

Research Paper

## International Financial Reporting Standards Adoption and Financial Reporting Quality in Nigeria: A Comparative Analysis of Manufacturing and Banking Sectors

Submitted on 16<sup>th</sup> October 2025

Accepted on 09<sup>th</sup> January 2026

Evaluated by a double-blind review system

**MBAZULIKE JULIET UCHE<sup>1</sup>**  
**OLUWAMAYOWA OLALEKAN IREDELE<sup>2</sup>**  
**SEMIU BABATUNDE ADEYEMI<sup>3</sup>**

### Abstract

**Purpose:** This study examines the impact of International Financial Reporting Standards (IFRS) adoption on financial reporting quality in Nigeria's listed manufacturing and banking sectors, using discretionary accruals as a proxy for financial reporting quality.

**Design/Methodology/Approach:** Employing descriptive statistics and the Wilcoxon Signed Ranks Test on data from eleven listed firms per sector over an eight-year period pre-IFRS adoption (2008–2011) and post-IFRS adoption (2021–2024), the study compares financial reporting quality before and after IFRS implementation.

**Findings:** The analysis reveals divergent outcomes post IFRS adoption. In the manufacturing sector, discretionary accruals became significantly more negative and unpredictable, indicating increased earnings manipulation and a decline in reporting quality. Conversely, the banking sector showed no statistically significant change, reflecting stronger institutional enforcement and regulatory oversight.

**Research Limitations/Implications:** The study highlights the critical role of institutional capacity and enforcement mechanisms in determining the effectiveness of IFRS adoption, implying that adoption alone without robust governance may aggravate earnings management. The findings suggest policymakers and regulators should strengthen institutional enforcement to ensure IFRS adoption improves financial reporting quality.

**Practical Implications:** The findings suggest policymakers and regulators should strengthen institutional enforcement to ensure IFRS adoption improves financial reporting quality.

**Originality/Value:** This research uniquely compares the effects of IFRS adoption across two key sectors in Nigeria, underscoring how sector specific institutional factors influence financial reporting outcomes post adoption.

**Keywords:** *International Financial Reporting Standards; Financial Reporting Quality; Discretionary Accruals; Adoption; Manufacturing Sector; Banking Sector.*

---

<sup>1</sup>\* Mbazulike Juliet Uche, Business Education Department, Federal College of Education Katsina, Katsina State, Nigeria. uchemba2007@yahoo.com

<sup>2</sup> Oluwamayowa Olalekan Iredele, Nigeria. oiredele@unilag.edu.ng

<sup>3</sup> Semiu Babatunde Adeyemi, Nigeria. sadeyemi@unilag.edu.ng

## **1. Introduction**

One of the most significant reforms in contemporary accounting regulation is the global adoption of International Financial Reporting Standards (IFRS), which seeks to harmonize financial reporting practices and enhance the quality, transparency, and comparability of financial information across countries (Alade & Iredele, 2023). This reform has gained prominence as the global economy increasingly depends on credible and comparable financial information to support investment decisions, regulatory oversight, and efficient capital allocation.

Nigeria joined this global transition in 2012 by mandating IFRS adoption for publicly listed entities, including deposit money banks and manufacturing firms. The policy objective was to improve the credibility and comparability of financial statements, strengthen investor confidence, and align Nigeria's reporting framework with international best practices (Dibua, Ikilidih, & Mohammed, 2024). Prior to this transition, Nigerian firms prepared financial statements using Nigerian Generally Accepted Accounting Principles (NGAAP), which were largely rule-based, lacked international comparability, and were considered outdated relative to evolving global reporting requirements.

IFRS, being principles-based, places greater emphasis on substance over form and allows professional judgment in financial reporting. In theory, this flexibility should lead to improved financial reporting quality by reducing opportunistic accounting practices and enhancing the informativeness of reported earnings (Enakirerhi & Ejelonu, 2020). However, the realization of these benefits largely depends on institutional capacity, regulatory enforcement, and sector-specific oversight mechanisms.

The manufacturing and banking sectors provide an important context for evaluating the effects of IFRS adoption in Nigeria. Manufacturing firms play a critical role in industrialization, employment generation, and gross domestic product growth, while the banking sector underpins financial intermediation and systemic stability. High-quality financial reporting in both sectors is essential for effective risk assessment, capital allocation, and economic development. Nevertheless, the two sectors operate under markedly different regulatory environments, which may influence how IFRS affects reporting outcomes.

In the banking sector, IFRS adoption was expected to enhance transparency in areas such as credit risk recognition, loan loss provisioning, and fair value measurement. Empirical evidence suggests that these expectations may be realized where strong regulatory oversight exists. For instance, Dibua, Ikilidih, and Mohammed (2024) report improvements in earnings quality and reductions in discretionary accruals among listed Nigerian banks following IFRS adoption, while emphasizing the critical role of institutional enforcement. By contrast, studies in the manufacturing sector document improvements in disclosure quality and informational usefulness of financial reports, but also highlight persistent challenges related to compliance costs, technical capacity, and enforcement limitations (Alade & Iredele, 2023).

International evidence similarly presents mixed outcomes. Hassan and Souissi (2022) document reduced income smoothing and improved earnings quality following IFRS adoption in Middle East and North African countries, while El Amrani and Ben Amar (2023) find enhanced value relevance of accounting information in capital-intensive industries such as manufacturing. Conversely, evidence from developed economies cautions that the flexibility inherent in IFRS may lead to inconsistent application where regulatory enforcement is weak, potentially undermining reporting quality (Hicks, 2024). Despite the anticipated benefits, Nigeria's experience with IFRS adoption has been constrained by several institutional challenges, including inadequate training of accounting personnel, limited technical infrastructure, and regulatory gaps (Uchenna & Obigwe, 2021). Transition costs have been particularly burdensome for medium-sized manufacturing firms, limiting the full realization of IFRS benefits. Consequently, empirical findings on post-IFRS financial reporting quality in Nigeria remain inconclusive, especially in environments characterized by weak enforcement mechanisms (Enakirerhi & Ejelolu, 2020).

Given the economic importance of the manufacturing and banking sectors and their differing regulatory environments, a comparative assessment of IFRS adoption is both timely and necessary. This study therefore examines the impact of IFRS adoption on financial reporting quality in listed Nigerian manufacturing firms and deposit money banks, using discretionary accruals as a proxy for reporting quality. Specifically, the study compares financial reporting quality in the pre- and post-IFRS adoption periods to determine whether sector-specific institutional and regulatory factors influence reporting outcomes.

To achieve the above, the study adopts a retrospective comparative approach to investigate the effect of IFRS adoption on financial reporting quality. The structure of the paper is outlined as follows: Section 2 reviews the literature; Section 3 details the methodology, sample selection and model specification, Section 4 presents results; Section 5 discusses findings in light of theories; Section 6 concludes with recommendations and future research directions.

## **2. Literature Review**

### ***2.1 International Financial Reporting Standards (IFRS)***

IFRS is a globally recognized framework of accounting standards developed by the International Accounting Standards Board (IASB) to promote consistent, transparent, and comparable financial reporting across jurisdictions (IFRS Foundation, 2023). The standards harmonize accounting practices, enhancing the relevance of financial information for investors, regulators, and other stakeholders. In Nigeria, IFRS adoption represents a shift from traditional financial reporting, aimed at improving corporate performance through higher quality and reliable disclosures (Nwufu & Chima, 2021). Compliance with IFRS has been shown to improve profitability indicators and market valuation by aligning domestic practices with international benchmarks.

Suleiman and Sani (2021) describe IFRS as disclosure-driven, improving clarity and accountability, particularly in industries where complex contracts previously hindered comparability. Udofia and Ikpantan (2023) emphasize its role as a “universal financial reporting language” that reduces information asymmetry and facilitates foreign investment. Rahaman (2024) highlights IFRS’s global applicability across 160+ jurisdictions, promoting transparency and comparability, while Okwuosa (2024) notes the evolving scope of IFRS to include sustainability reporting, reflecting environmental, social, and governance considerations. Collectively, these perspectives position IFRS as a comprehensive framework that supports national economic development, investor confidence, and global alignment in financial reporting.

#### **2.1.1 Pre-IFRS Adoption in Nigeria**

Prior to IFRS, Nigeria relied on the Statements of Accounting Standards (SAS) under the Nigerian Generally Accepted Accounting Principles (NGAAP). Influenced by early International Accounting Standards (IAS), SAS lacked comprehensive guidance on

critical areas such as fair value measurement, impairment, financial instruments, and segment reporting, and was governed by the Companies and Allied Matters Act (CAMA, 1990) and NASB Act (2003).

The World Bank (2004) criticized SAS as outdated and inadequate for transparency and international comparability. This prompted the Federal Executive Council to approve a phased IFRS adoption roadmap in 2010: publicly listed and major public interest entities by 2012; other public interest entities by 2013; and SMEs by 2014 (Federal Executive Council, 2010). Institutional reform followed with the establishment of the Financial Reporting Council of Nigeria (FRCN) in 2011, replacing NASB to oversee IFRS implementation (FRCN Act, 2011). The pre-IFRS era was thus marked by limited disclosures and low alignment with global reporting standards.

### 2.1.2 Post-IFRS Adoption in Nigeria

Post-adoption refers to the period from January 1, 2012, when IFRS became mandatory for Nigerian firms. This transition aimed to enhance the relevance, transparency, and global comparability of financial statements (FRCN, 2011). Studies indicate that earnings and book values became more reflective of firm valuation (Alabede, 2016), and stronger correlations emerged between accounting numbers and share prices in listed banks (Umoren & Enang, 2015).

Financial reporting quality improved through standardized accounting treatments, better disclosures, and alignment with global practices (Ayoola & Azeez, 2021). However, sectoral differences are evident. Banks, due to stricter regulatory oversight by the Central Bank of Nigeria, show more consistent improvements in reporting quality. Manufacturing firms face weaker enforcement and technical capacity gaps, leading to uneven IFRS application (Nwinkonzor & Odoemelam, 2024; Big-Alabo & Ofurum, 2021). Corporate governance remains a key determinant; firms with robust controls and board oversight are better positioned to benefit from IFRS compliance (Ajibade, 2022).

## ***2.2 Financial Reporting Quality***

Financial reporting quality encompasses the accuracy, clarity, and usefulness of financial statements in reflecting an organization's economic reality (Dechow, Ge & Schrand, 2010). High-quality reports are relevant, faithfully represented, comparable, and understandable (IASB, 2018). Relevance ensures information informs decision-making

(FASB, 2010), faithful representation emphasizes completeness and neutrality, comparability allows meaningful analysis across firms and periods (Francis et al., 2004), and understandability ensures clarity for users (Schipper, 2007).

In Nigeria, financial reporting quality has historically been influenced by governance, regulatory enforcement, and professional competence (Owolabi & Iyoha, 2012; Okike & Mgbame, 2017). Weak enforcement and earnings management previously undermined reporting quality. Post-IFRS adoption, improvements in auditing standards and internal controls have enhanced the reliability and comparability of financial statements (Egbunike & Okafor, 2012; Alabede, Ariffin & Idris, 2011). Nonetheless, gaps remain in professional training, regulatory enforcement, and compliance (Ayoola & Azeez, 2021). Empirical evidence using discretionary accruals indicates reduced earnings management post-adoption, reflecting improved reporting quality (Egbunike & Okafor, 2012; Alabede, 2016).

## ***2.3 Theoretical Framework***

### ***2.3.1 Agency Theory***

Jensen and Meckling (1976) highlight conflicts between shareholders and managers, which can result in earnings manipulation (Watts & Zimmerman, 1986). IFRS adoption in Nigeria aims to mitigate these agency problems by enhancing transparency and comparability (FRCN, 2011). Empirical studies confirm that stricter IFRS rules reduce managerial discretion and earnings management, though weak enforcement and limited auditor independence can limit effectiveness (Ball, Robin, & Wu, 2003; Umoren & Enang, 2015; Alabede, 2016; Bushman & Landsman, 2010).

### ***2.3.2 Institutional Theory***

Institutional theory explains how organisations adopt practices to gain legitimacy and resources under social, cultural, and regulatory pressures (DiMaggio & Powell, 1983). In Nigeria, IFRS adoption was influenced by regulators, professional bodies, investors, and global stakeholders (Scott, 2014). Organisations imitate successful peers and follow professional norms, leading to more standardized reporting. Post-adoption, reporting quality varies by governance strength, professional skill, and institutional support (Okike & Mgbame, 2017; Ayoola & Azeez, 2021).

Together, agency theory explains internal conflict reduction, while institutional theory highlights external pressures and legitimacy-seeking behaviors in IFRS adoption

### ***2.4 Empirical Review***

The adoption of IFRS across the world has generated various scholarly investigations into its impact on the credibility and transparency of corporate financial disclosures, especially within developing countries such as Nigeria. The study by Chizue (2020), which focused on the Nigerian banking sector examined financial statements from nine deposit money banks that reported under Nigerian GAAP in 2011 and IFRS in 2012. Employing an ex-post facto design and paired Student's *t*-tests, the study compared earnings quality indicators such as post tax earnings, income from interest generating activities, and provisions made for potential loan losses across the two periods. The findings indicated no significant changes in earnings management behavior post IFRS integration, signifying that the mandatory adoption of the standards had limited immediate effect on the quality of financial disclosures in Nigerian banks..

Similar study conducted by Awinbugri and Boahen (2021) in Ghana focused on 16 non-financial listed firms. Using logistic regression and earnings quality proxies such as positive earnings smoothing and timely loss recognition, the study found a notable reduction in earnings manipulation following the adoption of IFRS. The results suggested that firms adopted a more cautious approach in their financial reporting and demonstrated a greater tendency to report losses promptly, indicating enhanced transparency and reliability in financial statements.

A study by Adedokun, Gbadebo, Adekunle, and Akande (2022) offered more robust evidence supporting the international accounting standards on the quality of corporate financial disclosures within the Nigeria context. Covering a wide sample of 125 firms across 11 sectors from 2003 to 2020, the study employed the Modified Jones model to assess the extent of earnings management. The authors conducted panel corrected standard error regressions and Welch Satterthwaite tests to compare financial statement quality before (2003–2011) and after (2012–2020) the adoption of the new standards. Their findings revealed a statistically significant decline in discretionary accruals following IFRS adoption.

Building on sector specific insights, Isah, Falope and Asuqwo (2023) investigated how the introduction of international accounting standards affected earnings manipulation in Nigeria's manufacturing industry. Their study analyzed data from selected manufacturing firms covering the periods 2008–2011 (prior to the standards) and 2016–2020 (following their adoption). Employing the Modified Jones model and logistic regression analysis with IFRS adoption represented by a binary dummy variable, the study concluded that discretionary accruals significantly declined in the latter period. These findings indicate that the implementation of IFRS successfully curtailed earnings manipulation in Nigeria's manufacturing sector, thereby improving financial reporting quality.

Further supporting these findings, a study conducted by Gbadebo (2023) examined entities listed on the Johannesburg Stock Exchange. The research utilized the Jones model and a random effects regression approach, incorporating adjustments for internal organisational attributes such as company scale, expansion rate, debt levels, and cash flows. The results indicated a statistically meaningful inverse association between the adoption of international financial reporting standards and the extent of management influenced accruals. This outcome underscores the possibility of IFRS to serve as an effective governance tool in limiting managerial discretion and improving financial disclosure practices.

In contrast, a study by Sulaiman, Musa and Kasum (2024) assessed the implications of adopting IFRS in relation to audit quality, using managerial discretion in accrual accounting as a proxy, in Nigeria's financial services sector. The sample comprised 20 institutions, 10 banks and 10 insurance companies, with data spanning from 2006 to 2022. The study used both the Modified Jones model and a discretionary expenses model within a static panel regression framework. Contrary to some earlier findings, the researchers found no significant improvement in audit quality as measured by discretionary accruals. However, they observed a statistically significant decline in discretionary expenses, suggesting partial improvements in reporting discipline, though not necessarily in core earnings management.

#### 2.4.1 Gaps in Empirical Review

Previous researches exploring the connection between IFRS implementation and financial reporting quality in Nigeria have yielded mixed and often inconclusive results. Many of the existing research has concentrated on either the banking or manufacturing sector individually, using short post adoption periods that capture only the initial years

following IFRS implementation (typically between 2012 and 2016). This transitional phase is marked by organisational adjustment challenges, inconsistent regulatory enforcement and limited IFRS experience, which could distort the true effect of the standards in relation to the quality of financial disclosures.

Also prior researches often employs accruals influenced by managerial discretion as the sole proxy for measuring financial reporting quality, without considering changes in economic conditions, institutional maturity or sectoral differences over time. Moreover, several studies apply inconsistent pre and post adoption periods, overlapping financial years or leaving substantial gaps that weaken the validity of comparative analysis.

The current study addresses these gaps in several ways. First, by selecting two strategically important sectors, banking and manufacturing which captures cross-sectoral dynamics while remaining focused. Second, the study uses a clearly defined pre IFRS period (2008–2011) and a non-overlapping, long term post IFRS period (2021–2024). This allows for the evaluation of IFRS impact in a mature reporting environment, beyond the immediate post adoption phase. It also accounts for significant macroeconomic changes and regulatory developments that have shaped financial reporting in recent years.

Therefore, the research gap this study addresses is the lack of long term, sector sensitive and methodologically robust analysis concerning IFRS implementation and its influence on the quality of financial reporting in Nigeria, particularly in the post 2020 period. Addressing this shortfall allows the study to offer greater insight into whether IFRS adoption has had a lasting role in limiting earnings manipulation and enhancing transparency in Nigerian listed firms. The study therefore hypothesizes as follows:

**H<sub>01</sub>:** There is no significant difference in the financial reporting quality of listed manufacturing companies in Nigeria between the pre and post IFRS adoption periods.

**H<sub>02</sub>:** There is no significant difference in the financial reporting quality of listed deposit money banks in Nigeria between the pre and post IFRS adoption periods.

### 3. Methodology

#### 3.1 Research Design

The research adopts a retrospective comparative approach to evaluate how the implementation of IFRS has influenced the quality of financial reporting using secondary data extracted from published annual statements of the firms in manufacturing and banking sectors.

#### 3.2 Population

The population comprises thirty nine manufacturing companies and thirteen licensed deposit taking banks registered on the Nigerian Exchange Group.

#### 3.3 Sample Size and Sampling Technique

The research sample comprises eleven manufacturing companies and eleven deposit money banks, all of which are listed on the Nigerian Exchange Group. Data was collected over an eight year span, covering two distinct periods (2008–2011) and (2021–2024). It is important to note that the period 2012–2020 is excluded because although IFRS became mandatory in Nigeria in 2012, many firms experienced transitional challenges and inconsistencies in adoption during these years. To ensure data consistency and reliability, only pre-IFRS (2008–2011) and stable post-IFRS (2021–2024) periods are considered. Convenience sampling technique was employed to filter the sample from the total population. The criteria that was used to filter the sample include listed manufacturing companies and banks in existence pre and post IFRS adoption, full adoption of IFRS, available and consistent annual statement for pre IFRS period (2008 - 2011) and post IFRS period (2021 - 2024).

*Table I. Sample Characteristics*

Sector	Total Population	Sample Size	Sample Criteria
Manufacturing	39	11	Listed pre and post IFRS, full adoption, available annual statements
Banking	13	11	Listed pre and post IFRS, full adoption, available annual statements

*Source: Research Study, 2025*

#### 3.4 Method of Data Collection and Analysis

This research relied on secondary data derived from audited annual reports, which were retrieved from the Nigerian Exchange Group database and official company websites. Sector-specific reporting standards are considered: for the banking sector, mandatory Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) reporting requirements were

acknowledged when interpreting results, given that banks are subject to stricter prudential reporting rules compared to manufacturing firms. Key financial indicators and disclosures relevant to reporting quality were extracted. The dataset was examined through descriptive statistical methods and Wilcoxon Signed Ranks Test to assess the relationships between IFRS transition and financial reporting quality.

### ***3.5 Operationalization and Measurement of Variables***

#### **3.5.1 IFRS Adoption**

This refers to the process by which a country or company transitions from its local accounting standards to the international financial reporting standards. IFRS adoption is measured using the dummy variable, where pre IFRS adoption years is coded as 0 and 1 for post IFRS adoption years (Barth, Landsman & Lang, 2008; Ahmed, Neel & Wang, 2013; Dechow & Dichev, 2002); Iyoha & Faboyede, 2011)

#### **3.5.2 Financial Reporting Quality (FRQ)**

It is the level to which a company's annual reports accurately and reliably reflects its actual financial performance and position. According to prior literature by Ball and Shivakumar (2005), FRQ is proxied by the level of discretionary accruals, as estimated via the Modified Jones Model. Discretionary accruals are calculated by subtracting non-discretionary accruals from total accruals, with the total accruals first being adjusted by dividing them by the prior period's total assets (Dechow, Sloan & Sweeney, 1995; Barth, Landsman & Lang, 2008; Odia & Ogiedu, 2013).

### ***3.6 Model Specification***

The study operationalizes agency and institutional theories to interpret discretionary accruals. Agency theory guides the assessment of managerial opportunism through earnings management, while institutional theory explains sectoral differences based on regulatory and organisational structures. The study therefore adopts a Modified Jones Model commonly used as a proxy to assess the quality of financial reporting. According to Dechow et al. (1995) and Barth et al. (2008), this model is regarded as one of the most widely accepted approaches for estimating discretionary accruals among the available models. Based on their findings, discretionary accruals can be derived using the following method:

Discretionary Accruals = (Total Accruals / Lagged Total Assets) - Non Discretionary Accruals.

Therefore,  $TA_{it} = NI_{it} - CFO_{it}$  .....1

where;

$TA_{it}$  represents the Total Accruals for firm  $i$  in year  $t$

$NI_{it}$  refers to the Net Income for firm  $i$  in year  $t$

$CFO_{it}$  denotes Cash Flow from Operations for firm  $i$  in year  $t$

To estimate Non-Discretionary Accrual using the regression model;

$$NDA_{it} = \tilde{\alpha}_1 \left( \frac{1}{A_{i,t-1}} \right) + \tilde{\alpha}_2 \left( \frac{\Delta REV_{it} - \Delta REC_{it}}{A_{i,t-1}} \right) + \tilde{\alpha}_3 \left( \frac{PPE_{it}}{A_{i,t-1}} \right) \dots\dots\dots 2$$

where;

$A_{i,t-1}$  denotes the total assets of firm  $i$  at the beginning of year  $t$

$\Delta REV_{it}$  represents the change in Revenue for firm  $i$  in year  $t$

$\Delta REC_{it}$  refers to the change in receivables for firm  $i$  in year  $t$

$PPE_{it}$  indicates the gross property, plant, and equipment for firm  $i$  in year  $t$

$\tilde{\alpha}_1, \tilde{\alpha}_2, \tilde{\alpha}_3$  refers to estimated regression coefficients

Then calculate Discretionary Accruals thus;

$$DA_{it} = \frac{TA_{it}}{A_{i,t-1}} - NDA_{it} \dots\dots\dots 3$$

where;

$DA_{it}$  refers to the discretionary accruals for firm  $i$  in year  $t$ .

$TA_{it}$  indicates the total accruals

$A_{i,t-1}$  denotes the total assets at the beginning of year  $t$ .

$NDA_{it}$  represents non-discretionary accruals, estimated using the Regression.

## 4. Results

### 4.1 Descriptive Statistics of Variables

This section summarizes the main variables utilized in this research, including important descriptive statistics like averages and measures of spread. This preliminary examination is essential for framing the interpretation of the implications of pre and post IFRS adoption on discretionary accruals of manufacturing sector.

**Table II.** Descriptive Statistics of Manufacturing Sector

Variables	N	Min	Max	Mean	Std. Deviation
Manufact. Sector Pre IFRS & Discretionary Accruals	44	-32316122.47	5577897.02	-7584672.9765	9862158.36468
Manufac. Sector Post IFRS Discretionary Accruals	44	-475372765.62	22618733.37	-60341446.9443	106824040.67767
Valid N (listwise)	44				

Source: Research Study, 2025.

From table 2, the mean discretionary accruals declined from -7.58 million to -60.34 million, indicating greater earnings manipulation post IFRS. Standard deviation increased from approximately 9.86 million pre IFRS to over 106.82 million post IFRS, more than tenfold post-IFRS, suggesting increased inconsistency and volatility in accrual reporting. The range expanded significantly post IFRS, reflecting more extreme values and potential changes in firms’ accounting behavior. The above result implies a possible decline in the quality of financial reporting within the manufacturing sector subsequent to the adoption of IFRS. The increased discretion and variability could indicate weaker enforcement, sector-specific challenges or greater room for earnings management under IFRS.

**4.2 Normality Test**

Testing for normality helps to determine whether the data meet the assumptions required for the suitable statistical tool. This section presents the results of normality tests on IFRS adoption and discretionary accruals for manufacturing sector, examining whether the data are normally distributed across the two periods under study. The findings will guide the selection of appropriate statistical methods for subsequent hypothesis testing.

**Table III.** Normality Test of Manufacturing Sector

Variables	Valid Cases	Missing Cases	Total Cases	Skewness	Kurtosis
Pre IFRS & Discrt. Accruals	44	0	44	-1.008	-0.271
Post IFRS & Discrt. Accruals	44	0	44	-2.781	7.626

Source: Research Study, 2025

As shown in table 3, all 44 observations from both the pre IFRS and post IFRS periods are valid, with no missing values. This ensures the reliability of the normality tests. Pre IFRS data shows moderate skewness (-1.008) and near normal kurtosis (-0.271), suggesting that the distribution is not perfectly normal, but not severely distorted. Post

IFRS data, however, shows severe negative skewness (-2.781) and high kurtosis (7.626), indicating a non-normal distribution with outliers and a sharp peak, a typical sign of extreme values. Given the strong skewness and excess kurtosis in the post IFRS period, the assumption of normal distribution is violated. Therefore, using parametric tests may not be appropriate. Instead, using non-parametric tests, such as the Wilcoxon Signed Ranks test which do not require the normality assumption and is more robust in the presence of outliers is a better option.

### 4.3 Hypotheses Testing

This section empirically evaluates the formulated hypotheses by analyzing the outcomes of inferential statistical procedures. The decision criterion hinges on the p-values generated by the statistical software employed. A p-value below the 5% threshold indicates statistical significance, leading to the rejection of the null hypothesis. Conversely, a p-value equal to or exceeding 5% suggests no statistical significance, thereby supporting the null hypothesis.

$H_{01}$ : There is no significant difference on the financial reporting of listed manufacturing companies in Nigeria between the pre and post IFRS adoption periods.

**Table IV.** Wilcoxon Signed Ranks Test (Manufacturing Sector)

Type of Rank		N	Mean Rank	Sum of Ranks
Manufact. Sector Post IFRS < Manufact. Sector Pre IFRS	Negative Ranks	34	25.24	858.00
Manufact. Sector Post IFRS > Manufact. Sector Pre IFRS	Positive Ranks	10	13.20	132.00
Manufact. Sector Post IFRS = Manufact. Sector Pre IFRS	Ties	0		
	Total	44		

#### Test Statistics

Test	Z	P-value
Wilcoxon Signed Ranks Test	-4.236	0.000

Source: Research Study, 2025.

The test results in table 4 indicate a clear directional change in discretionary accruals between the two periods. Out of 44 firms, 34 (77.3%) exhibited more negative discretionary accruals after the adoption of IFRS, while only 10 firms showed an increase.

There were no ties, meaning all firms experienced some degree of change. The predominance of negative ranks suggests a general trend toward lower (i.e., more negative) discretionary accruals post IFRS, which may imply increase in earnings management and a decline in financial reporting quality.

Statistically, the Wilcoxon Signed Ranks Test yielded a z-value of -4.236 with a significance level of 0.000. The p-value is well below the commonly accepted threshold for significance 0.05, indicating that the observed change in discretionary accruals across the pre and post implementation phases exhibit statistical significance. Given this result, the null hypothesis is rejected. Therefore, it can be concluded that there is a significant difference in the financial reporting quality of listed manufacturing firms in Nigeria between the pre and post IFRS adoption periods. The direction and magnitude of the change suggest that IFRS adoption may have been associated with greater earnings management or less transparent financial reporting in the manufacturing sector, contrary to the expectations of improved quality through international standardization.

#### 4.4 Descriptive Statistics of Variables

This section evaluates the variations in financial reporting quality of banking sector by comparing discretionary accruals pre and post adoption of IFRS. Discretionary accruals serve as a proxy for financial reporting quality.

*Table V. Descriptive Statistics of Banking Sector*

Variables	N	Min	Max	Mean	Std. Deviation
Banks Pre IFRS Discrt. Accruals 2008-2011	44	-100881253.90	27699353.89	-11027861.1178	22901835.78770
Banks Post IFRS Discrt. Accrual 2021-2024	44	-2398355462.95	47671.94	-95123453.6386	388617032.85958
Valid N (listwise)	44				

Source: Research Study, 2025.

Table 5 shows that the mean discretionary accruals declined significantly from -11.03 million pre IFRS to -95.12 million post IFRS, suggesting increased discretion in financial reporting after IFRS adoption. The standard deviation increased drastically from 22.90 million to over 388.62 million, indicating extreme volatility and inconsistency in discretionary accruals in the post IFRS period. These results point toward a decline in financial reporting quality following IFRS adoption in the banking sector, characterized

by higher variability in discretionary accruals, greater downward manipulation of earnings and less predictability in financial reporting behavior.

#### 4.5 Normality Test

This section presents the results of normality tests on IFRS adoption and discretionary accruals for banking sector, examining whether the data are normally distributed across the two periods under study. The findings will guide the selection of appropriate statistical methods for subsequent hypothesis testing.

*Table VI. Normality Test of Listed Banking Sector*

Variables	Valid Cases	Missing Cases	Total Cases	Skewness	Kurtosis
Pre-IFRS & Discret. Accruals	44	0	44	-2.303	6.603
Post-IFRS & Discret. Accruals	44	0	44	-5.382	30.606

*Source: Research Study, 2025.*

Table 6 presents the results of the normality test conducted on discretionary accruals for the banking sector, both pre and post IFRS adoption. The measures of skewness and kurtosis helped in assessing the distribution characteristics of the variables. For the pre IFRS period, discretionary accruals exhibit a skewness of -2.303 and a kurtosis of 6.603, indicating a negatively skewed distribution with the data that are more peaked than a normal distribution. In the post IFRS period, the discretionary accruals show a much higher skewness of -5.382 and an even more extreme kurtosis of 30.606. These values suggest a highly non-normal distribution, with significant negative skewness and heavy tails. The results clearly indicate that the distributions of discretionary accruals in both periods deviate substantially from normality, with the post IFRS period showing greater departure. This may have implications for the choice of statistical tests used in further analysis, such as the potential need for non-parametric methods. To fulfil this condition, Wilcoxon Signed Ranks Test is adopted.

### 4.6 Hypotheses Testing

H<sub>02</sub>: There is no significant difference on the financial reporting quality, measured by discretionary accruals, of listed deposit money banks in Nigeria between the pre and post IFRS adoption periods.

**Table VII. Wilcoxon Signed Ranks Test (Banking Sector)**

Type of Rank		N	Mean Rank	Sum of Ranks
Banking Sector Post IFRS < Banking Sector Pre IFRS	Negative Ranks	24	23.63	567.00
Banking Sector Post IFRS > Banking Sector Pre IFRS	Positive Ranks	20	21.25	423.00
Banking Sector Post IFRS = Banking Sector Pre IFRS	Ties	0		
	Total	44		

#### Test Statistics

Test	Z	P-value
Wilcoxon Signed Ranks Test	-0.840	0.401

Source: Research Study, 2025.

As shown in table 7, the results of the test indicate that out of the 44 banks examined, 24 banks recorded a reduction in discretionary accruals following the adoption of IFRS (i.e., financial reporting quality improved), while 20 banks showed a rise in discretionary accruals post IFRS (suggesting a decline in reporting quality). There were no ties, meaning none of the banks reported identical values of discretionary accruals in both periods. Although a slightly higher number of banks experienced improvements, the difference between the two periods was not statistically significant.

The Wilcoxon test yielded a z-value of -0.840 and a p-value of 0.401. Given that the p-value is greater than the conventional significance level of 0.05, the result is not statistically significant.

Consequently, the analysis does not provide sufficient evidence to refute the null hypothesis. This suggests that the level of financial reporting quality among Nigerian deposit money banks remained statistically unchanged when comparing the periods before and after the implementation of IFRS.

## 5. Discussion

### 5.1 Manufacturing Sector

The findings from the manufacturing sector reveal a statistically significant difference in financial reporting quality and IFRS adoption. Specifically, the Wilcoxon Signed Ranks Test displayed a z-value of -4.236 and a p-value of 0.000, confirming that discretionary accruals became more negative and more unstable after IFRS implementation. This trend suggests increased earnings management and reduced transparency in financial statements among manufacturing companies, contradicting the theoretical expectation that IFRS enhances comparability and reduces information irregularity.

This result aligns with prior research by Iyoha and Faboyede (2011), who found that the effectiveness of IFRS in improving financial reporting is heavily influenced by the strength of institutional enforcement mechanisms. In environments with weak regulatory oversight such as Nigeria's manufacturing sector, the increased flexibility allowed by IFRS may unintentionally create more room for opportunistic earnings manipulation. Similarly, Odia and Ogiedu (2013) argued that while IFRS is designed to enhance transparency, its implementation in Nigeria has often been insincere, with firms adopting the standards in form but not in substance.

Moreover, Sulaiman, Musa and Kasum (2024) found that IFRS adoption in Nigeria's manufacturing industry led to greater subjectivity in financial statements, particularly due to the increased use of fair value measurements and management judgment. These conditions create opportunities for managers to manipulate earnings while technically complying with IFRS guidelines.

From a theoretical perspective, this outcome challenges the assumptions of agency theory, which posits that improved disclosure standards like IFRS reduce the scope for managerial opportunism by aligning the interests of management and shareholders. In this case, IFRS adoption has seemingly had the opposite effect, suggesting that the mere presence of high quality standards is insufficient in contexts where enforcement is weak and corporate governance mechanisms are underdeveloped.

Conversely, the findings strongly support institutional theory, which suggests that organisational behavior is influenced by institutional pressures rather than rational economic calculations alone. The apparent increase in earnings management post IFRS suggests that many manufacturing firms may have adopted IFRS due to coercive

pressures to observe the government mandates or to imitate peers without fully internalizing the principles behind the standards. As such, IFRS adoption may have functioned more as a symbolic gesture to enhance legitimacy than a substantive reform of accounting practices.

### **5.2 Banking Sector**

In contrast, the analysis of the banking sector yielded a different result. Although mean discretionary accruals also declined after IFRS adoption, the Wilcoxon Signed Ranks Test revealed no significant statistical variance between the pre and post IFRS periods ( $p = 0.401$ ). This indicates that financial reporting quality in the banking sector remained largely unchanged following the adoption of IFRS. This outcome is consistent with the findings of Chizue (2020); Umoren and Enang (2015) who observed that while IFRS improved the value relevance of financial statements among Nigerian banks, it did not significantly reduce earnings management. Similarly, Okike and Mgbame (2017) found that banks, already subject to stringent regulatory oversight by the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC), showed little change in financial reporting behavior post IFRS.

The stability observed in banks may be attributed to the existing institutional infrastructure, which already enforced a relatively high level of financial reporting discipline. Adedokun et al. (2022) supported this view by noting that Nigerian banks operate within a stricter regulatory framework than other sectors and are more accustomed to international compliance standards, such as Basel II and III. This pre-existing culture of compliance likely moderated the impact of IFRS, resulting in negligible changes in discretionary accruals.

From a theoretical standpoint, this result provides partial support for agency theory. Strong regulatory frameworks, board oversight and audit scrutiny in the banking sector may have constrained managers' ability to manipulate earnings, even under IFRS. The findings also reinforce institutional theory, particularly the concept of differentiated institutional capacity. The banking sector appears better equipped, both structurally and culturally, to support the meaningful implementation of IFRS, whereas the manufacturing sector lacked the same level of institutional readiness.

### **5.3 Comparative Insight**

The contrast between the manufacturing and banking sectors highlights the influence of institutional frameworks in shaping the outcomes of IFRS adoption. Though the IFRS framework is globally standardized, its effectiveness in improving financial reporting is not uniform across sectors. Instead, the results of this study suggest that the quality of enforcement, sector-specific governance mechanisms and organisational capacity are critical determinants of IFRS success. Overall, this study underscores that IFRS adoption alone is not a panacea for poor financial reporting. As revealed in the manufacturing sector, without adequate enforcement and capacity-building, the adoption of complex accounting standards may actually increase the risk of earnings management. On the other hand, in sectors like banking, where stronger institutional frameworks are in place, IFRS adoption may maintain or slightly improve existing reporting quality, even if not significantly.

## **6. Conclusion and Recommendations**

The study found that IFRS adoption in Nigeria has had a mixed impact on financial reporting quality across different sectors. In the manufacturing sector, IFRS adoption has unintentionally increased earnings management and reduced transparency, undermining its intended benefits. This suggests that without strong institutional enforcement and governance, IFRS may not improve financial statement quality. In contrast, the banking sector has seen no significant change, likely due to its strong regulatory framework and prior exposure to international standards. Overall, the study emphasizes that the effectiveness of IFRS depends heavily on the institutional and enforcement environment, not just the standards themselves.

On the basis of the empirical results, the following recommendations are proposed:

- (a) There is need for the regulators and policy makers to enhance enforcement mechanisms which can be achieved through;
  - Strengthening the capacity of regulatory bodies such as the Financial Reporting Council of Nigeria so as to monitor and enforce compliance with IFRS, particularly in the manufacturing sector and stringent penalties for non-compliance should be instituted.

- Sector specific guidelines should be developed to provide tailored IFRS implementation frameworks that address the distinct challenges of each sector.
- Capacity building aimed at facilitating training and professional development programs for key staff to deepen understanding of IFRS principles and reduce opportunistic reporting.

(b) Reinforcing internal governance and promoting transparency culture among corporate bodies. This is necessary especially in manufacturing sector to improve internal controls, audit committees, and board oversight to limit managerial discretion and earnings manipulate

## 7. Future Research Directions

Future studies could explore transitional IFRS periods (2012–2020), include other sectors, and examine the role of enforcement intensity on IFRS effectiveness. Cross-country comparisons may also provide insights into institutional and sectoral influences on reporting quality.

## References

- Adedokun, S., Gbadebo, O., Adekunle, A., & Akande, T. (2022). IFRS Adoption and Accrual-Based Managed Earnings in Nigeria. *Asian Economic and Financial Review*, 12(2), 136–153.
- Ahmed, A. S., Neel, M., & Wang, D. (2013). Does Mandatory Adoption of IFRS Improve Accounting Quality? Preliminary Evidence. *Contemporary Accounting Research*, 30(4), 1344-1372.
- Ajibade, D. (2022). IFRS and Disclosure Quality in Nigerian Development Banks. *Cogent Business & Management*, 9(1), 1–15.
- Alabede, J. O. (2016). Impact of IFRS Adoption on Earnings Management of Listed Firms in Nigeria. *International Journal of Accounting Research*, 4(3), 1–10.
- Alabede, J. O. (2016). The Value Relevance of Accounting Information in Nigeria: A Post-IFRS Adoption Analysis. *International Journal of Accounting Research*, 4(3), 1–10.
- Alabede, J. O., Ariffin, Z. Z., & Idris, K. M. (2011). The Impact of IFRS Adoption on Earnings Quality of Listed Firms in Nigeria. *European Journal of Economics, Finance and Administrative Sciences*, 32, 79–90.
- Alade, S. O., & Iredele, O. O. (2023). IFRS Adoption and Financial Reporting Transparency in Sub-Saharan Africa: Evidence from Nigeria's Manufacturing Sector. *African Journal of Accounting and Finance*, 12(2), 45–60.
- Awinbugri, D., & Boahen, R. (2021). IFRS Adoption and Earnings Quality in Sub-Saharan Africa. *International Journal of Economics and Management Sciences*, 10(1), 1–6.
- Ayoola, T. J., & Azeez, O. O. (2021). Financial Reporting Quality in the Post-IFRS Era: Evidence from Nigeria. *Contemporary Research in Accounting and Finance*, 13(2), 101–118.
- Ball, R., Robin, A., & Wu, J. S. (2003). Incentives versus Standards: Properties of Accounting Income in Four East Asian Countries. *Journal of Accounting and Economics*, 36(1-3), 235–270.

- Barth, M., Landsman, W.R., Lang, M. H. (2008). International Accounting Standards and Accounting Quality. *Journal of Accounting Research*, 46(3), 467-496.
- Big-Alabo, Z., & Ofurum, C. O. (2021). IFRS Adoption and Financial Performance of Conglomerate Firms in Nigeria. *Journal of Financial Reporting and Accounting*, 19(4), 442-460.
- Bushman, R., & Landsman, W. (2010). The Pros and Cons of Regulating Corporate Reporting: A Critical Review of the Arguments. *Accounting and Business Research*, 40(3), 259-273.
- Chizue, G. (2020). International Financial Reporting Standards Adoption and Earnings Management: The fundamental Effect Framework. *Economic Research-Ekonomska Istraživanja*, 33(1), 1-18.
- Companies and Allied Matters Act. (1990). *Laws of the Federation of Nigeria*. <https://www.lawyard.ng>
- Dechow, P. M., Ge, W., & Schrand, C. (2010). Understanding Earnings Quality: A Review of the Proxies, their Determinants and their Consequences. *Journal of Accounting and Economics*, 50(2-3), 344-401.
- Dechow, P. M., & Dichev, I. D. (2002). The Quality of Accruals and Earnings: The Role of Accrual Estimation Errors. *The Accounting Review*, 77(1), 35-59.
- Dechow, P. M., R. G. Sloan, & A. P. Sweeney. (1995). Detecting Earnings Management. *Account Review*, 70, 193-225.
- Dibua, J. A., Ikilidih, S. A., & Mohammed, F. M. (2024). IFRS Adoption and Financial Reporting Quality in Africa: The Moderating Role of Legal Institutions. *Journal of International Accounting Research*, 23(1), 34-51.
- DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organisational Fields. *American Sociological Review*, 48(2), 147-160.
- Egbunike, F. C., & Okafor, C. A. (2012). IFRS Adoption and Earnings Quality in Nigeria: An Empirical Analysis. *Journal of Accounting and Taxation*, 4(2), 17-27.
- El Amrani, M., & Ben Amar, H. (2023). Value Relevance of Accounting Information under IFRS: Evidence from Moroccan Manufacturing Firms. *Journal of Accounting in Emerging Economies*, 13(1), 89-103.
- Enakirerhi, L. I., & Ejelonu, O. C. (2020). Effect of IFRS Adoption on Financial Performance and Reporting Quality of Nigerian Listed Companies. *Journal of Accounting and Financial Management*, 6(3), 11-21.
- Enakirerhi, L. I., Ibanichuka, E. A. L., & Ofurum, C. O. (2020). Firms' Profitability and Financial Reporting Quality: Pre and Post IFRS Adoption in Nigeria. *International Journal of Research and Innovation in Social Science*, 4(8), 270-276.
- Federal Executive Council. (2010). *Roadmap for the Adoption of International Financial Reporting Standards (IFRS) in Nigeria*. Government of Nigeria.
- Financial Accounting Standards Board (FASB). (2010). *Statement of Financial Accounting Concepts No. 8*. Norwalk, CT: FASB.
- Financial Reporting Council of Nigeria (2011). *Roadmap to the Adoption of International Financial Reporting Standards in Nigeria*. Abuja. FRCN Publications.
- Financial Reporting Council of Nigeria Act. (2011). *Official Gazette of the Federal Republic of Nigeria*. <https://www.lawyard.ng>
- Francis, J., LaFond, R., Olsson, P. M., & Schipper, K. (2004). Costs of Equity and Earnings Attributes. *The Accounting Review*, 79(4), 967-1010.
- Gbadebo, A. D. (2023). Does the International Financial Reporting Standard Impact Earnings Management of the JSE Firms? *Jurnal Dinamika Akuntansi*, 15(1), 99-115.
- Hicks, J. (2024). Does IFRS Always Enhance Comparability? A Review of Global Evidence. *International Journal of Accounting Policy*, 29(1), 22-38.
- International Accounting Standards Board (IASB). (2018). *Conceptual Framework for Financial Reporting*. London. IFRS Foundation.
- Iyoha, F. O., & Faboyede, S. O. (2011). Adopting International Financial Reporting Standards (IFRS): A Focus on Nigeria. *International Journal of Research in Commerce and Management*, 2(1), 35-40.

- IFRS Foundation. (2023). *IFRS Standards*. International Financial Reporting Standards Foundation. <https://www.ifrs.org>
- Isah, S., Falope, A. A., & Asuqwo, E. E. (2023). IFRS Adoption and Earnings Management in Manufacturing Companies in Nigeria. *Journal of Contemporary Issues in Accounting*, 4(1), 48–60.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3(4), 305–360.
- Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings Management and Investor Protection: An International Comparison. *Journal of Financial Economics*, 69(3), 505–527.
- Nwinkonzor, J. N., & Odoemelam, N. (2024). The Value Relevance of IFRS Earnings in Nigerian Manufacturing Firms. *British Journal of Contemporary Accounting Research*, 11(10), 931–953.
- Nwoko, C. P., & Mgbame, C. O. (2022). Institutional Pressures and Financial Reporting Quality: Evidence from Nigerian Firms. *African Journal of Accounting Research*, 15(1), 50–68.
- Nwifo, C. I., & Chima, M. I. (2021). The Effect of IFRS Adoption on Corporate Performance of Listed Firms in Nigeria. *Journal of Accounting and Financial Reporting*, 7(1), 15–28.
- Odia, J. O., & Ogiedu, K. O. (2013). IFRS Adoption, Issues, Challenges and Lessons for Nigeria and Other Adopters. *Mediterranean Journal of Social Sciences*, 4(3), 389–399
- Okike, E. N., & Mgbame, C. O. (2017). Corporate Governance and Financial Reporting Quality of Nigerian Listed Companies. *International Journal of Business and Management*, 12(9), 115–123.
- Okwuosa, I. (2024). IFRS S1 and S2 Sustainability Reporting in Nigeria: Where are we? *The*
- Owolabi, S. A., & Iyoha, F. O. (2012). Corporate Governance and Financial Reporting Quality: The Nigerian Experience. *International Journal of Economic Development Research and Investment*, 3(2), 26–33.
- Rahaman, M. M. (2024). The International Financial Reporting Standards Foundation and the Future of Global Financial Transparency. *International Journal of Accounting and Finance*, 13(1), 44–58.
- Rioui, M. (2024). Institutional Determinants of High-Quality Financial Reporting in Africa Post-IFRS: An Empirical Assessment. *Revue Des Sciences De Gestion*, 29(1), 44–60.
- Schipper, K. (2007). Required Disclosures in Financial Reports. *The Accounting Review*, 82(2), 301–308.
- Scott, W. R. (2014). *Institutions and Organisations: Ideas, Interests, and Identities* (4th ed.). Thousand Oaks, CA: Sage Publications.
- Sulaiman, L. A., Musa, A. M., & Kasum, A. S. (2024). IFRS and Audit Quality: A Discretionary Model Approach. *Maranatha Journal of Accounting and Finance*, 6(1), 23–38.
- Suleiman, H. A., & Sani, A. B. (2021). IFRS 4 Disclosure and Firm Performance of Insurance Companies in Nigeria. *Journal of Insurance and Risk Management in Africa*, 6(2), 101–114.
- Uchenna, E., & Obigwe, C. C. (2021). Challenges of IFRS Implementation in Nigeria: Evidence from Listed Firms. *International Journal of Accounting and Financial Reporting*, 11(3), 92–108.
- Umoren, A. O., & Enang, E. R. (2015). IFRS Adoption and Value Relevance of Financial Statements of Nigerian Listed Banks. *International Journal of Finance and Accounting*, 4(1), 1–7.
- World Bank. (2004). Report on the Observance of Standards and Codes (ROSC): Nigeria Accounting and Auditing <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/802851468294342358>