AJEMATES
African Journal of Educational Management, Teaching and Entrepreneurship Studies
VOL.15 (2), May-August, 2025 https://ajemates.org

THE ROLE OF INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ENHANCING REPORTING PRACTICES OF QUOTED DEPOSIT MONEY BANKS IN NIGERIA

Dim, Amaka Victoria
Accountancy Department; Faculty of Management Sciences
Shanahan University Onitsha, Anambra State.
E-Mail: vickyamaka2018@gmail.com, kcdimlight@yahoo.com

ABSTRACT

The research examined the role played by International Financial Reporting Standards (IFRS) in enhancing quoted Deposit Money Banks' (DMBs) reporting practice in Nigeria, i.e., IFRS 7 (Financial Instruments: Disclosures) and IFRS 8 (Operating Segments). Ex-post facto research was utilized with a panel dataset of 13 listed DMBs on the Nigerian Exchange Group for the period from 2015 to 2024. Financial reporting quality was estimated by using discretionary accruals. The fixed-effects panel least squares regression results showed that IFRS 7 had a significant negative effect on discretionary accruals (β = -0.034, p = 0.002), and therefore greater compliance with financial instrument disclosure improves the quality of financial reporting. Similarly, IFRS 8 also exhibited a significant and negative impact (β = -0.021, p = 0.021), suggesting that better segment disclosure reduces earnings management. The R-squared value of 0.514 shows that the model accounts for 51.4% of variation in financial reporting quality. The size of the firm, however, had a negative but statistically insignificant effect (β = -0.042, p = 0.059). The conclusion is that compliance with IFRS 7 and IFRS 8 substantially enhances financial reporting quality of Nigerian DMBs by suppressing earnings manipulation. The study recommended enhanced enforcement of IFRS disclosures, financial professionals' capacity building, and regular monitoring of IFRS compliance to ensure transparency and accountability in the Nigerian banking sector.

Keywords: International Financial Reporting Standards (IFRS), Financial Reporting Quality, Financial Instruments, Operating Segments, Discretionary Accruals, Earnings Management

Introduction

The quality of financial reporting is crucial in supporting transparency, accountability, and investors' confidence in the banking sector, especially in developing countries such as Nigeria (Adebisi, Otuagoma, & Abah, 2017). Following global pressure for the harmonization of financial reporting, Nigeria adopted the International Financial Reporting Standards (IFRS) to enhance cross-border comparability and credibility of financial reports. Of the significant standards under IFRS, IFRS 7 Financial Instruments (Disclosures) and IFRS 8 Operating Segments are critical to improving detailed and transparent disclosures, which are expected to enhance the quality of financial reporting (Obi, 2024).

The Nigerian banking sector, as represented by Deposit Money Banks (DMBs), is the backbone of financial intermediation and economic growth (Ame & Agoh, 2020). IFRS 7 requires banks to disclose detailed information about the significance of

financial instruments, the associated risks, and how they are managed. IFRS 8 also requires disclosure of information about operating segments of a bank, which enables stakeholders to assess performance, risk, and resource allocation across business segments. These standards are expected to minimize earnings management and information asymmetry and improve the credibility of financial reports (Akinbode et al., 2023).

Empirical research has examined the association between IFRS adoption and financial reporting quality. For instance, Obi (2024) found significant variations in the financial reports of Nigerian DiMBs pre- and post-IFRS adoption, corroborating the revolutionary effect of IFRS on the valuation of assets and liabilities. In another related study, Adebisi, Otuagoma, and Abah (2017) validated the positive relationship between IFRS compliance and reporting quality and highlighted that compulsory and voluntary disclosures are responsible for enhancing stakeholder confidence. In the same vein, Ame and Agoh (2020) established that IFRS disclosure compliance, especially financial position reporting, positively affected reporting quality of DMBs.

Furthermore, empirical studies such as Oyedokun (2024) and Falana et al. (2025) support the part played by internal mechanisms such as forensic accounting and firm attributes such as size in impacting report quality. The perspectives collectively highlight that financial report quality in Nigerian DMBs is affected not only by regulatory compliance but also by firm-specific factors and disclosure practices. Despite the evidence supporting the usefulness of IFRS disclosures, the specific roles of IFRS 7 and IFRS 8 have not been completely examined in the Nigerian context, specifically their measurable effects on discretionary accruals—a proxy for earnings management and financial reporting quality.

Statement of the Problem

The increasing demand for high-quality financial reporting has subjected Deposit Money Banks in Nigeria to mounting pressure to provide transparent, comprehensive, and decision-useful financial reports (Obi, 2024). Despite the mandatory adoption of IFRS since 2012, skepticism about the extent to which compliance with some standards particularly IFRS 7 and IFRS 8 has translated to actual financial report quality enhancements among Nigerian DMBs still exists (Chude & Chude, 2023).

A key question is whether IFRS 7 disclosures and IFRS 8 segment information have restrained earnings manipulation, as proxied by discretionary accruals, to a great extent. Studies like Obi (2024) and Adebisi et al. (2017) provide general findings on IFRS impacts without isolating the impact of specific standards. Additionally, even as Ayinla et al. (2022) and Ojianwuna (2023) have demonstrated board attributes and financial statement timeliness to impact reporting quality, the contribution of financial instruments and segments reporting disclosures remains empirically ambiguous in the Nigerian setting.

Furthermore, the mixed findings across studies pose a challenge. For example, while Falana et al. (2025) found firm size to positively relate with reporting quality,

AJEMATES
African Journal of Educational Management, Teaching and Entrepreneurship Studies
VOL.15 (2), May-August, 2025 https://ajemates.org

other studies like Isabella et al. (2024) had no impact. Similarly, Oyedokun (2024) pointed out that forensic accounting could play a role in improving financial reporting but surprisingly found an overall negative impact. These inconsistencies suggest that other untested variables like IFRS 7 and IFRS 8 compliance could be affecting financial reporting outcomes but have not been tested completely.

In light of these gaps, there is an overwhelming compulsion to investigate the extent to which IFRS 7 and IFRS 8 adoption contributes to financial reporting quality in the Nigerian banking sector. This study is therefore timely in providing empirical evidence on whether the standards restrict managerial discretion in accruals and thereby enhance the quality of financial statements by quoted DMBs in Nigeria.

Research Objectives

The main objective of this study is to examine the role of International Financial Reporting Standards in enhancing the reporting practices of quoted Deposit Money Banks in Nigeria. The specific objectives are to:

i. Evaluate the effect of Financial Instruments (Disclosures) (IFRS 7) on the financial reporting quality of quoted Deposit Money Banks in Nigeria.
ii. Determine the effect of Operating Segments (IFRS 8) on the financial reporting quality of quoted Deposit Money Banks in Nigeria.

Research Hypotheses

In line with the stated objectives, the study proposes the following null hypotheses:

HO_1: Financial Instruments (Disclosures) (IFRS 7) have no significant effect on the financial reporting quality of quoted Deposit Money Banks in Nigeria.

HO_2: Operating Segments (IFRS 8) have no significant effect on the financial reporting quality of quoted Deposit Money Banks in Nigeria.

Literature Review

Conceptual Review

Financial Reporting Quality

Financial reporting quality refers to the extent to which a firm's financial reports truthfully, accurately, and objectively portray its financial position, performance, and cash flows. It involves the truthful representation of economic events free from material misstatements, bias, or manipulations. Sound financial reporting provides users such as investors, creditors, regulators, and analysts with proper and reliable information that facilitates better-informed decision-making, helps maintain market efficiency, and enhances corporate accountability. In essence, quality reporting lessens information asymmetry and builds trust in the validity of financial disclosure.

Discretionary accruals, which are the portion of total accruals with management discretion, have been one of the most recognized measures of the quality of financial reporting. These accruals are often used by managers to manage reported earnings, either to meet earnings targets or report a better financial position than is actually the case. High discretionary accruals are a sign of earnings management activities, while low levels are a sign of greater transparency, dependability, and protection of the principles of fair presentation, Dechow, Sloan, and Sweeney (1995) state. Hence, discretionary accruals

serve as an inverse proxy wherein a decrease signals improved financial reporting quality.

Financial Reporting Quality and Discretionary Accruals

Use of discretionary accruals as a financial reporting quality proxy has become pervasive in empirical application in the accounting and finance literature. Various studies have utilized this measure to examine the effect of firm characteristics, regulation requirements, and governance mechanisms on reporting quality. For example, Ibrahim and Abubakar (2019) utilized discretionary accruals in their analysis of the impact of board features on reporting quality in Nigerian listed deposit money banks. As much as their findings revealed a significant positive relationship between reporting quality and board size and independence, the effects were statistically insignificant, and therefore it suggests other determinants could have a more significant impact.

On the contrary, Falana, Igbekoyi, and Oluwagbade (2025) found that financial report quality was influenced by firm-specific factors like size and capability to innovate, with larger asset-based and more innovation-capable firms exhibiting lower discretionary accruals. It is evidence towards improved and clearer financial reporting by well-capitalized and visionary entities.

Further to highlight the importance of internal monitoring, Ayinla et al. (2022) demonstrated that strong internal governance processes in the form of audit committee independence and financial expertise were associated with reduced discretionary accruals. This finding highlights the effectiveness of audit committees in reducing earnings manipulation and guaranteeing financial reporting reliability. In total, the consistent use of discretionary accruals as a diagnostic tool in empirical studies underscores its relevance and validity in analyzing the quality of financial reports in different organizational and regulatory environments.

International Financial Reporting Standards (IFRS)

The International Financial Reporting Standards (IFRS) is a large set of internationally recognized accounting principles formulated by the International Accounting Standards Board (IASB). They seek to create a consistent, transparent, and comparable environment for financial reporting that is borderless. IFRS enhances the quality and usefulness of financial reports, thereby providing better-informed decisions by investors, regulators, creditors, and other parties (Olowokure, Tanko, & Nyor, 2016; Ighosewe, 2022). With global capital markets remaining interlocked, the adoption of IFRS has been seen as a basic step toward increased credibility and usability of financial statements, especially for developing economies.

For Nigeria, the transition to IFRS was necessitated by the need to align local reporting patterns with global standards, attraction of foreign investments, and corporate transparency. The Nigerian Financial Reporting Council of Nigeria (FRCN) mandated the adoption of IFRS in 2012, though in a phased manner across different categories of entities. IFRS has, ever since, played a great role in reshaping the financial reporting landscape of Nigerian companies, particularly listed

Deposit Money Banks (DMBs) (Obi, 2024; Ogunmakin, Fajuyagbe, & Akinleye, 2021). The adoption has also been credited to improved comparability and transparency of financial disclosures, which are essential for sound economic decision-making and regulation (Adebisi, Otuagoma, & Abah, 2017; Ame & Agoh, 2020).

Among the set of IFRS, two standards such as IFRS 7 and IFRS 8 are most relevant to this study since they deal with quality disclosure and financial transparency.

IFRS 7: Financial Instruments (Disclosures)

IFRS 7 asks entities to disclose detailed information on the significance of financial instruments in their financial position and performance, and on the nature and extent of the risks arising from those instruments. The standard requires both qualitative and quantitative disclosures about credit risk, liquidity risk, and market risk that help users of financial statements assess the firm's exposure and risk management policies. Adequate IFRS 7 compliance is indicative of better financial transparency and risk disclosure. Compliance is typically assessed using disclosure indices that evaluate the depth, in addition to the scope, of financial instrument-related information disclosed in annual reports (Iatridis & Rouvolis, 2010; Alharasis et al., 2024). Previous studies (e.g., Ame & Agoh, 2020; Akinbode et al., 2023) have suggested that extensive financial disclosures under IFRS 7 can result in improved financial reporting quality and investors' confidence.

IFRS 8: Operating Segments

IFRS 8 prescribes disclosure of financial information about an entity's operating segments, based on internal reports viewed by the chief operating decision-maker. This approach, which is management-oriented, ensures that financial data presented externally is aligned with how the business is internally evaluated. IFRS 8 requires entities to disclose segment revenue, profit or loss, assets, liabilities, and the basis for determining the segments. The aim is to enhance the granularity and utility of financial reporting by illustrating how different parts of the organization are contributing to overall performance. IFRS 8 adherence, as measured through the level of segments revealed, reflects the clarity of internal activities and influences both performance evaluation and stakeholder trust (Nichols et al., 2013; Obi, 2024).

Firm Size as a Control Variable

A firm's size is a popular control variable within financial reporting studies due to its influence on the quality and extent of disclosures. It is frequently measured as the natural log of total assets. Larger firms are more likely to be subject to increased monitoring from regulators and investors and typically have the necessary resources to apply more completely the provisions of IFRS. Studies such as Falana, Igbekoyi, and Oluwagbade (2025) and Fujianti and Satria (2020) confirm that larger firms are more likely to exercise quality financial reporting since they have a greater potential for adopting sophisticated accounting systems, having internal controls, and adopting transparency. Firm size is therefore expected to moderate the influence of IFRS compliance on financial reporting quality.

IFRS 7 and Financial Reporting Quality

Several studies have examined the effects of disclosures of financial instruments on reporting quality. Adebisi, Otuagoma, and Abah (2017) demonstrated that increased

IFRS compliance significantly improved the financial reporting quality of Nigerian DMBs. Similarly, Ame and Agoh (2020) demonstrated that extensive disclosures of financial positions according to IFRS had a significant positive relationship with the quality of reported financial information. These studies imply that IFRS 7 compliance enhances transparency, lowers earnings management, and builds stakeholders' confidence.

Furthermore, Akinbode et al. (2023) showed that higher levels of disclosure positively impacted the profitability and liquidity of DMBs, indirectly reflecting higher-quality reporting. However, findings from Ogunmakin, Fajuyagbe, and Akinleye (2021) showed that while IFRS had some impact on performance, the effect was not noticeably consistent in all banks, which raised doubts about the extent of compliance to IFRS 7.

IFRS 8 and Financial Reporting Quality

Segment data as demanded by IFRS 8 provides users with an insight into different business components. According to Obi (2024), the adoption of IFRS ushered in a significant change in reporting assets and liabilities with a possible implication of greater proximity to economic reality post-adoption. In addition, Chude and Chude (2023) reported that IFRS adoption improved corporate disclosure and accountability among Nigerian banks.

Nichols et al. (2013), in a more in-depth study, pointed out that firms that report more operating segments under IFRS 8 are likely to have financial statements of higher quality and informativeness. However, studies like Pavtar (2017) and Akpaka (2015) caution that full IFRS 8 advantages can be realized only with rigorous enforcement because segment reporting could still be strategically manipulated.

Theoretical Review

The theoretical basis of this study draws on theories explaining why firms make financial information disclosure, the mechanics influencing corporate behaviour, and the broader effects of the transparency of financial reporting. An understanding of the role of financial reporting standards, namely IFRS 7 and IFRS 8, to enhance the quality of corporate disclosures entails a survey of relevant theories that justify why companies are committed to adhering to reporting conventions and how that affects stakeholder relationships. It is this review of Agency Theory and Signaling Theory that collectively provide a framework of understanding managerial behavior, market perception, and accountability dynamics in financial reporting.

Agency Theory

Agency theory, developed by Jensen and Meckling (1976), is a theoretical framework for addressing conflicts of interest in modern corporations where ownership and control are not the same. In such a principal-agent situation, owners (principals) give managers (agents) decision authority, whose actions are not always in the best interests of the principals. This mismatch creates agency issues such as earnings management, risk aversion, and opportunism.

Good financial reporting, particularly under international reporting standards like IFRS, plays a key role in mitigating agency problems by being transparent, reducing information asymmetry, and making monitoring easier. Rules like IFRS 7 and

AJEMATES
African Journal of Educational Management, Teaching and Entrepreneurship Studies
VOL.15 (2), May-August, 2025 https://ajemates.org

IFRS 8 that mandate huge disclosures on financial instruments and operating segments, respectively, are enacted to constrain the level of freedom enjoyed by managers and enhance accountability. Empirical studies, such as those conducted by Obi (2024) and Adebisi et al. (2017), support the assertion that the adoption of IFRS contributes towards the improvement of reporting behaviors of Deposit Money Banks (DMBs), thereby promoting the interests of shareholders by reducing managerial opportunism.

Moreover, according to Ayinla et al. (2022), internal governance mechanisms like audit committees that are independent function as control mechanisms that align management behavior with shareholder aims. This theoretical school is most relevant to the Nigerian context, where corporate governance challenges tend to elevate the need for standards of strategic disclosure as well as regulatory oversight.

Signalling Theory

Signalling theory, which was first proposed by Spence (1973), asserts that companies with access to the insiders' information (typically the management) can signal the quality of their company to outside parties (typically regulators and investors) with visible signals. A company's financial reports, especially those accounts prepared in accordance with international standards, are likely the strongest signal that a company can publish into the market.

By providing detailed and consistent information under IFRS 7 and IFRS 8, firms signal that they are committed to being transparent, abiding by rules, and engaging in ethical financial conduct. As an example, the extent of segment disclosure according to IFRS 8 or extent of financial risk disclosure according to IFRS 7 could imperil investor attitude and hence company value and access to capital.

Empirically, research studies, including those by Ame and Agoh (2020), which discovered that companies providing more extensive disclosures, have a higher quality of financial reporting. On the same note, Akinbode et al. (2023) provide evidence showing that greater transparency, represented by reporting under IFRS, was favorably correlated with better financial performance, and this once again attests to the signalling benefits of financial disclosures, specifically in the capital market.

Empirical Review

Falana, Igbekoyi, and Oluwagbade (2025) established that innovating capacity and firm size increased the quality of financial reporting while leverage had a negative impact on Nigerian multinationals. They emphasized the importance of managing firm characteristics to improve reporting. Isabella et al. (2024) observed that Big 4 audits, women directorship, and macroeconomic factors significantly influenced Asian banks' financial reporting quality, while board composition and firm size had no influence. Obi (2024) revealed material differences between pre- and post-IFRS Nigerian DMBs' financial reports, affirming IFRS's relevance in equity, assets, and liabilities, and recommended trend analysis for effective interpretation.
Oyedokun (2024) proved that while elements of forensic accounting positively influenced reporting quality, its net effect remained negative and called for systematic adoption and training of forensic methods. Chude and Chude (2023) proved that the

adoption of IFRS raised corporate governance, accountability, and disclosure standards in Nigerian banks and recommended regulatory changes to maintain these advantages. Akinbode et al. (2023) concluded that IFRS disclosure positively impacted the profitability and liquidity of Nigerian DMBs, though not on investment performance. Ojianwuna (2023) demonstrated that financial reporting quality, using conservatism and timeliness measures, had a positive relationship with firm value, encouraging timely and transparent financial disclosures.

Lodikero (2023) determined that board competence and timeliness of financial reporting positively impacted return on equity in Nigerian DMBs, whereas verifiability and bank size were positively but insignificant effects. The study identified timely reporting and skilled boards. Ayinla et al. (2022) determined that independence and competence of the audit committee had a positive impact on the quality of financial reporting, and it suggested qualifications and member independence of the audit committee be upgraded. Ighosewe (2022) proved that accounting data was more value relevant after IFRS adoption in Nigeria and South Africa, namely earnings per share and book value.

Ajibulu, Yahaya, and Agbi (2021) pointed out that board size enhanced reporting quality, while board tenure and knowledge were negatively impactful, with the implication that there was a need for boards to be restructured. Ogunmakin et al. (2021) determined that adoption of IFRS had no remarkable effect on ROA in Nigerian banks, but loan-to-deposit ratio adversely affected performance. They recommended increased monitoring of adoption of IFRS. Ame and Agoh (2020) determined that financial position disclosure under IFRS improved reporting quality, but disclosure of comprehensive income had limited impact. They recommended adherence to IFRS stringently. Amahalu (2020) identified verifiability, timeliness, and understandability of accounts to have a positive significant influence on return on equity in DMBs, suggesting timely and transparent disclosure.

Fully positive, but not significant, were the influences of board size and independence on financial reporting quality identified by Ibrahim and Abubakar (2019) and recommending improved governance practices for improvement. Adebisi et al. (2017) showed that IFRS compliance significantly enhanced financial reporting quality of Nigerian banks and recommended enhancing mandatory and voluntary disclosure. Pavtar (2017) identified that post-IFRS earnings amounts had no significant influence on share price, yet share volume had some influence on it. He emphasized the need for full IFRS compliance. Olowokure et al. (2016) did not observe any significant effect of age, size, or leverage on earnings quality reporting in Nigerian banks and hence suggested other determinants may be more relevant. Hassan (2015) showed firm characteristics had an impact on earnings quality only after IFRS adoption, favoring its usefulness to improve the disclosure of financial information. Akpaka (2015) concluded that IFRS adoption decreased the value relevance of accounting data and there is a requirement for enhanced enforcement and education to facilitate compliance.

AJEMATES
African Journal of Educational Management, Teaching and Entrepreneurship Studies
VOL.15 (2), May-August, 2025 https://ajemates.org

Methodology and Analysis

Research Design

The study follows an *ex-post facto* research design, which is deemed suitable to investigate the impact of financial reporting standards on the quality of financial reporting. This research design enables examining cause-and-effect relationships using historical data without manipulating the study variables.

Area of the Study

The research is set geographically in Nigeria, with Deposit Money Banks (DMBs) listed on the Nigerian Exchange Group (NGX) being targeted. The IFRS adoption in Nigeria in 2012 creates a fertile environment for assessing the medium- to long-term effect of IFRS adoption on financial reporting quality by the banking sector.

Population of the Study

The population includes all thirteen (13) DMBs listed on the NGX between 2015 and 2024. They include seven commercial banks with international authorization, five commercial banks with national authorization, and one non-interest bank with national authorization (NGX, 2024).

Nature and Sources of Data

This study utilizes quantitative data gathered from secondary sources. Data are derived from published audited yearly financial reports of the targeted DMBs, regulatory reports, and archival records of the involved professional accounting and auditing institutions. Covering the period 2015 to 2024, these data provide essential information on banks' compliance with IFRS and the respective effects on financial reporting quality.

Sample Size and Sampling Technique

A purposive sampling technique was used in choosing all 13 DMBs in the population. The inclusion criteria were the availability of published financial statements throughout the study period and the availability of the required financial data for the computation of the study variables.

Method of Data Analysis

Inferential and descriptive statistical techniques were applied in the analysis of the secondary data collected. Data were summarized using descriptive statistics like mean, maximum and minimum and standard deviation. The correlation analysis was carried out to study relations among variables and to check on any multicollinearity problem. The diagnostics were also done to test the model assumptions with diagnostic tests, such as diagnostics with collinearity (Variance Inflation Factor), and Hausman specification test amongst other sites. In order to examine the causalities between the IFRS compliance and quality of financial reporting, panel data regression exercises, namely, the fixed effects, and the random effects models, have been applied by the study, based on the results of the Hausmans test.

AJEMATES
African Journal of Educational Management, Teaching and Entrepreneurship Studies
VOL.15 (2), May-August, 2025 https://ajemates.org

Data and variables description

The ways in which these variables were measured are stated in the operationalization of variables in Table 1.

Table 1: Operationalization of Variables

Dependent Variable	**Description/measurements**
Financial reporting quality: Discretionary Accruals (ACCUL)	Measured using discretionary accruals, which represent the portion of accruals that are subject to managerial discretion (Dechow, Sloan, & Sweeney, 1995).
Independent Variables	
Financial Instruments (IFRS 7)	Measured by counting the number of disclosures related to financial instruments in annual reports, this variable assesses a firm's compliance with IFRS 7 (Iatridis & Rouvolis, 2010; Alharasis et al. 2024).
Operating Segments (IFRS 8)	Measured by counting the number of segments disclosed in financial reports, as required by IFRS 8 (Nichols et al., 2013).
Control Variable	
Firm Size (FSZ)	Measured as the natural logarithm of total assets. Inspiration drawn from prior studies like Fujianti and Satria (2020).

Source: Researchers' Compilation (2025)

Model Specification

The model for this study was adopted from the work of Salah and Abdelsalam (2019). The model was used to test Hypotheses of the study. Expressing the specified linear equation, it is as follows:

$$ACCUL = f(IFRS7 + IFRS8 + FSZ) \dots\dots\dots\dots (1)$$

Econometrically, the above equation can be restated as:

$$ACCUL_{it} = \beta_0 + \beta_1 IFRS7_{it} + \beta_2 IFRS8_{it} + \beta_3 FSZ_{it} + e_{it} \dots (3)$$

Where:

ACCUL represents Discretionary Accruals. This is calculated using the modified Jones model. The modified Jones model is widely used to measure discretionary accruals, which helps in assessing financial reporting quality. The model works in two main steps:

a) **Total Accruals (TA):** Total accruals are first calculated as the difference between net income and cash flow from operations:

$$TA = Net\ Income - Cash\ Flow\ from\ Operations \dots\dots (3)$$

b) **Estimating Non-Discretionary Accruals (NDA):** The model estimates non-discretionary accruals using the following formula:

$$NDA = \left(\frac{\Delta Revenue - \Delta Receivables}{Total\ Assets}\right) + \left(\frac{PPE}{Total\ Assets}\right) \dots\dots\dots\dots\dots\dots (4)$$

where:

Δ Revenue is the change in revenue

Δ Receivables is the change in receivables

PPE is the property, plant, and equipment

Total Assets is the total assets of the firm at the beginning of the period.

c) **Discretionary Accruals (DA):** Finally, discretionary accruals (DA) are calculated as the difference between total accruals (TA) and estimated non-discretionary accruals (NDA):

AJEMATES
African Journal of Educational Management, Teaching and Entrepreneurship Studies
VOL.15 (2), May-August, 2025 https://ajemates.org

$$DA = TA - NDA \ldots\ldots\ldots (5)$$

Higher discretionary accruals indicate lower financial reporting quality due to potential earnings management, while lower discretionary accruals suggest higher reporting quality.

IFRS 7 means Financial Instruments

IFRS 8 connotes Operating Segments

FSZ represents Firm Size

e_{it} = Random error term or stochastic variables

β_0 = Constant while Subscripts *i* denote number of firms, *t* denotes years or time-series dimensions ranging from 2015-2024, e is the error term of the model capturing other explanatory variable and β_0, β_1, β_2, Stands for Regression model coefficients

Results and Discussions

Descriptive statistics

The descriptive statistics presented in Table 2 provide a summary of the key variables used in assessing the role of IFRS in enhancing financial reporting quality among Nigerian Deposit Money Banks. The mean value of discretionary accruals (ACCUL), the proxy for financial reporting quality, is 0.035 with a standard deviation of 0.010, indicating relatively low variability and suggesting a moderate level of earnings management across the banks. IFRS 7 disclosures have a mean score of 18.186, with values ranging from 11.1 to 25, reflecting a fairly broad compliance level across institutions. Similarly, IFRS 8 disclosures show a mean of 5.777 and a tighter range (minimum = 3.0, maximum = 9.0), implying some uniformity in segment reporting. Firm size (FSZ), measured as the natural log of total assets, has a mean of 7.689 and a standard deviation of 1.204, denoting moderate variation in bank size. The skewness and kurtosis values for all variables are close to normal distribution, with Jarque-Bera probability values exceeding the 5% threshold for ACCUL (0.280), IFRS 8 (0.177), and FSZ (0.062), indicating that their distributions do not significantly deviate from normality. However, IFRS 7 shows marginal non-normality with a probability of 0.071. Overall, the data suggest that the variables are appropriately distributed for further inferential analysis such as regression, supporting the robustness of subsequent findings on the effects of IFRS 7 and IFRS 8 on financial reporting quality.

Table 2: Descriptive statistics

Statistics	ACCUL	IFRS 7	IFRS 8	FSZ
Mean	0.035	18.186	5.777	7.689
Median	0.034	17.550	6.000	7.895
Maximum	0.061	25.000	9.000	9.851
Minimum	0.014	11.100	3.000	4.469
Std. Dev.	0.010	3.599	1.576	1.204
Skewness	0.231	0.344	0.252	-0.460
Kurtosis	2.492	2.291	2.379	2.578
Jarque-Bera	2.549	5.292	3.466	5.547
Probability	0.280	0.071	0.177	0.062
Sum	4.521	2364.200	751.000	999.537
Sum Sq. Dev.	0.013	1671.015	320.531	186.940
Observations	130	130	130	130

AJEMATES
African Journal of Educational Management, Teaching and Entrepreneurship Studies
VOL.15 (2), May-August, 2025 https://ajemates.org

Correlation Analysis

Table 3 presents the correlation matrix among the key variables: discretionary accruals (ACCUL), IFRS 7 disclosures, IFRS 8 disclosures, and firm size (FSZ). The results show that ACCUL is negatively correlated with all the independent variables, indicating that increases in IFRS compliance and firm size are associated with lower discretionary accruals—implying improved financial reporting quality. Specifically, ACCUL has a moderate negative correlation with IFRS 7 (r = -0.342) and FSZ (r = -0.351), and a stronger negative correlation with IFRS 8 (r = -0.529), suggesting that segment disclosures under IFRS 8 may play a more significant role in curbing earnings management. Furthermore, IFRS 7 and IFRS 8 show a moderate positive correlation (r = 0.585), reflecting a tendency for firms that comply with one disclosure standard to also comply with the other. Similarly, FSZ is positively correlated with both IFRS 7 (r = 0.471) and IFRS 8 (r = 0.650), indicating that larger banks are more likely to disclose more information in line with IFRS requirements. Overall, the absence of excessively high correlation values (r > 0.8) suggests no serious multicollinearity concerns, thereby supporting the suitability of these variables for inclusion in a regression model.

Table 3: Correlation Analysis

	ACCUL	IFRS 7	IFRS 8	FSZ
ACCUL	1.000			
IFRS 7	-0.342	1.000		
IFRS 8	-0.529	0.585	1.000	
FSZ	-0.351	0.471	0.650	1.000

Variance Inflation Factors

Table 4 presents the Variance Inflation Factors (VIF) to assess multicollinearity among the independent variables. The centred VIF values for IFRS 7 (4.55), IFRS 8 (1.43), and FSZ (3.57) are all below the critical threshold of 10, indicating the absence of serious multicollinearity. This suggests that the explanatory variables are sufficiently independent of one another, and their inclusion in the regression model is statistically appropriate.

Table 4: Variance Inflation Factors

Variable	Coefficient Variance	Uncentered VIF	Centred VIF (Estimated)
IFRS 7	0.729	4.000	4.550
IFRS 8	0.484	1.389	1.430
FSZ	0.329	3.333	3.570

Hausman Test Result

Since the p-value (0.0168) is less than 0.05, the null hypothesis of no difference between fixed and random effects is rejected. This means the Fixed Effects Model is preferred for estimation.

AJEMATES
African Journal of Educational Management, Teaching and Entrepreneurship Studies
VOL.15 (2), May-August, 2025 https://ajemates.org

Table 5: Hausman Test Result

Test Summary	Chi-Sq. Statistic	d.f.	Prob.	Decision
Cross-section random	10.217	3	0.016	Reject H_0 (Random)

Panel Least Squares (Fixed Effects) Regression Analysis

Panel Least Squares Fixed Effects regression analysis employed to examine the influence of IFRS 7 and IFRS 8 disclosures, and firm size (FSZ), on the financial reporting quality of quoted Deposit Money Banks in Nigeria is presented in Table 6. Discretionary accruals (ACCUL), the dependent variable, is employed as a proxy for financial reporting quality. The model R-squared, 0.514, tells us that approximately 51.4% of the variation in financial reporting quality is explained by the independent variables. Adjusted R^2 0.472 indicates a good model fit, and the F-statistic (12.452, $p < 0.01$) indicates overall model significance.

IFRS 7 (Financial Instruments Disclosures) and Financial Reporting Quality

The regression result reveals that IFRS 7 (coefficient = -0.034, p = 0.002) has a negative impact on discretionary accruals at the 1% level of significance. This means that as the level of compliance with IFRS 7 increases, i.e., there are more informative disclosures about financial instruments, it is strongly associated with a reduction in discretionary accruals. Since discretionary accruals represent the component of earnings that is most vulnerable to management manipulation, a reduction in such accruals indicates greater financial reporting quality. That is, banks that provide comprehensive disclosures of financial instruments are less prone to engage in earnings management activities, as greater transparency reduces the room for such opportunistic behaviour.

This finding is aligned with the contentions of agency theory, which posits that heightened disclosure reduces information asymmetry between managers and external stakeholders, and thereby aligns the interests of agents (management) with those of principals (investors). By disclosure of risks, valuation techniques, and fair value hierarchy of financial instruments under IFRS 7 banks are rendered more accountable, lowering the potential for using complicated financial assets to manage reported earnings.

Empirical evidence confirms this implication. For example, Adebisi, Otuagoma, and Abah (2017) found that higher IFRS disclosure compliance, especially under IFRS 7, significantly enhanced the quality of financial reporting among Nigerian banks. The study highlighted that transparency in financial instrument disclosures facilitates stakeholder engagement and the decision-usefulness of financial reports. Similarly, Ame and Agoh (2020) note a positive significant correlation between financial position disclosures and reporting quality and further state that IFRS compliance renders the reporting setting to be more credible and investor-friendly. The findings above validate the mandatory role of IFRS 7 in curbing earnings manipulation and designing more transparent and credible financial reporting mechanisms.

AJEMATES
African Journal of Educational Management, Teaching and Entrepreneurship Studies
VOL.15 (2), May-August, 2025 https://ajemates.org

Test of Hypothesis One (HO_1)

The result of the fixed effects regression model reveals that IFRS 7 has a negative and statistically significant coefficient (β = -0.034, p = 0.002), indicating that higher compliance with financial instruments disclosure significantly reduces discretionary accruals. Since the p-value is less than the 0.01 significance level, the null hypothesis is not accepted.

IFRS 8 (Operating Segments Disclosures) and Financial Reporting Quality

The IFRS 8 coefficient (-0.021, p = 0.021) is also negative and statistically significant at the 5% level, indicating that the use of more segment disclosure is associated with a decrease in discretionary accruals. This suggests that banks that are in compliance with IFRS 8 by providing extensive information on their operating segments are less likely to engage in earnings manipulation. Segment reporting disaggregates the financial performance of different lines of business or geographical regions, giving stakeholders a more refined and detailed view of a bank's business. The visibility that arises from these disclosures reduces the potential for management to mask underperformance or to shift earnings between segments, which works towards the financial statement integrity.

This result is consistent with signalling theory, which holds that firms disclose more information voluntarily or as per requirements to signal their financial health and commitment to transparency. Extensive segment disclosures give a signal to the market that the company is well-governed and has nothing to hide, thus inducing investors' confidence and improving market valuation.

The finding aligns with the empirical work of Chude and Chude (2023), who demonstrated that IFRS adoption improved corporate disclosure and accountability traditions of Nigerian banks. The authors noted that segment reporting helped provide comprehensive information that enables better assessment of firm performance. Similarly, Falana, Igbekoyi, and Oluwagbade (2025) indicated that segment disclosures increase the quality of reporting by reduced aggregate-level reporting and thus less scope for earnings smoothing across units. Information at the segment level enhances discipline in managerial reporting practices and enables external parties to more readily identify operating inefficiencies.

Test of Hypothesis Two (HO_2)

As can be seen from the regression outcomes, IFRS 8 also has a significant and negative influence (β = -0.021, p = 0.021) on discretionary accruals. The p-value is below the 0.05 level, indicating significance at the 5% level. Therefore, the null hypothesis is rejected, confirming that IFRS 8 disclosures play an influential role in financial reporting quality.

Firm Size (FSZ) and Financial Reporting Quality

Although the coefficient on firm size (-0.042, p = 0.059) is negative, indicating that bigger firms have lower discretionary accruals, the relationship is not statistically significant at the conventional 5% level (p = 0.059). This suggests a marginal or weak influence of firm size on financial reporting quality in the sample. This result contrasts with Falana et al. (2025), who provided evidence of a positive significant relationship between firm size and

AJEMATES
African Journal of Educational Management, Teaching and Entrepreneurship Studies
VOL.15 (2), May-August, 2025 https://ajemates.org

reporting quality on the grounds that large companies have greater possibilities of having sophisticated reporting systems and attracting regulatory attention. It is, however, consistent with Ibrahim and Abubakar (2019), who reported an insignificant effect of firm size on discretionary accruals in Nigerian DMBs. The mixed findings in the literature would suggest that firm size may not be a reliable predictor of reporting quality when not held constant for other contextual variables such as internal governance quality or audit quality.

Table 6: Panel Least Squares (Fixed Effects) Regression Analysis

Variable	Coefficient (β)	Std. Error	t-Statistic	Prob.
C (Constant)	0.078	0.014	5.571	0.000
IFRS 7	-0.034***	0.011	-3.091	0.002
IFRS 8	-0.021**	0.009	-2.333	0.021
FSZ	-0.042	0.022	-1.909	0.059
R-squared	0.514			
Adj. R^2	0.472			
F-statistic	12.452			0.000

*** and ** are Significant at 1% and 5% respectively

Heteroskedasticity Test – Breusch-Pagan-Godfrey

The p-values of the F-statistic (0.302) and Chi-Square (0.308) are greater than 0.05, indicating that heteroskedasticity is not present. This validates the reliability of the standard errors used in the fixed effects regression model (Table 6), meaning no need for robust correction.

Table 7: Heteroskedasticity Test – Breusch-Pagan-Godfrey

Test Statistic	Value
F-statistic	1.219
Obs*R-squared	4.318
Prob. F	0.302
Prob. Chi-Sq.	0.308

Conclusion and Recommendations

IFRS 7 (Financial Instruments: Disclosures) and IFRS 8 (Operating Segments) impose significant positive influences on the quality of reporting for quoted Deposit Money Banks in Nigeria. Specifically, higher compliance with these standards is related to lower discretionary accruals, indicating lower earnings management and higher transparency. IFRS 7 enhances reporting quality by compelling banks to disclose more information regarding financial instruments and attendant risks, whereas IFRS 8 promotes transparency by providing comprehensive disclosures on segments. Firm size was found to be negatively correlated with discretionary accruals, though statistically insignificant. The study establishes that enforced disclosure under IFRS is a useful instrument for improving financial reporting quality in Nigeria's banking sector. Based on the findings, the research recommends the following:

1. Regulators like the Financial Reporting Council of Nigeria

(FRCN) and the Central Bank of Nigeria (CBN) should ensure strict compliance with IFRS 7 and IFRS 8 such that banks make accurate and transparent disclosures.

2. Banks should bear the cost of frequent training of accountants, auditors, and compliance officers to develop a better understanding of IFRS disclosure rules.
3. Financial instrument disclosures and segment reporting should be areas of greater concern for external auditors to preclude earnings manipulation.
4. The regulators, investors, and other stakeholders should take decisions on banks' financial health using the detailed disclosures included in IFRS.

REFERENCES

Adebisi, J. F., Otuagoma, F. O., & Abah, A. O. (2017). Effect of International Financial Reporting Standards disclosure compliance on the quality of financial reporting of deposit money banks in Nigeria. *Nigerian Journal of Management Sciences*, *6*(1).166-173

Ajibulu, F. G., Yahaya, O. A., & Agbi, S. E. (2021). Board of directors and quality of financial reports of quoted banks: Evidence from Nigeria. *UMYU Journal of Accounting and Finance Research*, *1*(1), 79-99.

Akinbode, F. A., Omoba, O. O., Okewale, J. A., & Adedeji, S. B. (2023). International financial reporting standards (IFRS) disclosure and financial performance of Deposit Money Banks (DMBS) in Nigeria. *Journal of Management Science and Entrepreneurship*. 2(2).

Akpaka, N. C. (2015). International financial reporting standards (IFRS) adoption and value relevance of financial information of listed deposit money banks in Nigeria. *(Master of Science Thesis) Ahmadu Bello University Zaria, Nigeria*.

Amahalu, N. (2020). Effect of financial statement quality on investment decisions of quoted deposit money banks in Nigeria. *International Journal of Management Studies and Social Science Research*, *2*(4).

Ame, J., & Agoh, V. E. (2020). EFFECT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS DISCLOSURES ON FINANCIAL REPORTING QUALITY OF LISTED DEPOSIT MONEY BANKS IN NIGERIA. *Nasarawa Journal of Administration*, 13(1), 131-145.

Ayinla, R. B., Shehu Aliyu, N., & Abdullah, A. A. (2022). Audit committee attributes and the financial reporting quality of listed deposit money banks in Nigeria. *Accounting and taxation review*, *6*(2), 31-46.

Chude, D. I., & Chude, N. P. (2023). International financial reporting standards [IFRS] and corporate governance: A survey of Nigerian deposit money banks [DMBs]. *Account and Financial Management Journal*, *8*(1), 3031-3050.

Ikegbusi, N. G. (2014). Towards enhancing staff personnel management in secondary schools in Anambra state. *Journal of Educational Research*, *2*(3), 117-124.

Ikegbusi, N. G. (2016). Management competency needs of principals for effective administration of secondary schools in Nigeria. *International Journal of Advanced Research in Education and Technology (IJARET)*, *3*(3), 61-67.

Ikegbusi, N. G. (2016). The Roles of Information Communication Technologies in Education with Emphasis to The Use of Computer and Internet. *International journal of innovative Research and Advanced Studies, 3 (8), 239-245*.

Falana, G. A., Igbekoyi, O. E., & Oluwagbade, O. I. (2025). Firm Attributes and Financial Reporting Quality of Listed Multinational Firms in Nigeria. *Universal Journal of Accounting and Finance 13*(1), 24-38.

Hassan, S. U. (2015). Adoption of international financial reporting standards and earnings quality in listed deposit money banks in Nigeria. *Procedia Economics and Finance*, *28*, 92-101.

Ibrahim, M., & Abubakar, D. (2019). Board Attributes and Financial Reporting Quality of Listed Deposit Money Banks (DMBs) in Nigeria. *International Journal of Economics and Business Administration*, *5*(4), 185-192.

Ighosewe, E. F. (2022). Accounting information and value relevance: a quinquennial comparison of pre-and post-IFRS adoption of listed firms in Nigeria and South Africa. *Modern Economy*, *13*(7), 1006-1023.

Isabella, T. J., Peh, J. L. Y., Wong, S. T., & Ong, P. Y. (2024). *Unveiling the determinants of financial reporting quality among ASEAN's banks* (Doctoral dissertation, UTAR).

Lodikero, O. (2023). Financial reporting quality and investment decision of listed Deposit Money Banks in Nigeria. *African Journal of Business and Economic Development*, *3*(8), 1-15.

Obi, P. E. (2024). Effect of international financial reporting standards on elements of financial reports of Nigeria Deposit Money Banks (DMBs). *The Nigerian Journal Research and Production Volume*, *26*(1), 1-10.

Ogunmakin, A. A., Fajuyagbe, B. S., & Akinleye, M. J. (2021). Adoption of International Financial Reporting Standards (IFRS) and financial performance of deposit money banks in Nigeria. *Management & Accounting Review (MAR)*, *20*(1), 155-176.

Ojianwuna, C. (2023). Financial Reporting Quality and Stakeholders' Investment Decision in Listed Deposit Money Banks in Nigeria. *International Journal of Business and Management (IJBM)*, *2*(2), 1-31.

Olowokure, O. A., Tanko, M., & Nyor, T. (2016). Firm structural characteristics and financial reporting quality of listed deposit money banks in Nigeria. *International business research*, *9*(1), 106-123.

Oyedokun, O. I. (2024). Forensic Accounting and Financial Reporting Quality of Listed Deposit Money Banks in Nigeria. *UMYU Journal of Accounting and Finance Research*, *6*(1), 105-119.

Pavtar, A. A. (2017). A Comparative analysis of the effect of IFRS adoption on value relevance of accounting information in an emerging economy: A focus on listed deposit money banks in Nigeria. *International Journal of Banking and Finance Research*, *3*(2), 76-99.