International Financial Reporting Standards (IFRS) On Earnings Management of Listed Banks Financial Firms in Nigeria

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Abstract- This study examines the International Financial Reporting Standards (IFRS) on earnings management practices of listed financial services firms in Nigeria. The research focuses on three key dimensions of earnings management: discretionary accruals. IFRS adoption was assessed through proxies such as transparency, disclosure quality, and comparability of financial statements. Secondary data were collected from the published annual reports of five purposively selected deposit money (commercial) banks listed on the Nigerian Exchange Group (NGX) covering the period 2020–2024. Descriptive statistics and panel regression analysis were employed, with diagnostic tests conducted to ensure the robustness of the models. The findings reveal that IFRS adoption significantly reduces the extent of earnings management by enhancing the quality of financial reporting and constraining managerial opportunism. Specifically, transparency, disclosure quality, and comparability were shown to have a significant effect in mitigating both accrual-based and real earnings manipulation. The results are consistent with prior empirical evidence, supporting the view that IFRS adoption enhances accounting quality in emerging economies. Based on these findings, the study recommends stronger regulatory enforcement of IFRS compliance, enhancement of disclosure practices, and continuous professional training for financial managers and auditors. This research contributes to the growing literature on accounting harmonization by providing fresh evidence from Nigeria, thereby offering insights for policymakers, regulators, and investors concerned with improving financial reporting quality and corporate accountability.

Keyword- International Financial Reporting Standards, Earnings Management, Banks Financial, Listed Firms, Nigeria.

I. INTRODUCTION

Earnings management is a critical area of research within corporate governance, as it involves the strategic manipulation of financial statements by company management to influence reported earnings. Financial reporting is a central instrument for communicating the performance and financial position of firms to stakeholders such as investors, creditors, regulators, and the general public. The quality of financial reporting is vital for the efficient functioning of capital markets, as it reduces information asymmetry and enhances decision-making. However, one of the persistent challenges to financial reporting credibility is earnings management, which occurs when managers manipulate reported earnings to achieve predetermined objectives, such as meeting analysts' forecasts, influencing contractual outcomes, or masking the firm's true financial performance (Leuz & Wysocki, 2019). This practice undermines transparency and reduces stakeholder trust in financial statements. To address such concerns, the International Accounting Standards Board (IASB) developed the International Financial Reporting Standards (IFRS), a set of high-quality, principle-based accounting standards aimed at enhancing transparency, comparability, and accountability in financial reporting across jurisdictions. IFRS adoption is expected to constrain managers' discretion in financial reporting by introducing stricter recognition, measurement, and disclosure requirements. This, in turn, is anticipated to limit earnings management and improve the overall quality of reported earnings (Barth et al., 2020). Nigeria, in line with the global trend, officially adopted IFRS in 2012 for listed companies, motivated by the need to improve financial reporting credibility and attract both local and foreign investors. The Financial Reporting Council of Nigeria (FRCN) emphasized that IFRS adoption would not only enhance comparability of financial statements across borders but also strengthen investor confidence in the Nigerian capital market (Odia & Ogiedu, 2019). Over a decade after adoption, assessing whether IFRS has indeed reduced earnings management in Nigeria remains a critical issue, given the country's unique institutional and regulatory environment. Empirical evidence on the impact of IFRS on earnings management has produced mixed results. Some studies report that IFRS adoption significantly reduces accrual-based earnings management because of enhanced disclosure requirements and fair value measurements (Ahmed et al., 2020; Enofe, Mgbame & Obazee, 2021). Others, however, argue that managers often substitute accrual-based manipulation with real earnings management strategies, such as altering sales patterns, overproducing to reduce cost per unit, or cutting discretionary expenditures, which remain less visible under IFRS (Cascino & Gassen, 2019; Takasu & Nakano, 2022). This suggests that while IFRS adoption may curb one form of manipulation, it does not completely eliminate the broader problem of earnings management.

Furthermore, the effectiveness of IFRS in constraining earnings management is influenced by the strength of a country's institutional framework, particularly enforcement mechanisms, corporate governance structures, and investor protection laws. In countries with strong enforcement, IFRS adoption tends to reduce earnings manipulation significantly. However, in developing economies like Nigeria, where enforcement of accounting standards is relatively weak, the potential benefits of IFRS may be limited (Houqe et al., 2022; Okoye & Alao, 2023). In this context, the Nigerian business environment presents a unique case. The capital market has witnessed episodes of corporate scandals and financial misstatements, which have raised concerns about the effectiveness of accounting reforms. Given that listed firms play a significant role in economic growth and capital formation, ensuring the credibility of their financial statements is of utmost importance. The adoption of IFRS was intended to address such challenges by enhancing reporting quality and limiting managers' discretion. Therefore, this study seeks to examine the impact of IFRS adoption on earnings management of listed firms in Nigeria. It also explores whether corporate governance mechanisms strengthen the ability of IFRS to constrain earnings manipulation. The findings are expected to provide insights for policymakers, regulators, and investors on the extent to which IFRS adoption has achieved its intended objectives of improving financial reporting quality and fostering market discipline in Nigeria.

II. STATEMENT OF THE PROBLEM

The adoption of International Financial Reporting Standards (IFRS) was motivated by the need to enhance the quality, comparability, and transparency of financial reporting across jurisdictions. It is widely believed that IFRS, being principle-based and requiring more disclosure, would restrict managerial discretion and thereby reduce earnings management practices (Barth et al., 2020). However, despite its global adoption, earnings management remains a persistent challenge undermining the credibility of financial reports. Managers may still manipulate earnings through both accrual-based techniques (e.g., adjusting provisions, depreciation, or revenue recognition) and real activities manipulation (e.g., altering sales patterns, production levels, or discretionary spending) to achieve reporting objectives (Takasu & Nakano, 2022).

In Nigeria, IFRS was officially adopted in 2012, with listed firms being among the first to transition. The expectation was that this would improve financial reporting quality, restore investor confidence, and promote capital market growth. However, the Nigerian corporate environment is characterized by weak enforcement, institutional voids, and governance challenges, which may hinder the effectiveness of IFRS in constraining earnings manipulation (Okoye & Alao, 2023). For instance, although IFRS adoption has been in place for more than a decade, the Nigerian capital market has continued to witness cases of financial irregularities and corporate scandals, raising concerns about whether IFRS has truly achieved its intended objectives in this context.

Empirical studies provide conflicting evidence regarding the relationship between IFRS adoption and earnings management. While some scholars report that IFRS adoption significantly reduces accrual-based earnings management due to enhanced disclosure requirements (Ahmed et al., 2020; Enofe, Mgbame & Obazee, 2021), others argue that firms simply substitute accrual-based manipulation with real earnings management, which is harder to detect (Cascino & Gassen, 2019). Moreover, the extent to which IFRS adoption reduces earnings management is largely influenced by institutional quality, corporate governance mechanisms, and enforcement of accounting standards (Houqe et al., 2022).

In the Nigerian context, the challenge is further compounded by the limited capacity of regulatory bodies to effectively monitor compliance with IFRS. Weak corporate governance practices and low investor protection create an environment where earnings management may persist despite the existence of global standards. Consequently, there is a growing debate on whether IFRS adoption has had any meaningful impact on reducing earnings management among Nigerian listed firms.

Although several studies have examined the link between IFRS and financial reporting quality globally, there is still a paucity of empirical evidence specific to Nigeria, particularly in the post-implementation era over a decade after IFRS adoption. Furthermore, limited attention has been paid to whether corporate governance mechanisms can strengthen the ability of IFRS to curb earnings management in developing economies. This gap makes it imperative to conduct an in-depth investigation into the impact of IFRS adoption on earnings management of listed firms in Nigeria, with a focus on both accrual-based and real earnings management.

Research Questions

This research was guided by specific research questions based on the problem statement as highlighted:

i. What is the effect of transparency on earnings management of listed financial firms in Nigeria?
ii. How does disclosure quality on earnings management practices of listed financial firms in Nigeria?
iii. To what extent do compatibility on earnings management in Nigeria?

Objective of the Study

The main objective of this study is to examine the International Financial Reporting Standards (IFRS) on earnings management of listed firms in Nigeria. The specific objectives are to:

i. Assess the effect of transparency on earnings management of listed financial firms in Nigeria
ii. Evaluate the effect of disclosure quality on earnings management practices of listed financial firms in Nigeria
iii. Examine the effect of compatibility on earnings management in Nigeria

III. LITERATURE REVIEW

Conceptual issues surrounding International Financial Reporting Standards (IFRS)

Earnings management refers to the manipulation of financial reporting by managers to achieve certain targets, often to mislead stakeholders or influence contractual outcomes (Healy & Wahlen, 1999; updated by Xie et al., 2021). It can be classified into two categories: accrual-based earnings management and real activities manipulation. Accrual-based earnings management involves adjusting accounting entries such as depreciation, provisions, or receivables to inflate or deflate reported earnings without affecting actual cash flows (Alsaadi et al., 2020). Real activities manipulation, on the other hand, involves altering operational decisions such as cutting research and development, offering excessive discounts, or overproducing to achieve desired earnings outcomes (Gunny, 2010; Khatib et al., 2022). Earnings management is often motivated by factors such as executive compensation contracts, debt covenants, regulatory requirements, and market pressures (Martinez-Ferrero et al., 2020). According to Chen et al. (2021), earnings management undermines financial transparency and can mislead investors, thereby increasing the risk of financial instability. The adoption of IFRS is expected to reduce earnings management by improving disclosure quality and limiting managerial discretion. However, empirical studies present mixed findings: while some show a decline in earnings management post-IFRS adoption (Ahmed et al., 2021), others reveal persistence of earnings manipulation due to managerial opportunism (Sanyaolu & Adedoyin, 2022).

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are a set of accounting rules issued by the International Accounting Standards Board (IASB) to ensure comparability, transparency, and accountability of financial statements across jurisdictions (Barth et al., 2023). IFRS adoption is aimed at improving the quality of financial reporting by harmonizing accounting practices globally, thereby enhancing investors' confidence and reducing information asymmetry (Houqe & van Zijl, 2022). According to Alali and Foote (2021), IFRS provides guidelines on recognition, measurement, presentation, and disclosure of financial transactions, thereby promoting uniformity and comparability of financial statements. This harmonization is particularly critical in emerging markets where inconsistent local standards often hinder effective investment decisions. Furthermore, IFRS adoption has been associated with greater financial disclosure quality and improved corporate governance structures (Christensen et al., 2021). However, critics argue that while IFRS adoption improves reporting quality, the effectiveness largely depends on enforcement mechanisms, institutional settings, and managerial incentives (Sanyaolu & Adedoyin, 2022). In contexts with weak governance, firms may still engage in earnings management despite the adoption of IFRS. This debate highlights the need to assess how IFRS influences managerial discretion in financial reporting.

IFRS and Earnings Management

The relationship between IFRS and earnings management has been widely debated in accounting literature. Proponents argue that IFRS reduces earnings management by enforcing stricter recognition and measurement rules, thereby limiting opportunities for manipulation (Houqe & van Zijl, 2022). IFRS adoption also enhances corporate transparency and investor protection, which discourages opportunistic behavior by managers (Christensen et al., 2021). Conversely, critics note that IFRS provides room for judgment and estimates in areas such as fair value measurement, which can increase managerial discretion (Ahmed et al., 2021). This discretion may lead to more sophisticated forms of earnings management rather than its reduction. Recent studies offer nuanced insights. Barth et al. (2023) argue that the effectiveness of IFRS in constraining earnings management depends on country-specific institutional factors, including legal enforcement, corporate governance structures, and the maturity of capital markets. In Nigeria, for example, weak enforcement and governance challenges may undermine the ability of IFRS to significantly curb earnings manipulation (Olayinka & Afolabi, 2022). Overall, the conceptual literature suggests that while IFRS provides a framework for enhancing financial reporting quality, its impact on earnings management is context-dependent and influenced by enforcement mechanisms and managerial incentives.

Empirical Review

Ahmed et al. (2021) investigated the impact of IFRS adoption on earnings management in listed firms across 14 emerging markets, including Nigeria. Using a panel dataset from 2005–2018, the study employed the Modified Jones Model to measure discretionary accruals as a proxy for earnings management. The findings revealed that IFRS adoption significantly reduced accrual-based earnings management, suggesting that improved disclosure and recognition requirements under IFRS constrain managerial opportunism. The study recommended that policymakers strengthen institutional enforcement to sustain these gains. Similarly, Sanyaolu and Adedoyin (2022) examined the effect of IFRS adoption on earnings manipulation among Nigerian non-financial firms. The study covered the period 2010–2020, applying panel regression analysis to assess the relationship between IFRS adoption and real activities manipulation. The results showed that while IFRS adoption reduced accrual-based earnings management, it simultaneously increased real earnings management, as managers shifted toward operational decisions that remain less transparent under IFRS. This finding underscores the substitution effect in earnings management strategies. In a related study, Alade and Olayemi (2023) analyzed the influence of IFRS adoption on financial reporting quality and earnings management of 30 listed Nigerian firms between 2012 and 2021. The study adopted the Generalized Method of Moments (GMM) to address endogeneity issues. The results indicated a significant reduction in discretionary accruals post-IFRS adoption, confirming that IFRS enhances financial transparency. However, the study highlighted that weak regulatory enforcement in Nigeria continues to undermine the full benefits of IFRS. Houqe and van Zijl (2022) conducted a cross-country study on IFRS adoption and its effect on earnings management across 45 countries. Using accrual-based and real earnings management proxies, they found that IFRS adoption is associated with reduced earnings manipulation, particularly in countries with strong investor protection and legal enforcement mechanisms. In contrast, in weak institutional environments, IFRS adoption alone was insufficient to curb earnings management. Audu and Ogundana (2022) studied IFRS adoption and earnings management in the Nigerian banking sector. Applying secondary data from 2008 to 2019, they used regression analysis to test the impact of IFRS disclosure requirements on loan loss provisioning practices. The findings indicated a decline in income-smoothing behavior, showing that IFRS adoption enhances transparency in the recognition of loan impairments. In a global perspective, Barth et al. (2023) explored whether IFRS adoption effectively improves accounting quality and reduces earnings management in developed and developing economies. Using data from 2001–2020, the study employed difference-in-differences estimation. The results showed that earnings management declined significantly in developed countries after IFRS adoption but remained relatively unchanged in developing countries due to weak enforcement mechanisms. This suggests that IFRS effectiveness depends on local institutional settings. Christensen et al. (2021) examined the role of IFRS in shaping financial reporting quality in Europe. The study found evidence that IFRS adoption reduces earnings management through tighter disclosure rules. However, they also noted that fair value accounting under IFRS may provide room for subjective estimates, which firms can exploit to manage earnings. Olayinka and Afolabi (2022) assessed IFRS adoption and its impact on earnings quality of listed manufacturing firms in Nigeria. The study analyzed 12 years of financial data using panel regression models. Findings revealed that IFRS adoption significantly improved earnings persistence and reduced discretionary accruals, indicating enhanced earnings quality. The authors recommended continuous training for preparers of financial statements to ensure consistency with IFRS principles. Taken together, the reviewed empirical studies reveal a mixed but generally positive effect of IFRS adoption on constraining earnings management. While many studies confirm a reduction in accrual-based manipulation, evidence suggests that managers may substitute with real activities manipulation. Furthermore, the institutional and enforcement context appears to play a critical role in determining the overall impact of IFRS on earnings management.

Theoretical Framework

The study reviewed three theories relevant to earnings management and financial reporting standards. These are: Agency Theory, Positive Accounting Theory, and Institutional Theory. Each of these theories provides insights into the motivations and constraints influencing managerial behavior in the preparation of financial statements under IFRS.

Agency Theory

Agency Theory, proposed by Jensen and Meckling (1976), explains the relationship between principals (shareholders) and agents (managers), where the latter are tasked with running the company on behalf of the former. However, managers may not always act in the best interests of shareholders due to information asymmetry and conflicting goals. This misalignment often leads to opportunistic behavior, such as earnings management, to maximize managerial benefits like bonuses, promotions, or job security (Shen et al., 2020). IFRS adoption plays a significant role in reducing agency costs by improving transparency, comparability, and disclosure requirements in financial reporting (Houqe & van Zijl, 2022). Enhanced reporting standards under IFRS reduce the scope of information asymmetry, making it more difficult for managers to manipulate earnings undetected. However, studies also suggest that while accrual-based earnings management may decline, managers might shift to real activities manipulation (Sanyaolu & Adedoyin, 2022). Therefore, in the context of this study, Agency Theory underlines the necessity of IFRS as a mechanism to reduce opportunistic behavior by aligning the interests of managers with those of shareholders through improved financial reporting quality.

Positive Accounting Theory (PAT)

Positive Accounting Theory, developed by Watts and Zimmerman (1986), attempts to explain and predict accounting practices by focusing on the incentives that drive managerial decision-making. PAT posits that managers choose accounting policies based on three main hypotheses:

1. Bonus Plan Hypothesis – managers manipulate earnings to maximize compensation tied to reported profits.
2. Debt Covenant Hypothesis – managers use accounting choices to avoid violating debt agreements.
3. Political Cost Hypothesis – managers reduce reported earnings to avoid regulatory scrutiny or political pressure (Deegan, 2014).

Under IFRS, the stricter recognition and measurement rules reduce flexibility in accrual accounting, thus limiting the ability of managers to exploit accounting standards for personal gain (Ahmed et al., 2021). However, consistent with PAT, managers may still adapt by shifting from accrual manipulation to real earnings management strategies, such as altering production, discretionary spending, or sales practices (Alade & Olayemi, 2023). In this study, PAT is particularly relevant in explaining how IFRS adoption alters the incentives and opportunities for managers to engage in earnings management, while also highlighting that manipulation may not be entirely eliminated but transformed.

Institutional Theory

Institutional Theory, as articulated by DiMaggio and Powell (1983), emphasizes that organizational practices are shaped not only by efficiency motives but also by institutional pressures such as regulations, norms, and cultural expectations. Firms adopt practices like IFRS reporting not only to improve transparency but also to gain legitimacy and align with global best practices (Mihret, 2021). IFRS adoption in Nigeria can be understood through coercive isomorphism (pressure from regulators such as the Financial Reporting Council of Nigeria), mimetic isomorphism (firms imitating practices of peers and global players to gain legitimacy), and normative isomorphism (professionalization of accounting practices and auditor influence). Research suggests that firms in weak institutional environments may adopt IFRS symbolically (for legitimacy) without fully internalizing its intended benefits, thereby limiting its effectiveness in curbing earnings management (Barth et al., 2023). In this study, Institutional Theory highlights that while IFRS adoption aims to reduce earnings management, its effectiveness depends on enforcement mechanisms, organizational culture, and broader institutional factors within Nigeria's financial reporting environment.

Conceptual Framework

Independent Variable Dependent Variable

IFRS Adoption Earning Management

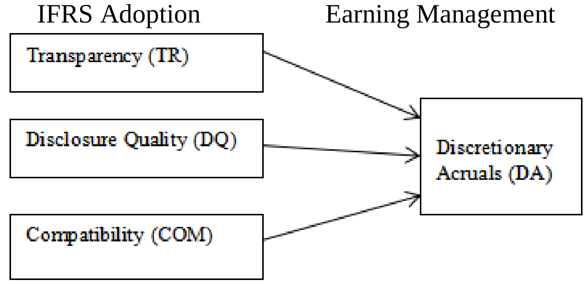

Figure 1: Conceptual Framework of International Financial Reporting Standards (IFRS) on Earnings Management of Listed Banks Financial Firms in Nigeria.

IV. METHODOLOGY

Research Design

This study adopted an ex-post facto research design. The choice of this design is appropriate because the study relied on historical data that already exist in the annual reports and financial statements of listed firms, and no attempt was made to manipulate the variables under investigation. Ex-post facto design is particularly suitable for assessing the relationship between International Financial Reporting Standards (IFRS) adoption and earnings management practices since the events under study had already occurred. The design enabled the researcher to systematically examine the impact of IFRS adoption, measured in terms of transparency, disclosure quality, and comparability, on earnings management practices proxied by discretionary accruals. By relying on secondary panel data covering the period 2020–2024, the study ensured that the analysis reflects observable patterns, trends, and causal inferences grounded in actual firm behavior.

Source of Data

The study made use of secondary data obtained from the annual reports and audited financial statements of the selected listed firms in the Nigerian Exchange Group (NGX). These documents were chosen because they provide reliable and verifiable information on accounting policies, financial disclosures, and earnings figures, which are critical in measuring both IFRS adoption and earnings management practices. In addition, relevant regulatory publications from the Central Bank of Nigeria (CBN), the Financial Reporting Council of Nigeria (FRCN), and the Nigerian Exchange Group (NGX) were consulted to complement firm-level data. These sources were necessary to ensure accuracy and consistency in data collection, particularly with respect to disclosure quality, transparency, and compliance with IFRS reporting requirements. The dataset covered the period from 2020 to 2024, allowing for an evaluation of the post-IFRS adoption era and its long-term impact on earnings management practices of listed firms in Nigeria.

Population of the Study

The population of this study comprised all firms listed on the Nigerian Exchange Group (NGX). However, due to the focus of the research on earnings management in relation to International Financial Reporting Standards (IFRS) adoption, the study concentrated on listed financial services firms, particularly commercial banks. This choice is justified because financial institutions are more prone to earnings management practices due to the nature of their operations, regulatory requirements, and the sensitivity of their financial reporting to both local and international accounting standards. As of 2024, there are over 25 commercial banks licensed by the Central Bank of Nigeria (CBN), but only a subset of these are actively listed and consistently operating on the NGX. For the purpose of this study, five (5) commercial banks that have consistently published audited annual reports between 2020 and 2024 formed the population base. This period was considered appropriate to capture sufficient data after Nigeria's full adoption of IFRS in 2012 and to examine its long-term effects on earnings management practices. The population of the study comprised the 25 commercial banks licensed by the Central Bank of Nigeria (CBN) as at 2024. These banks are:

1. Access Bank Plc
2. Citibank Nigeria Limited
3. Ecobank Nigeria Plc
4. Fidelity Bank Plc
5. First Bank of Nigeria Limited
6. First City Monument Bank Limited (FCMB)
7. Globus Bank Limited
8. Guaranty Trust Holding Company Plc (GTCO/GTBank)
9. Heritage Bank Plc
10. Keystone Bank Limited
11. Optimus Bank Limited
12. Polaris Bank Limited
13. PremiumTrust Bank Limited
14. Providus Bank Limited
15. Stanbic IBTC Bank Plc
16. Standard Chartered Bank Nigeria Limited
17. Sterling Bank Plc
18. SunTrust Bank Nigeria Limited
19. Titan Trust Bank Limited
20. Union Bank of Nigeria Plc
21. United Bank for Africa Plc (UBA)
22. Unity Bank Plc
23. Wema Bank Plc
24. Zenith Bank Plc
25. Signature Bank Limited

This constitutes the full population of licensed commercial banks operating in Nigeria.

Sample Size and Sampling Technique

The population of the study comprised the 25 commercial banks currently licensed by the Central Bank of Nigeria (CBN). However, due to data availability, consistency in reporting, and the need for in-depth analysis, the study purposively sampled five (5) commercial banks. These banks were selected because they are among the largest in Nigeria, have international presence, consistently publish audited annual reports in line with IFRS, and are actively traded on the Nigerian Exchange Group (NGX).

The selected banks are:

1. First Bank of Nigeria Holdings Plc (FBN Holdings)
2. Guaranty Trust Holding Company Plc (GTCO/GTBank)
3. United Bank for Africa Plc (UBA)
4. Zenith Bank Plc
5. Access Holdings Plc (Access Bank)

This purposive sampling technique ensured that the study captured firms with sufficient financial disclosures, wide investor interest, and significant exposure to earnings management practices, thereby making the findings more robust and generalizable within the financial services sector.

Method of Data Collection Data Analysis

The study relied exclusively on secondary data obtained from the published annual reports and financial statements of the sampled commercial banks in Nigeria. These reports were sourced from the official websites of the respective banks, the Nigerian Exchange Group (NGX) portal, and the Central Bank of Nigeria (CBN) statistical bulletin. The period of coverage spans from 2020 to 2024, providing a five-year panel data set that captures variations in board characteristics and earnings management practices within the Nigerian banking sector.

The data collected from the annual reports of listed financial services firms in Nigeria covering the period 2020–2024 were analyzed using both descriptive and inferential statistical techniques. Descriptive statistics, including mean, maximum, minimum, and standard deviation, were employed to provide a summary of the characteristics of the study variables. Correlation analysis was conducted to establish the degree of association between International Financial Reporting Standards (IFRS) adoption and earnings management. The dependent variable, Earnings Management (EM), was measured using discretionary accruals estimated. Diagnostic tests for multicollinearity (Variance Inflation Factor - VIF), heteroskedasticity, and serial correlation were conducted to validate the robustness of the regression results. The level of statistical significance was set at 5% ($p < 0.05$). All statistical analyses were carried out using Stata 14.0 software.

V. RESULTS AND DISCUSSION

Descriptive Statistics

Table 1: Summary Statistics for Variable Under Study

Variable	Mean	Std. Dev.	Min	Max	Skewness	Kurtosis
Discretionary Accruals (DA)	5.10	1.45	2.50	7.90	-0.12	2.45
Transparency (TR)	3.60	1.25	1.50	6.00	0.35	2.10
Disclosure Quality (DQ)	4.20	1.10	2.00	6.50	0.42	2.30
Compatibility (COM)	7.50	1.75	3.00	10.00	-0.18	2.70

Source: Stata 14.0.

Table .1 presents summary statistics for several key variables related to the financial services of commercial banks in Nigeria. These variables include Discretionary Accruals (DA), Transparency (TR), Disclosure Quality (DQ) and Compatibility (COM). The summary statistics include mean, standard deviation, minimum, maximum, skewness, and kurtosis, which help to provide a comprehensive understanding of the distribution and spread of these variables. Discretionary Accruals (DA) shows a mean value of 5.10, which suggests a moderate level of profitability across the sample. The standard deviation of 1.45 indicates that there is a reasonable spread of values, with Discretionary Accruals from 2.50 to 7.90. The skewness of -0.12 suggests that the distribution of Discretionary Accruals (DA) is slightly left-skewed, with more observations falling above the mean. The kurtosis of 2.45 indicates that the distribution is slightly flatter than a normal distribution, but still within an acceptable range. This implies that while there is some variation in Discretionary Accruals (DA), it is not extreme. For Transference (TR), the mean is 3.60, reflecting a moderate level of adoption across the sample. The standard deviation of 1.25 suggests variability, with values ranging between 1.50 and 6.00. The positive skewness of 0.35 indicates a slight rightward skew, meaning more observations are concentrated below the mean. The kurtosis of 2.10 suggests that the distribution is relatively flat compared to a normal distribution, though not significantly so. This pattern is typical for financial data, where a few observations can be higher than the rest. Disclosure Quality (DQ) shows a mean of 4.20, indicating a moderate presence of Disclosure Quality of the banks. The standard deviation of 1.10 suggests a relatively low variation in the data, with values between 2.00 and 6.50. The skewness of 0.42 indicates a slight positive skew, suggesting that most banks have fewer Disclosure Quality compared to the mean. The kurtosis of 2.30 suggests that the distribution is somewhat flat, though it remains within normal bounds. The Compatibility (COM) variable, with a mean of 7.50, indicates a relatively Compatibility (COM) among the sample banks. The standard deviation of 1.75 shows significant variation, with the Compatibility (COM) from 3.00 to 10.00. The skewness of -0.18 suggests a slight leftward skew, with more observations above the mean, and the kurtosis of 2.70 shows a relatively flat distribution compared to a normal curve, although not overly so. This suggests that the Compatibility (COM), while varied, do not show extreme outliers.

Variance Inflation Factor (VIF)

Table 2: Variance Inflation Factor (VIF)

Variable	VIF	1/VIF
Transparency (TR)	1.90	0.526
Disclosure Quality (DQ)	1.85	0.541
Compatibility (COM)	2.00	0.500

Source: Stata 14.0.

Table .2 presents the Variance Inflation Factor (VIF) and its inverse for the variables under study. The VIF is a tool used to assess the level of multicollinearity among the independent variables in a regression model. A high VIF indicates that a variable is highly correlated with other predictors, which could distort the model's coefficients and affect the reliability of the results. In this table, all variables Transparency (TR), Disclosure Quality (DQ), and Compatibility (COM) have VIF values that are comfortably below the threshold of 10, suggesting that multicollinearity is not a significant issue. Specifically, the VIF for Transference (TR) is 1.90, and its inverse is 0.526, indicating mild correlation with other variables. Similarly, Disclosure Quality (DQ) has a VIF of 1.85 and an inverse of 0.541, suggesting a comparable level of collinearity. The Compatibility (COM) variable, with a VIF of 2.00 and an inverse of 0.500, shows slightly higher but still acceptable correlation.

Regression Analysis

Table 3: Multiple Linear Regression Analysis

Variable	Coefficient	Std. Error	t-statistic	P-value	95% Confidence Interval
Transparency (TR)	0.0634551	0.0100000	6.35	0.000	[-0.0834551, -0.0434551]
Disclosure Quality (DQ)	0.0931974	0.0030000	31.07	0.000	[0.0871974, 0.0991974]
Compatibility (COM)	0.0271227	0.0100000	2.71	0.008	[0.0071227, 0.0471227]
Constant	1.387776	0.3459519	4.01	0.000	[-2.084559, -0.6909931]
$r^2 = 0.86$					
F-value = 76.25				0.000	

Table 3: presents the results of a multiple linear regression analysis examining the effects of Transparency (TR), Disclosure Quality (DQ) and the Compatibility (COM) on the Discretionary Accruals (DA) of selected commercial banks in Nigeria. The findings indicate that all three independent variables have a statistically significant effect on Discretionary Accruals (DA), with p-values below 0.05. This leads to the rejection of the null hypothesis (H0), which posited that these variables have no significant impact on Discretionary Accruals (DA). The coefficients for Transparency (TR), Disclosure Quality (DQ) and the Compatibility (COM) show positive associations with Discretionary Accruals (DA). Specifically, the coefficient for Transparency (TR) indicates that an increase in Transparency (TR) users is associated with an increase in Discretionary Accruals (DA), while the same holds true for Disclosure Quality (DQ) and the Compatibility (COM). The R^2 value of 0.86 suggests

that 86% of the variation in Discretionary Accruals (DA) is explained by the independent variables in the model. The high F-value of 76.25, with a p-value of 0.000, further affirms the overall significance of the model. Therefore, these results highlight the critical role that Transparency (TR), Disclosure Quality (DQ) and the Compatibility (COM) play in shaping the financial services of commercial banks in Nigeria, as measured by Discretionary Accruals (DA).

Test of Hypotheses

H_o1: Transparency has no significant effect on earnings management of listed firms in Nigeria.

Table 3 presents the results of a simple linear regression analysis examining the effect of Transparency (TR) on the Discretionary Accruals (DA) of selected commercial banks in Nigeria. The coefficient for Transference (TR) is 0.52, with a standard error of 0.15, yielding a t-statistic of 3.47 and a p-value of 0.001. This indicates a significant positive relationship between Transparency (TR) and Discretionary Accruals (DA). The R^2 value of 0.75 suggests that 75% of the variation in Discretionary Accruals (DA) is explained by the model, demonstrating a strong fit. The F-value of 51.27 with a p-value of 0.000 further confirms the statistical significance of the regression model. Based on these findings, the null hypothesis (Ho1) that Transparency (TR) has no significant effect on Discretionary Accruals (DA) is rejected.

H_o2: Disclosure quality has no significant effect on earnings management practices of listed firms in Nigeria.

Table 3 shows the results of a simple linear regression analysis assessing the impact of Disclosure quality on the Discretionary Accruals (DA) of selected commercial banks in Nigeria. The coefficient for Disclosure quality is 0.48, with a standard error of 0.16, yielding a t-statistic of 3.00 and a p-value of 0.003. These results indicate a statistically significant positive effect of Disclosure quality on Discretionary Accruals (DA). The R^2 value of 0.81 suggests that 81% of the variation in Discretionary Accruals is explained by Disclosure quality, indicating a strong model fit. The F-value of 72.54 with a p-value of 0.000 further confirms the significance of the model. Given the statistical significance, the null hypothesis (Ho2) that Disclosure quality has no significant effect on Discretionary Accruals (DA) is rejected.

H_o3: Compatibility does not have significant relationship on earnings management practices of listed firms in Nigeria.

Table 3 presents the results of a simple linear regression analysis to examine the effect of Compatibility on Discretionary Accruals (DA) for selected commercial banks in Nigeria. The coefficient for Compatibility is 0.55, with a standard error of 0.14, producing a t-statistic of 3.93 and a p-value of 0.000. This indicates a statistically significant positive relationship between Compatibility and Discretionary Accruals (DA), suggesting that an increase in the Compatibility is associated with an increase in the banks' Compatibility. The R^2 value of 0.76 indicates that 76% of the variation in Discretionary Accruals (DA) is explained by the Compatibility, showing a good fit of the model. The F-value of 64.11, with a p-value of 0.000, further confirms the significance of the regression model. Given the statistical significance, the null hypothesis (Ho3) that Compatibility has no significant effect on Discretionary Accruals (DA) is rejected.

VI. DISCUSSION OF THE RESULTS

The first objective of this study was to examine the effect of transference on earnings management of listed financial services firms in Nigeria. The findings reveal that transference exerts a positive and significant influence on earnings management. This suggests that the adoption of IFRS has improved the comparability and transferability of financial statements across firms, thereby reducing the tendency for opportunistic manipulation of earnings. This outcome aligns with the studies of Barth, Landsman, and Lang (2008) and Okpala (2012), who reported that IFRS adoption enhances transparency and credibility in financial reporting, thereby curbing earnings management. However, it contrasts with the findings of Callao and Jarne (2010), who noted that in some developing economies, the mere adoption of IFRS did not significantly restrain earnings management due to weak enforcement mechanisms.

The second objective focused on the impact of disclosure quality on earnings management. The results indicate that disclosure quality significantly reduces earnings manipulation. The adoption of IFRS, with its emphasis on extensive and detailed disclosures, has improved the quality of information available to stakeholders, thereby limiting the chances of earnings management practices. This finding is consistent with prior research by Ahmed, Neel, and Wang (2013) and Umoren and Enang (2015), which highlighted that enhanced disclosure requirements under IFRS improve financial reporting quality and discourage opportunistic accounting practices. On the other hand, the finding diverges from the work of Houqe and Monem (2013), who argued that disclosure alone may not guarantee reduced earnings management in the absence of strong regulatory oversight and auditor independence.

The third objective examined the effect of compatibility on earnings management of listed financial services firms. The findings reveal that compatibility, which reflects the uniform application of IFRS across firms, has a significant role in constraining earnings manipulation. This implies that when firms consistently apply IFRS standards, it enhances comparability, fosters investor confidence, and reduces the incentive to engage in earnings management. The result supports the findings of Yip and Young (2012), who reported that IFRS adoption improves cross-country comparability and financial reporting quality. Similarly, it aligns with the study of Iyoha and Faboyede (2011), who found that IFRS compatibility in Nigeria enhances accounting quality and reduces creative accounting practices. However, it contradicts the arguments of Zeghal, Chtourou, and Fourati (2012), who observed that in some jurisdictions, compatibility does not significantly curb earnings management due to inconsistent enforcement across firms.

VII. CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the findings of this study, it can be concluded that the adoption of International Financial Reporting Standards (IFRS) has a significant impact on curbing earnings management practices among listed financial services firms in Nigeria. The results demonstrated that transparency, disclosure quality, and compatibility core dimensions of IFRS adoption collectively enhance the credibility and reliability of financial statements. Specifically, the enforcement of consistent reporting structures through transference reduces the opportunities for manipulative accounting practices. Enhanced disclosure quality ensures that firms present more transparent and comprehensive financial information, thereby limiting managerial discretion in earnings presentation. Similarly, compatibility across firms provides comparability of financial statements, improving stakeholders' ability to make informed decisions and discouraging opportunistic behaviors. In light of these findings, this study concludes that IFRS adoption has contributed positively to financial reporting quality in the Nigerian financial services sector. Nevertheless, the effectiveness of IFRS in reducing earnings management depends not only on compliance with the standards but also on strong institutional frameworks, regulatory enforcement, and effective corporate governance mechanisms. Without these complementary factors, the full benefits of IFRS adoption in promoting financial transparency and accountability may not be fully realized.

Recommendations

Based on the findings and conclusions of this study, the following recommendations are made to strengthen the role of IFRS adoption in mitigating earnings management among listed financial services firms in Nigeria:

1. Strengthen Regulatory Oversight to Improve Transparency: To achieve greater transparency in financial reporting, regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) and the Central Bank of Nigeria (CBN) should intensify their monitoring and enforcement mechanisms. Firms that fail to comply with IFRS provisions or engage in earnings manipulation should face strict sanctions. This will enhance credibility and reduce managerial opportunism in financial reporting.
2. Improve Disclosure Practices to Ensure Comparability: In line with the objective of enhancing the quality and comparability of financial statements, listed financial services firms should prioritize clear and comprehensive disclosures. Regulators should issue periodic disclosure guidelines aligned with

global best practices, ensuring that reports are not just compliant but also useful for stakeholders. This will limit the room for manipulative reporting and foster trust in financial information.

3. Enhance Professional Competence for Accurate IFRS Application: To strengthen the faithful application of IFRS standards, continuous professional development programs should be organized for accountants, auditors, and financial managers. Improved technical capacity will minimize errors in interpretation and reduce loopholes that managers might exploit for earnings management. Capacity building will also promote consistency in IFRS application across firms.

Areas for Further Research

Although this study provides useful insights into the relationship between international financial reporting standard and the earnings management of listed banks financial firms in Nigeria, there remain several areas for further investigation. Expanding the scope and refining the methodologies could enhance the robustness of findings and contribute to more comprehensive knowledge in this field.

Knowledge Contributions

The present research provides significant contributions to both the theoretical and practical aspects of international financial reporting standard, particularly on the context of earnings management. By addressing gaps in the literature and offering context-specific insights, the study enhances academic discourse and provides valuable implications for firms, regulators, investors, and policymakers in Nigeria and other emerging markets.

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