, sales growth, age of the firm, board structure and composition, asset growth, turnover, dividend payout and growth prospects are argued to have an influence on the relationship between profit and quality of financial reporting (Mutende, et. al. 2017)

Zou, et. al. (1998) describes firm characteristics as a firm's demographic and managerial variables which in turn comprise part of the firm's internal environment. Firm characteristics have been listed by Kogan, et. al. (2012) to include firm size, leverage, liquidity, sales growth, asset growth, and turnover. Others include ownership structure, board characteristics, age of the firm, dividend pay-out, profitability, access to capital markets and growth opportunities (McKnight et. al., 2008; Subrahmanyam et. al., 2001).

Financial Reporting Quality

Financial reporting is not only a final output, the quality of this process depends on each part, including the selection of information, firm's transactions disclosure, and application of accounting policies and knowledge of the judgments made. Financial information issued by a firm has become an essential source for any market participant, since it will reduce the information asymmetries between managers, investors, society, regulatory agencies, and other stakeholders (Martínez, et. al., 2013). The main purpose of financial reporting is to provide high-quality accounting information regarding firm activities that are useful in making decisions (IASB, 2008).

Profitability and Financial Reporting Quality

Profitability is the most important and reliable indicator of firms' growth as it gives a broad indicator of the ability of firm to raise their income level (Ahmed, Naveed, & Usman, 2011). This therefore makes profitability to become one of the most important objectives of financial management, because one of the goals of financial management is to maximize firm owner's wealth and profitability which in turn indicates better financial performance (Malik, 2011). Financial report will definitely reveal the state of the profit of a firm to investors, stakeholders, shareholders and other interested parties to the firm's annual report.

Profitability is a characteristic that is believed can affect financial reporting quality. Profitability explains the firm's ability to earn profits in a certain period (Hermuningsih, 2012). Mahboub (2017) found that profitability has no significant impact on financial reporting quality, however Hassan, et. al., (2013) found that profitability has positive and significant impact on financial reporting quality. These might happen because firms that earn more profit tend to disclose more information to improve financial reporting quality, to distinguish them from firms with worse performance (Kartiningsih, & Daryanto, 2020).

Leverage and Financial Reporting Quality

Running a business may not always face a good financial situation, therefore the firm needs sources of funds from outside the firm to help the operating activities and maintain the continuity of its business. Meeting the needs of funds originating from outside the firm can be obtained from borrowing funds to creditors such as banks or non-bank financial institutions and investors by issuing shares or bonds to be offered to the public. Higher debt ratio shows the higher level of indebtedness and more financial leverage it has because of the greater amount of other people's money used to generate profits. Gitman (2015) explained that debt ratio measures the proportion of firm's total assets financed by creditors and it can be measured by: Debt Ratio = $Total\ Liabilities / Total\ Assets$. Fulfillment of funding sources from debt will affect the level of leverage ratio of firm, because it shows how much of assets that firm funding from external parties. Firms with high leverage ratio indicate to not good financial condition because the firm is running its operating activities mostly on debt funded.

Theoretical Review

Theoretical work on firm characteristics and financial reporting quality has produced a number of theories as to firm characteristics and financial reporting quality in Nigeria by non-financial quoted firms. This study

focuses on various theories that are useful to this research work. The theories adopted by the study are the Agency Theory and Resource Based Theory. The study is anchored on Resource Based Theory.

Agency Theory

In the agency theory, there are two involved parties of a corporation, namely principal and agent (Jensen, & Meckling, 1976). The owner of the firm as principal gives trust (formally in the form of contract of employment) to the management as agent who provides managerial services. In this case the agency problem is reflected by the presence of information asymmetry between principal and agent. The agent has more information regarding the firm compared to principal; therefore, agents will be able to affect the process of financial reporting to maximize their interests.

The outputs of financial reporting are considered as the firm's communication tool to stakeholders, which was determined by financial policies implemented by management. One of the issues that will reduce the financial reporting quality is earnings management. Healy and Wahlen, (1999) revealed that earnings management happened when managers use considerations in arranging transactions and reporting financial activities to transform the financial statements that will mislead stakeholders regarding the firm's economic basis, or to influence contractual outcomes that depend on reported accounting numbers.

Each individual is assumed to be motivated solely by their own interests, causing a conflict of interest between principal and agent. Principal is motivated to increase his wealth with increasing profitability, while agent is motivated to maximize the fulfillment of his economic and psychological needs in terms of obtaining investments, loans, and compensation contracts.

Based on agency theory, differences in interest between principal and agent will cause conflicts that are commonly called as "agency conflict". In Kholmi, (2010), Scott, (1997) explained that the essence of agency theory is the appropriate contract design to align principal and agent interests in the case of conflict of interest occur. Therefore, in agency theory, corporate governance must monitor and control management to ensure that they followed the rules and regulations. Agency theory considers the role of corporate governance mechanisms to reduce agency conflict between principal and agent (Healy, et. al, 1999).

Resource based Theory

This study is underpinned under the resource-based theory which was propounded by Wernerfelt in the year 1984. Pearce, and Robinson (2011) define the resource-based theory (RBT) as a method of analyzing and identifying a firm's strategic advantages based on examining its distinct combination of assets, skills, capabilities, and intangibles as an organization. This theory is concerned with internal firm characteristics and their effect on firm performance. It views the firm as a bundle of resources which are combined to create organizational capabilities which it can use to earn above average profitability (Grant, 1991). Each firm develops competencies from these resources, and when they are well developed, these become the source of the firm's competitive advantages.

This theory will aide in explaining profitability variation of intra industry firms as it specifically addresses firm characteristics rather than industry factors. The financial resources are normally measured by leverage ratios which enable the firm to increase its project financing by borrowing from debt providers.

METHODOLOGY

Research Design

The study adopted the use of discretionary accruals research design. This is due to the nature of the study which involves the study of firms' characteristics and same variables over long periods of time. Specifically, the study took a quantitative and comparative approach in examining the given population over a specified period of time. According to Dechow, Hutton-Kim, and Slogan (2012), discretionary accruals often provide managers the opportunities to manipulate profit due to the flexibility available to the firm.

Population of the Study

The population of this study consists of all quoted non-financial firms on the floor of the Nigerian Exchange Group (NGX) There were 154 quoted firms on the NGX as at 31st December, 2022 (NGX, 2022). Out of those firms, 46 were classified as financial quoted firms while the non-financial was 108. The non-financial firms were used to derive the sample size through the application of Yamane, (1967) formula.

Sample Size and Sampling Technique

For a heterogeneous population, the statistical formula for determining sample size is used to determine the sample size with 5% being used as the limit of tolerable error. The sample size according to Okeke, (1995) can be determined by using Yamane formula which states that:

$n= N/1+N(e)^2$. Where:

n= Sample Size

N= Population of the Study

e= Co-efficient of Confidence or margin of error

Therefore, using $n =N/1+N(e)^2$

$n=108/1+108(0.05)^2$

$n= 108/1+108(0.0025)$

$n= 108/1+0.27$

$n= 114/1.27$

$n= 85$

Therefore, n = 85 companies

The sample for the study was 85 firms which had available and accessible annual reports that covered the study period (2018-2022). The method of sampling was simple random sampling technique.

The justification for the simple random sampling was because it had the major strengths which justified its selection for the study. Notably among its strengths tend to yield representative samples where each selection was independent of other selections, and every possible combination of sampling unit had and equal and independent chance of being selected.

Sources of Data

This study employed the use of secondary data which comprises of the annual reports and accounts of non-financial firms quoted on the floor of the Nigeria stock exchange.

DATA ANALYSIS

A panel data regression differs from a regular cross section or time series regression by way of a double subscription on its variables (Baltagi, 2005). i.e

$Y_{it} = \beta_0 + \beta_1 X_{it} + \varepsilon_{it}$, i=1,…, N; t=1,…T

ε_{it} is a random term: $E(\varepsilon_{it}) \sim N(0,\sigma^2)$

There are three ways we can estimate the equation using either the pooled model, random effect model or fixed effect model (Baltagi, 2005; Wooldridge, 2002). The pooled model ignores the panel nature of the data and treats the error term (ε) as identically and independently distributed disturbances that are uncorrelated with X. The model postulates that both the intercept and the slope are the same across units and time.

$Cor(\varepsilon_{i,} X_i) = 0$

In this case the data is pooled and OLS was used to estimate the model. The second and third approaches (Random effect model and Fixed effect model), assume that each unit have their own intercepts while restricting the scope to be homogenous. In order to address such heterogeneity the error term is decomposed into two independent parts:

$\varepsilon_{it} = \lambda_i + \mu_{it}$

Where λ_i is called individual specific effect (unobserved heterogeneity) and it is time invariant. Furthermore, in making the decision on the appropriate model used, two basic tests were used to make the decision. The first of these was the Breuch-Pagan, Lagrangian Multiplier (LM) test. It was used to select between the pooled and the random effect model. If $\sigma^2 \lambda = 0$, then OLS would meet the BLUE properties as there would be no autocorrelation. Otherwise, the random effect is more appropriate.

HO: $\sigma^2 \lambda = 0$, (Pooled OLS)

HA: $\sigma^2 \lambda > 0$, (Random effects)

The second test that was used is the Hausman specification test. The Hausman test was used to select between the fixed effect and random effect estimator in panel data analysis. The distinction between the fixed and random effect model is that the fixed effect model allows for correlation between the unobserved effect and the independent variable. On the other hand, the random effect does not allow for any correlation (Hausman, 1978). The Hausman test is also conducted to check for correlation between the independent variable and error term. If such relationship is present, the fixed effect model is said to be appropriate (Hausman, 1978; Wooldridge, 2000).

H0: Cov (λi, Xit) = 0 (no correlation between λi and Xit) random effects model

HA: Cov (λi, Xit) $\neq$ 0 (correlation between λi and Xit) fixed effects model

Model Specification

The model of the effect of firm characteristics and financial reporting quality is anchored on the positive accounting theory which purports that firm characteristics will have an influence on financial reporting quality of the firm. The model is presented in the equation below:

$FRQ_{it} = \beta_0 + \beta_1 PROF_{it} + \beta_2 LEV_{it} + \varepsilon_{it}$ 1

FRQ	=	Financial Reporting Quality
PROF	=	Profitability
LEV	=	Leverage
β0, β1, B2	=	Constant term and regression coefficients
Ɛ	=	Error term

Our apriori expectations are as follows: β1<0, β2<0, β3<0, which means we expect a negative relationship between all our variables and earnings management

Measurement of Variables

This study used the cross-sectional variation of the modified Jones model to measure discretionary accruals, which is a proxy for earnings management. The income smoothing model by Kothari, Andrew, and Wasley (2005) was also employed as an alternate measure for income smoothing. Both measures were selected because they have been used by several studies in measuring earnings management and have been reported as having high explanatory power.

Discretionary accruals have been extensively used as a proxy for earnings management. Dechow, Richardson, and Tuna (2003) argue that the modified Jones model has been the most widely used model for the estimation of discretionary accruals. They assert that discretionary accruals clearly display earnings manipulation and that with earnings being temporarily high, firms with positive discretionary accruals do have lower future earnings and lower future stock returns. Discretionary accruals are obtained as follows:

DA = TACC – NDA

TACC=NDA+ DA

Where TACC is Total accruals

NDA is Non-discretionary Accruals

DA is Discretionary accruals

$TACCit = a\ (1/ASSETSit\ -1) + a_1\ (\Delta\ REVit - \Delta RECit) + a_2\ PPEit + Eit$

Where TACCit is total accruals in year t for firm i

Δ REVit is revenues in year t less revenues in year t -1 for firm i

ΔRECit is receivables in year t less receivables in year t -1 for firm i

PPEit is gross property, plant and equipment in year t for firm i

Eit is error term (residuals) in year t for firm i

RESULTS

Analysis of the Regression Results and Discussion of Findings

Table 3: Results of the Regression Analyses

VARIABLE	POOLED	RANDOM EFFECT	FIXED EFFECT
C	0.10 (0.9207)	0.12 (0.91)	0.71 (0.48)
PROF	-0.05 (0.96)	-0.06 (0.95)	-1.05 (0.30)
LEV	0.03 (0.06)	4.54 (0.00)	2.26 (0.02)
R-squared	0.02	0.02	0.34
Adjusted R-squared	0.01	0.01	0.14
F-statistic	2.04	2.04	1.68
Prob(F-statistic)	0.09	0.08	0.0000
Durbin-Watson Stat	1.78	1.78	2.50
Redundant Fixed Effects Test		157.13 (0.0000)	
Hausman		0.00 (1.00)	
Observations	400	400	400

Source: Researchers Computation (E-views) 2023
(All variables are significant at the 5% level. The probability values are in parenthesis)

Analyses of Regression Results

The result of the regression analysis presented in table 3 above shows the pooled, random effect and fixed effect regression analysis. The result of the redundant fixed effect with F-statistic value of 157.13 and probability value of 0.0000 from table 3 shows the pooled OLS is not adequate hence we proceed to test between fixed and random effects model. The result of the Hausman test in table 3 with a probability value of 1.00 and a Chi-sq value of 0.00 shows preference for the random effect model. The result of the Hausman test accepts the null hypothesis of equality of coefficients between the random and fixed effect model. The coefficient of multiple correlation of the pooled regression result is 0.02 with an adjusted R-square of 0.01. The coefficient of multiple correlation of the fixed effects model is 0.34 with an adjusted R-square of 0.14. The random effect model has a coefficient of multiple correlation of 0.02 with an adjusted R-square of 0.01. The adjusted R-square value of 0.01 shows that about 1% of the systematic cross-sectional variation of the dependent variable of financial reporting quality is accounted for by the independent variables of profitability and leverage. The F-statistic value of 2.04 obtained from the random effect model and the

significant probability value of 0.08 shows that a significant linear relationship exists between the dependent variable and the independent variables.

Test of Hypotheses

H_1: There is no significant relationship between profitability and financial reporting quality

The result of the random effect regression analysis from table 3 shows that our *apriori* expectation of $\beta_1 < 0$ could not be sustained with a t- value of -0.06 and a probability value of 0.95. The result showed a non-significant relationship of profitability on financial reporting quality. The result accepts the null hypothesis of no significant relationship between profitability and financial reporting quality. The result disagreed with Soyemi, and Olawale (2019) that revealed profitability to have positive effect quality on financial report, Soyemi, et. al., (2019) further asserted that firm profitability has also been argued to have a positive influence on the quality of financial reporting. Profitable firms will be less likely to perform earnings management.

H_2: There is no significant relationship between leverage and financial reporting quality

The result of the random effect regression analysis from table 3 shows that our *apriori* expectation of $\beta_2<0$ could not be sustained with a positive and statistically significant effect with a t-value of 4.54 and probability value of 0.00. The regression result shows that leverage predicts financial reporting quality. Hence the null hypothesis of no significant relationship between leverage and financial reporting quality is rejected. The study agrees with Echobu, Okika, and Mailafia (2017) the findings showed significant positive impact of leverage, board size and liquidity on quality of financial reporting. Also, the study of Mahboub, (2017) the result on leverage revealed that financial leverage has significant positive impact on quality of financial reporting. Meanwhile, profitability and size of firm has not much impact on financial reporting quality of firms. Shehu, (2013) study supports the rejected the null hypothesis of no significant relationship of leverage and financial reporting quality the findings indicated there is positive and significant association between leverage, audit committee, independent directors, managerial shareholdings, block, institutional and financial reporting quality. The study disagreed with Akhgar, and Karami (2014) that found out that leverage and board composition have significant negative influence on quality financial reporting.

DISCUSSION OF FINDINGS

The study empirically investigates the relationship between firm characteristics (profitability, leverage) and financial reporting quality using descriptive statistics, correlation analysis and panel regression analysis as the methods of analysing the data collected from the annual financial reports of firms listed on the NGX from 2018 to 2022.

Panel regression analysis revealed that no significant relationship exists between profitability and financial reporting quality. The result agrees with the study of Mahboub, (2017) that also found profitability having no significant impact on financial reporting quality. The result is at variance with the school of thought that posits firms earn more profit tend to disclose more information in order to improve their financial reporting quality, distinguishing them from firms with weaker performance (Kartiningsih, et. al., 2020; Hassan, et. al., 2013).

The result for leverage revealed that leverage has a positive significant relationship with financial reporting quality. The result agrees with studies that found a relationship between debt financing and financial performance (Kartiningsih et. al., 2020; Syed, 2013).

CONCLUSION

The study was to examine the relationship between firm characteristics and financial reporting quality of the firm. The results from the panel regression estimated reveal mix findings for the firm characteristic variables in relation to the financial reporting quality. The result showed that profitability is found to have no significant relationship with financial reporting quality, leverage was found to have a positive relationship with financial reporting quality.

The results of the study add to the growing body of firm characteristics and financial reporting quality literature within an emerging economy. The study recommends that emphasis should not be on structuring the financial report to show profit at all cost but rather management should prepare the financial statement to show the true state of affairs of the firm at any point in time. Again, the debt profile of the firm should be given serious attention as high debt often drives. earnings management behaviour in firms as reports would have to be manipulated to satisfy certain conditions that might be contained in debt contracts

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