Journal of Economics and Technology Research
ISSN 2690-3695 (Print) ISSN 2690-3709 (Online)
Vol. 5, No. 1, 2024
www.scholink.org/ojs/index.php/jetr

Original Paper

Impact of IPSAS Adoption on Financial Reporting Quality in Nigeria: A Case of South-Western Nigeria

Zacch Adelabu ADEDEJI[1*]

[1] Department of Management and Accounting, Obafemi Awolowo University Ile Ife, Nigeria

[*] Zacch Adelabu ADEDEJI, Department of Management and Accounting, Obafemi Awolowo University Ile Ife, Nigeria

Received: January 21, 2024 Accepted: February 7, 2024 Online Published: February 23, 2024

doi:10.22158/jetr.v5n1p38 URL: http://dx.doi.org/10.22158/jetr.v5n1p38

Abstract

The study investigated the effect of IPSAS Adoption of financial reporting quality using the six south western states in Nigeria. The public service in the six states of the south western Nigeria is the focus of the study. A total of 400 respondents are covered in the survey and professional staff like auditors and accountants in the public service form the nucleus of the respondents. Well-structured questionnaire was constructed and administered. The data harvested was analyzed using Structural Equation Modelling. Findings from the analysis revealed that. Generally, the adoption of IPSASs contributed to an improvement in financial reporting quality in the sample States. It is however recommended that all states in the federation should migrate to full implementation of accrual based IPSASs accounting systems because of its positive effect on financial reporting quality.

Keywords

Financial Reporting Quality, IPSAS Adoption, South Western States

1. Introduction

The desire for high quality financial report, which is appropriately referred to as “Financial Reporting Quality (FRQ)” has been a major issue in public sector accounting (Rakhman & Wijayana, 2019). The focus on FRQ in public sector may be connected with the documented systemic corruption that have pervaded public sector in developing economies Nigeria inclusive. In order to legitimize their government, political leaders in developing economies are making concerted efforts to achieve high FRQ that is complete, transparent, relevant, reliable, comparable, and understandable.

According to the agency theory on the relationship between the principal and agents, there is a likelihood of the existence of information risk resulting from the act of disregarding the principle guiding financial reporting by the key operators of public sector accounts. Often time, elected politicians may disregard high FRQ in order to mask financial information from parliaments and other users. Part of the efforts to stem the gross ineptitude and corruption, and the issues of poor-quality reporting, is the introduction of International Public Sector Accounting Standards (IPSAS) which is a set of standards issued by IPSAS Board for use by public sectors entities around the world in the preparation and presentation of financial statement. It is hoped that the problems which are public indifference, bureaucratic ineptitude, and corporate incompetence would be resolved and that achieving FRQ will assist policymakers to minimise misuse of power, corruption and safeguarding public assets and properties (Cicatiello, De Simone, & Gaeta, 2017). Despite the widespread and acclaimed success of IPSAS, there is still an ongoing controversy about the merits of its application and direction of its relationship with financial reporting quality. While some studies argue that the adoption of IPSAS is mostly suitable to developing economies who are struggling for credibility with multilateral and development agencies, other studies hypothesize that IPSASs is applicable to all jurisdictions. The direction of relationship and the possible effect of IPSAS on the quality of public sector financial reporting still remain unclear in the literature. While a strand of literature advances the relationship between IPSASs and FRQ to be positive, other studies argue that a negative relationship exists between IPSASs and FRQ, yet still, some other studies argue that there is no significant relationship between the two concepts. These mixed and contradicting results may be due to the non-consideration in the institutional factors which show fact between IPSASs adoption and FRQ. Studies have shown that country’s differences in legal and cultural values may play a dominant role in the effectiveness of IPSASs implementation. On the basis of this argument, the study seeks to evaluate the effect of the adoption of IPSASs on the financial reporting quality considering the role of institutional factors on these associations between IPSASs and FRQ.

Consequently, the main objective of this study is to analyse the impact of IPSAS adoption on financial reporting quality in the public sector in Nigeria using the six South Western States in Nigeria as a case study. The rest of the paper is arranged as follows. Literature review, methodology, results and discussion, conclusions and recommendation.

The bulk of studies on the extent of IPSASs adoption have been conducted in developed economies. Few studies have been carried on IPSASs adoption in developing economies. Opanyi (2016) analysed the impact of IPSAS implementation on the quality of financial reporting in 19 public sector organizations in Kenya. The quality of financial information is assessed based on the qualitative characteristics of financial information. The research was based on economic network theory. The data was analysed using a paired sample t-test and the results showed that implementation was faster after

IPSAS than before IPSAS. Trang (2012) examined whether IPSAS standards should be used in Vietnamese government accounting and described how they can be applied in Vietnam in the current framework. He assessed the feasibility and usefulness of IPSAS in Vietnam's government accounting and financial reporting, arguing that the transition of accounting systems from cash to accrual basis is part of a broader set of reforms that will increase the changes in delegation. they are responsible for providing the service to citizens instead of following fixed rules, and make the public sector has more transparency in reporting and measuring performance.

Christianen et al. (2013) examined the extent to which European governments accept IPSAS accrual accounting and how different levels of implementation can be explained by a survey of relevant experts. They point out that there is no uniform approach to the IPSAS implementation process and accrual accounting, and that some governments still use cash accounting and IPSASs adoption is lower. Most local and state governments apply accrual accounting without regard to IPSASs, which explains the need for transparency and efficiency. Research has shown that the main argument for using IPSASs is that they are unique and provide specific expertise, and that the success of IPSASs largely depends on defining its strengths and focusing on its essential characteristics.

Alshujairi (2014) investigated whether a developing country like Iraq should use IPSASs as a means of improving the government's accounting system. The work looked at a qualitative methodology to obtain the necessary data using questionnaires, and the results of the survey showed that a large number of respondents believe that the accounting system of the Iraqi government needs to be revised and that corruption is the main reason. The conclusions underscored the necessity for enhancing the quality, transparency, and accountability of the public accounting system. Against this background, the document recommends reforming the Iraqi government's accounting system by adopting IPSASs, as accrual accounting provides better financial integrity than cash or accrual accounting.

Makka (2014) investigated the cost-benefit analysis of IPSASs implementation in Zimbabwe through a comparative study of cash accounting and a recommended accounting report based on IPSASs. The report highlighted key cash accounting issues that need to be resolved by adopting IPSASs-based standards. He said the introduction of IPSASs will change the fundamentals of financial reporting from cash reporting to accrual and cash IPSASs accounting and ultimately full accrual accounting and IPSASs. The study showed that it facilitates the reconciliation of the budget and the actual results, because the preparation of the budget should be aligned with the total commitment and increase the current capacity, which also facilitates the reporting of the establishment and improves the budget and budget comparison. actual results. target budget

Opanyi (2016) investigated the impact of IPSAS implementation on the quality of financial information meeting the reporting decision criteria in Kenya. The research project was a descriptive research project that focused on 19 national ministries in Kenya. Secondary data was used in the study and analysed using descriptive statistics and t-test differences. The study showed that the quality of comparability, timeliness, relevance and reliability improved with the introduction of IPSAS, while the quality of understandability decreased. The study also concluded that the adoption of IPSAS has a moderate impact on the quality of financial reporting in Kenya's public sector on a five-point Likert scale. The study also concluded that there was no significant difference between transparency and accountability, which suggests that the goal of the government reform to increase accountability and transparency may not be fully achieved. The study concluded that, based on the samples, there is a statistically significant difference in the implementation of decisions between existing financial reports and IPSAS-based financial reports.

Atuilik and Salia (2019) an assessment of the impact of the implementation of IPSAS on the transparency and accountability of the use of public funds in Liberia. A survey plan with a five-point Likert scale was used to collect the data. Questions were sent to auditors (private and public), auditors, ministries and relevant government agencies in Montserrado Province, Liberia. The questionnaires were then analyzed using descriptive statistics. Hypotheses were formulated and tested using analysis of variance (ANOVA) at a 5% significance level. The result showed that the implementation of IPSAS increases accountability and transparency in the use of public funds. It also states that the loss of income and insufficient disclosure of public expenditures weakens the government's commitment to ensure open and responsible management of public funds in the country. Therefore, the document recommends the governments of developing countries to accelerate their transition to competence-based IPSAS systems.

The empirical literature on the impact of IPSAS implementation on FRQ is growing. Most of these Ijeoma (2014) IPSAS accreditation studies have focused on assessing the impact of the International Public Sector Accounting Standard (IPSAS) on the credibility, reliability and integrity of financial reporting in the Nigerian government. The result of this paper showed that the adoption of IPSAS would improve the reliability, integrity and credibility of the Nigerian government's financial reporting. It was also noted that results-based financial management and internal control in the public sector could be improved if IPSAS-based standards are introduced. Likewise, the adoption of IPSAS has been shown to advance the federal government's goal of providing services more effectively and efficiently.

Ijeoma and Ogoghomeh (2014The article investigated the advantages and obstacles associated with the implementation of International Public Sector Accounting Standards (IPSAS) in Nigeria. The research incorporated fundamental data and employed statistical methods such as the Kruskal-Wallis test, chi-square test, and descriptive analysis. The results indicated that the introduction of IPSAS should improve transparency and accountability in the Nigerian public sector. It was also noted that the implementation of IPSAS improves international best practices and comparability. In addition, the adoption of IPSAS-based standards will enable decision-makers to obtain more relevant information and improve the quality of Nigeria's financial reporting system. Udeh and Sopekan (2015) assessed the implementation of IPSAS and the quality of public sector reporting. It was agreed that the introduction of IPSAS should improve the quality or standard of public sector financial reporting in Nigeria. This paper confirms that accrual-based IPSAS has the potential to improve cash reporting capabilities. They further point out that the adoption of IPSAS will improve the quality of financial reporting by government agencies in Nigeria.

The financial benefits that result from an investment are referred to by Frimpong (2010) as the return. The form of the investment determines the type of return. Investors are pleased when the real return is higher than what was anticipated. Investors, businesses, and financial managers, on the other hand, are more inclined to worry about the risk that the real return would be lower than the expected return. Consequently, a hazardous investment is one in which there is a strong likelihood that its actual returns will differ significantly from those anticipated. Bodie, Kane and Marcus (2008) similarly state that investors invest in firms in anticipation of future returns on their investment. However, since there will probably always be risk involved in investments, those returns are difficult to estimate with any degree of accuracy. There will always be a difference between actual or realized returns and those projected at the start of the investment period. Investors are considered to favor investments with the best predicted return that still fits their risk tolerance.

Every human endeavor entails some level of danger, according to Abdullahi, Lawal, and Etudaiye-Muhtar (2011). These risks might range in severity. One form of risk is inherent in any investment. In fact, the risk of the person doing nothing could be higher. In the pursuit of riches or rewards through stock investing, this existential reality is more pronounced. Contrary to bank savings and current accounts, the majority of investments made on the stock market are not really made in a specific market over an extended period of time, which does not ensure a stable situation at all times.

Each existing share of a company's common stock is valued at the sum of all declared dividends that have been paid out. This is the yearly dividend divided by the number of shares in circulation. It is the total of the dividends that have been declared on all issued common shares. The DPS is the sum a publicly traded firm chose to pay for any unit of shares issued to the shareholders. DPS can be utilized by people who prefer dividend-paying firms and are comparing various stocks to invest in (Yusuf, 2015).

Firms with a small number of significant investment prospects would avoid paying out a higher portion of their profits. For this reason, stable, slow-growth sectors pay out bigger dividends. High-growth businesses, on the other hand, are more likely to pay low dividends since they can put the cash to good use. Thus, demand for locally generated funds is projected to increase as the economy grows.

Primary data were obtained from 180 accountants in South West Nigeria and analyzed using Goodman and Kruskal tables, graphs, factor analysis and gamma statistics. The results showed that FRQ's IPSAS approval has a significant and positive relationship with the comparability and credibility of financial statements. In summary, the results of this study show that staff adoption, implementation costs, knowledge of IPSAS, technological factor, and availability of knowledge and skills have a significant impact on IPSAS implementation. In addition, the results also showed that cultural, institutional, sociological, political, legal and environmental factors do not significantly affect the implementation of IPSAS. The study recommends a significant contribution to the full development and implementation of IPSAS in Nigeria.

2. Method

2.1 Research Design

The particular study adopted survey research design. The quantitative research involved the analysis of data. The survey research design captures data through the viewpoints, demographic details, perceptions, and motivations of the respondents. This method was considered appropriate because it allowed quantitative analysis to gain direct and deeper insight into the research questions. The method was recognized as valuable because it allowed direct access to critical data valuable for the research.

2.2 Area of the Study

The area of study for this research was South-western Nigeria. The South-western region consisted of Lagos, Ekiti, Ondo, Ogun, Oyo, and Osun States. The study area was chosen because all the South-western States had directed the migration to IPSASs for the preparation of financial statements. The South-western region was one of the four regions of the country, and is reputed as the economic nerve centre of the country. Studies had shown that two States in the South-western Nigeria, that is, Lagos and Ogun States, had very high internally generated revenues and a huge number of businesses domiciled in the States.

2.3 Population, Sample Size and Sampling Technique

The study population comprised 1, 492 respondents comprised all accountants and auditors from grade level 12 and above in the Southwest States. These set of respondents had adequate experience and knowledge to give appropriate responses to the study’s research questions. The sample size was determined using Yamane formula. Table 1 showed the distribution of the population and the sample size for each State in the South-western Nigeria. Simple random sampling was applied as basis for the distribution of the sample among the States.

Table 1. List of Population, Sample Size and Sampling Techniques

		POPULATION	***Sample size by Yamane formula***	***Margin of error***	***Final sample***
SN	**States**	**TOTAL**			
1	LAGOS	378	80	21	101
2	OGUN	327	69	19	88
3	OYO	265	56	15	71
4	OSUN	176	37	10	47
5	ONDO	192	41	11	52
6	EKITI	154	32	9	41
	TOTAL	**1,492**	**315**	**85**	**400**

***Source*: Field Study, 2023**

After the application of Taro Yamato sampling techniques a total of 315 respondents were included in the survey

2.4 Data and Sources of Data

The study used both secondary and primary sources of data. The primary data were extracted from the administration of questionnaire on relevant respondents (accountants and auditors on grade level 12 and above in all South-western States).

Research Instrument

The administration of a structured questionnaire was adopted in eliciting information from the targeted respondents. The questionnaire design was achieved through the combination of deductive and inductive approaches (Tharenou, Donohue, & Cooper, 2007). The deductive approach involved an extensive literature review of pre-existing scale while the inductive approach involved opinions gathered from relevant respondents the instrument will be assessed using a 5-point agreement scale, with scores ranging from 0 to 4.

The purpose of scaling is to facilitate the conceptualisation and management of a construct and to produce quantitative metrics that are used to test hypotheses (Neuman, 2006). The scaling system is in line with literature that standard estimations performed well with indicators measured on 5 or more categories. Indicators measured with fewer categories may result in non-trivially attenuated covariances and inflated fit statistics (Joreskog, 1994; Muthen, 1984; Hoyle, 2000). Responses to each item in the questionnaire were constructed in such a way that higher scores will indicate a more favourable agreement. The survey instrument was pre-tested on 20 accountants and auditors in Kwara public sector in order to ascertain face and content validity of the instrument. Comments made at the level of pre-test were incorporated in the instrument. The instrument was divided into 3 sections.

Section A comprised information about the demographic characteristics of the respondents to validate the suitability of the respondents. Section B elicited information about financial reporting quality, while Section C detailed information about the extent of IPSASs adoption in South-western Nigeria.

Reliability and Validity of Research Instrument

Pre-administration Tests

Content validity was adopted as a pre-administration test to determine the suitability of the contents of the questionnaire. According to Rubio (2005), content validity "relies on people's judgement of the extent to which the item and/or measure is valid". Two methods for assessing content validity are face and logical validity. This study adopted the face validity measure by administering the questionnaire on 6 experts on IPSASs adoption both in academia and the public sector.

Post-administration Test

The study conducted reliability and validity tests on the research instrument after it was administered to the respondents. The reliability of the instrument was determined by Cronbach's alpha (with benchmark to 0.7). The validity of the research instrument was determined by discriminant validity tests.

2.5 Model Specification

This objective examines the effect of IPSASs adoption on financial reporting quality in south-western states. Following previous studies (e.g., Muraina & Dandago, 2019), the model for the achievement of the objective was as follows:

$$frq_i = \beta_0 + \beta_1 ipsas_{\,i} + \varepsilon_i$$

Eqn. .1

frq = financial reporting quality shown in section B of the questionnaire.

ipsas = IPSASs adoption shown in section C of the questionnaire

The study adopted van Beest, Braam, and Boelens (2009) model paradigm for questions on financial reporting quality, and Elleuch, Hamza, and Amiri (2020) model for IPSASs adoption.

2.6 Method of Data analysis

Analysis of the effect of IPSASs Adoption on FRQ in South-western Nigeria: In the analysis of this objective, Partial least square- structural equation modeling (PLS-SEM) was applied because of the presence of latent variables in the model

3. Result

This aspect of the paper focuses on the presentation, interpretation and discussion of the empirical results. It begins with the response rate analysis.

3.1 Response Rate

An initial sample of 315 respondents was determined using the Taro Yamane formula, and an additional

85 respondents were added to compensate for the margin of error. Therefore, a sample of 400 respondents was considered as the final sample. 389 separate copies of the questionnaire were returned, while 13 copies of the questionnaire were discarded because of deliberate omission by the respondent to avoid some of the questions. Therefore, 376 validly filled copies of the questionnaire, which amounted to 94%, were used for the study.

Table 2. Response Rate Statistics

Total copies of Questionnaire Administered	*Total copies of questionnaire retrieved*	*Total copies of questionnaire correctly filled*	*Total copies of Questionnaire Discarded*
400	389	376	13

***Source*: Field Survey, 2023**

3.2 Demographic Analysis

Table 3 displayed the findings related to the demographic characteristics of the respondents.. The respondents were asked to indicate their State of residence, post occupied, gender, age group, marital status, highest academic degree acquired, professional qualification, position in office, work experience, number of trainings attended, place of training, and training sponsor. With regard to the respondents' State of residence, the results showed that 93 (24.7%) of the respondents resided in Lagos, 63 (16.8%) resided in Oyo, 50 (13.3%) resided in Ondo, 39 (10.4%) in Osun, 43 (11.4%) in Ekiti, and 88 (23.4%) resided in Ogun State. Table 3 also showed that 237 (63%) respondents were accountants and 139 (37%) were auditors. In relation to gender, 191 (50.8%) were male, while 185 (49.2%) were female. Furthermore, the respondents were required to indicate their age group; the results showed that 26 (6.9%) respondents were between the ages of 18-30 years, 206 (54.8%) were between the ages of 31.45 years, and 144 (38.3%) were between the ages of 46-60 years.

With regards to the respondents' marital status, Table 3 showed that 36 (9.6%) were single, 338 (89.9%) constituting the larger proportion of respondents were married, while 2 (0.5%) were divorced. In addition, 15 (4.0%) respondents had only SSCE, 278(73.9%) had B.Sc./HND, 78 (20.7%) had M.Sc., while 5 (1.3%) respondents had a PhD. The results also showed that 247 (65.7%) respondents were associate members of relevant and recognised professional bodies, while 86 (22.9%) respondents were fellows of the professional bodies, while 43 (11.4%) indicated other qualifications.

Respondents were also requested to specify their office positions. As shown in Table 3 284 (75.5%) respondents were on grade level 12-14, 59 (15.7%) were on grade level 15 while 33 (8.8%) were on the management cadre. For work experience, 26 (6.9%) had less than 5 years' work experience, 102 (27.1%) had between 5 and 10 years, 107 (28.5%) had between 10- and 15-years' experience, 79 (21%)

had between 15- and 20-years' experience, while 62 (16.5%) had above 20 years' experience. Table 4.2 also showed that 66 (17.6%) respondents had not attended any training, while 226 (60.1%) had attended between 1-5 trainings, 54 (14.4%) had attended training between 6-10 times, while 30 (8%) had attended training more than 10. Furthermore, the results showed that 334 (88.8%) respondents had local training while 42 (11.2%) attended the oversea trainings. Table 4.2 also showed 282 (75%) respondents had their trainings sponsored by the government, 82 (21.8%) self-sponsored their training, while 12 (3.2%) respondents were sponsored by private organisations.

Table 3. Demographic Analysis

Variables	**Items/Options**	**Freq**	**%**
Respondents' State of residence	Lagos	93	24.7
	Oyo	63	16.8
	Ondo	50	13.3
	Osun	39	10.4
	Ekiti	43	11.4
	Ogun	88	23.4
	Total	**376**	**100.0**
Post Occupied	Accountant	237	63
	Auditor	139	37
	Total	**376**	**100.0**
Sex	Male	191	50.8
	Female	185	49.2
	Total	**376**	**100.0**
Age group	18-30 years	26	6.9
	31-45 years	206	54.8
	46-60 years	144	38.3
	Total	376	100.0
Marital Status	Single	36	9.6
	Married	338	89.9
	Divorced	2	0.5
	Total	**376**	**100.0**
Highest Educational Qualification	SSCE	15	4.0
	B.Sc./HND	278	73.9

	M.Sc.	78	20.7
	PhD	5	1.3
	Total	**376**	**100.0**
Professional qualification	ACA/CAN	247	65.7
	FCA/FCNA	86	22.9
	Others	43	11.4
	Total	**376**	**100.0**
Position in office	Grade level 12-14	284	75.5
	Grade levels 15	59	15.7
	Management	33	8.8
	Total	**376**	**100.0**
Work experience	Less than 5 years	26	6.9
	From 5 to less than 10	102	27.1
	From 10 to les than15	107	28.5
	From 15 years to less than 20	79	21.0
	From 20 years and above	62	16.5
	Total	**376**	**100.0**
Number of trainings attended	None	66	17.6
	1-5 times	226	60.1
	6-10 times	54	14.4
	Above 10 times	30	8.0
	Total	376	100.0
Place of training	Local	334	88.8
	Overseas	42	11.2
	Total	**376**	**100.0**
Training sponsor	Government	282	75
	Self	82	21.8
	Private Organisation	12	3.2
	Total	**376**	**100.0**

***Source*: Data Collected from Field Survey in 2023**

Analysis of impact of IPSAS Adoption of Financial Reporting Quality

The analysis starts with the loading of the variables into the structural equation modelling to assess their fitness.

Table 4. Indicator Loadings

Constructs	No of indicators	Indicators removed	Indicators retained	Loadings
Extent of IPSAS Adoption	4(AD1-AD4)	-	AD1	0.673
			AD2	0.5
			AD3	0.63
			AD4	0.67
Financial Report Quality				
Relevance	4(FR1-FR4)	1(FR2)	FR1	0.5
			FR3	0.637
			FR4	0.377
Faithful Representation	8(FF1-FF4)	-	FF1	0.5
			FF2	0.6
			FF3	0.424
			FF4	0.5
Understandability	4(FU1-FU4)		FU1	0.420
			FU2	0.445
			FU3	0.371
			FU4	0.501
Comparability	6(CPR1-CPR6)	-	FC1	0.5
			FC2	0.5
			FC3	0.44
			FC4	0.5
			FC5	0.6
			FC6	0.6
Timeliness	1(FT1)	-	TLN1	1.000

***Source*: Field Survey, 2023**

The survey covered financial reporting quality. The construct was measured using relevance, faithful representation, understandability, comparability, and timeliness. Relevance was measured using four items (FR1-FR4), faithful representation was measured using (FF1-FF4). Understandability was measured using four items (FU1-FU4). Comparability was measured using six items (PC1-PC6) while Timeliness was measured using one item (FT1). Variations of IPSAS adoption was measured using four standards (AD1-AD4). Isomorphism was tested using three variables: Coercive, mimetic, and normative pressure. Coercive pressure was measured using three items (CP1-CP3), Mimetic pressure was measured using five items (MP1-MP5) while normative pressure was measured using five items (NP1-NP5). During the evaluation of the measurement model, it was essential to scrutinize the loadings of the constructs. Indicators with loadings of ≥0.5 were retained, while those falling below 0.5 were considered for removal. Hulland (1999) indicated that loadings above > 0.5 are generally acceptable, although Hair et al. (2019) suggested a more stringent criterion of loadings above 0.708, with a lower limit of 0.4 for exploratory research. The indicator loadings for the constructs in the study are presented in Table 4. Upon examining the results in Table 4, it was observed that none of the indicators fell below the specified threshold of 0.5, except for FR2 and MP5. As a result, all indicators were retained for further analysis, while FR2 and MP5 were excluded from subsequent investigations.

Measurement of internal consistency reliability

The internal consistency reliability of the constructs was evaluated by examining Cronbach's alpha (CA), rho_A, and Joreskog's (1971) composite reliability (CR), as presented in Table 5. The results in particular indicated that the Cronbach's alpha value for the construct "IPSAS adoption" was 0. 5. The variable was retained because each standard adoption was at varying levels and not necessarily expected to be adopted at the same level.

Table 5. Internal Consistency Reliability

Constructs	Indicators	Cronbach Alpha	Rho_A	Composite Reliability
Extent of IPSAS Adoption	AD1	0.50	0.0463	0.712
	AD2			
	AD3			
	AD4			
Financial Report Quality				
Relevance	FR1	0.516	0.523	0.755
	FR3			
	FR4			
Faithful Representation	FF1	0.53	0.552	0.737
	FF2			
	FF3			
	FF4			
Understandability	FU1	0.6	0.6	0.764
	FU2			

	FU3			
	FU4			
Comparability	FC1	0.656	0.661	0.777
	FC2			
	FC3			
	FC4			
	FC5			
	FC6			
Timeliness	TLN1	1.000	1.000	1.000
Constructs	**Indicators**	**Cronbach Alpha**	**Rho_A**	**Composite Reliability**
Coercive Pressure	CP1	0.468	0.455	0.73
	CP2			
	CP3			
Mimetic Pressure	MP1	0.68	0.717	0.796
	MP2			
	MP3			
	MP4			
Normative Pressure	NP1	0.859	0.866	0.899
	NP2			
	NP3			
	NP4			
	NP5			

***Source*: Field Survey, 2023**

The Cronbach Alpha values for the constructs of financial reporting quality: relevance, faithful representation, understandability and comparability were 0.51, 0.53, 0.60 and 0.65 respectively. Because timeliness was measured with one item, this does not apply.

Structural Equation Modelling of the impact of IPSAS Adoption on financial reporting quality

In evaluating the structural model of the impact IPSAS adoption on financial reporting quality using PLS-SEM on SmartPLS 4 (Ringle et al., 2015), the study determined the coefficient of determination (R^2), statistical significance, path coefficient, and model's out-of-sample predictive power (Hair et al., 2019).

Model Fit

To evaluate the model fit, the standardized Root Mean Square Residual (SRMR) and the Normal Fit Index (NFI), also known as the Bentler Bonett Index, were employed. The SRMR, as indicated in Table

4.17, was calculated at 0.064, which falls below the threshold of <0.085, confirming that the model fit was satisfactory. The reported R2 value in Table 6 was 0.20, signifying that IPSASs adoption explained approximately 20% of the variance in financial reporting quality.

Discriminant Validity

Fornell-Larcker Criterion:

Table 7 illustrates that the square root of the AVE values for all the constructs, namely IPSAS adoption, relevance, faithful representation, understandability, comparability, and timeliness, exceeded the inter-construct correlations. This observation reinforces the discriminant validity of these constructs.

Heterotrait-monotrait criterion:

By applying the heterotrait-monotrait criterion, the findings (as presented in Table 4.19) indicated that none of the values exceeded 0.85, reaffirming the satisfactory discriminant validity of the constructs.

Table 6. Model fit for IPSAS Adoption and Financial Reporting Quality

MODEL FIT/ PREDICTIVE RELEVANCE INDICATORS	VALUE
SRMR	0.145
NFI (Bentler-Bonett index)	n/a
R^2	0.20
Rms_theta	0.188

***Source*: Data Collected from Field Survey in 2023**

Table 7. Fornell-Larcker Criterion for IPSAS Adoption and Financial Reporting Quality

	Comparability	FRQ	Faithful Representation	IPSAS Adoption	Relevance	Timeliness	Understandability
Comparability	**0.607**						
FRQ	0.877	**0.477**					
Faithful Representation	0.416	0.666	**0.645**				
IPSAS Adoption	0.361	0.446	0.433	**0.61**			
Relevance	0.577	0.75	0.393	0.314	**0.617**		
Timeliness	0.238	0.289	0.143	0.193	0.139	**0.671**	
Understandability	0.535	0.731	0.337	0.238	0.389	0.108	1.000

***Source*: Field Survey, 2023**

Table 8. Heterotrait-Monotrait Criterion for IPSAS Adoption and Financial Reporting Quality

Variables	Comparability	FRQ	Faithful Representation	IPSAS Adoption	Relevance	Timeliness	Understandability
Comparability							
FRQ	1.186						
Faithful Representation	0.704	1.034					
IPSAS Adoption	0.604	0.697	0.855				
Relevance	1.032	1.248	0.783	0.639			
Timeliness	0.306	0.38	0.246	0.268	0.255		
Understandability	0.858	1.056	0.583	0.45	0.771	0.138	

***Source*: Field Survey, 2023**

SEM Regression

The second hypothesis posited that IPSASs adoption did not exert a significant impact on the quality of financial reporting in South-western Nigeria. The results ($t = 13.2$, $p < 0.05$) as presented in Table 9 and illustrated in Figures 1 and 2 indicated a statistically significant and positive influence of IPSAS adoption on the quality of financial reporting within the selected states. Additionally, the confidence interval encompassed a spectrum of reliable population parameter estimates, with the lower bound value (2.50%) at 0.385 and the upper bound value (97.50%) at 0. 517.These outcomes reinforced the presence of a significant relationship. Consequently, the null hypothesis suggesting that IPSASs adoption had no significant effect on financial reporting quality in South-western Nigeria was refuted, affirming that IPSASs adoption indeed served as a significant predictor of financial reporting quality.

Table 9. Path Coefficient for IPSAS adoption on Financial Reporting Quality

Structural estimates (hypothesis testing)					Confidence intervals		Decision
	β	***T*-Value**	***P*-value**	f^2	**2.50%**	**97.50%**	
IPSAS_Adoption→FRQ	0.448	13.2	0.00	0.248	0.385	0.517	**Not Supported**

***Source*: Field Survey, 2023**

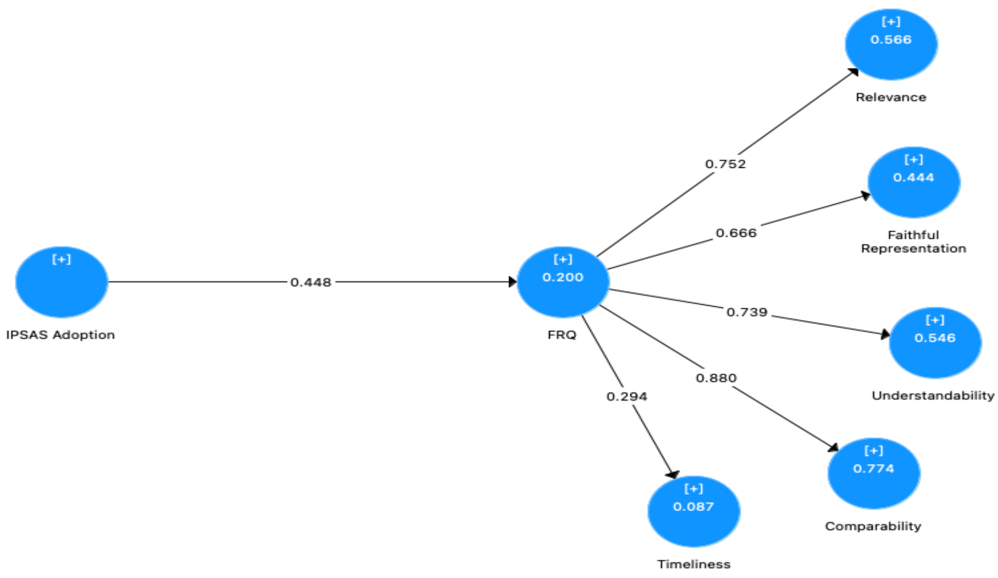

Figure 1. Path Diagram Showing the IPSAS Adoption on Financial Reporting Quality

Source: Field Survey, 2023

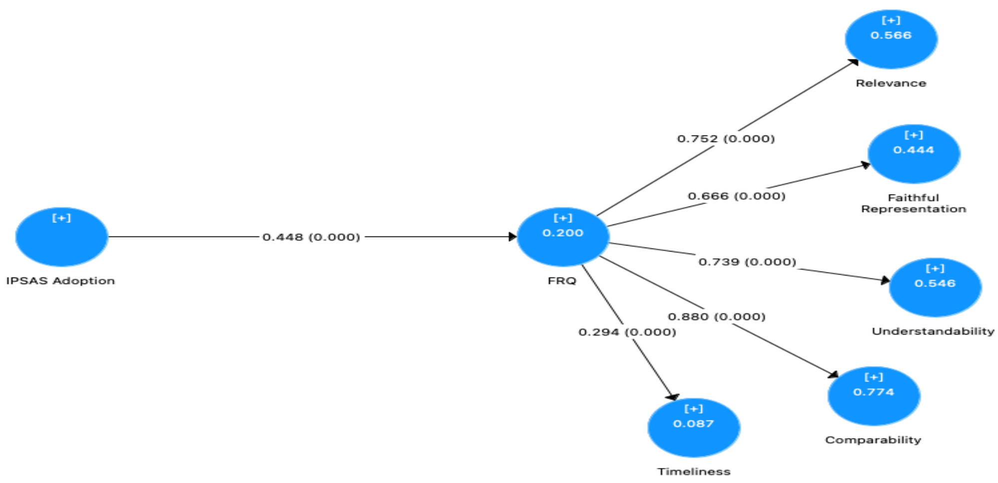

Figure 2. Bootstrap Result Showing the Effect of IPSASs Adoption on Financial Reporting Quality

Source: Field Survey, 2023

4. Discussion

The result found a statistically significant and positive effect of IPSASs use on financial reporting quality in the selected States (β = 0.448, t = 13.2, p < 0.05, f^2 = 0.248). This is consistent with extant literature. For example, Udeh and Sopekan (2015) reviewed the implementation of IPSASs and the quality of reporting in the public sector. The study confirmed that IPSASs based on accrual basis had the potential to improve its financial reporting quality. In addition, they argued that adoption of IPSASs improved the quality of financial reporting by Nigerian government agencies. Similarly, Erin et al. (2016) reported that the introduction of IPSASs had a significant positive impact on the quality of financial reporting in the Nigerian public sector. Okere et al. (2017) found that the introduction of IPSASs improved the credibility, reliability, and integrity of financial reporting. In tandem, Atuilik and Salia (2019) found that IPSASs adoption increased accountability and transparency in the use of public funds. Opanyi (2016) found that the quality of comparability, timeliness, relevance and loyalty improved with the introduction of IPSASs. Generally, the adoption of IPSASs contributed to an improvement in financial reporting quality in the sample States.

It is however recommended that all states in the federation should migrate to full implementation of accrual based IPSASs accounting systems because of its positive effect on financial reporting quality.

Acknowledgement

I acknowledge the contributions of all the respondents that participated in the survey for their dedication and perseverance all through the period the survey last. I also acknowledge the contribution of my PhD supervisor for his guidance during my PhD thesis.

References

Abdulkarim, M. E., Umlai, M. I., & Al-Saudi, L. F. (2020). Exploring the Role of Innovation in the Level of Readiness to Adapt IPSAS. *Journal of Accounting & Organizational Change*, *16*(3), 469-495.

Abimbola, O. A., Kolawole, A., & Olufunke, A. O. (2017). Impact of International Public Sector Accounting Standards (IPSAS) adoption on financial accountability in selected local government in Oyo State Nigeria. *Asian Journal of Economics*, *3*(2), 1-9.

Abushamsieh, K., Lopez Herandez, A. M., & Ortiz Rodriguez, D. (2013). The transparency of government financial information systems in Arab countries: evidence from Plaestine. *Journal of Accounting-Business and Management*, *20*(2), 99-112.

Christigens, J., Christophe, V., Manes-Rossi, F., Aversano, N., & Cavwengerge, P. (2015). The effects of IPSAS on reforming govermental financial reporting: an international comparsion. *Internaling Renew of Administrating Science*, *1*(81), 158-177.

Harun, H., Mir, M., Carter, D., & An, Y. (2019). Examining the unintended outcomes of NPM reforms in Indonesia. *Public Money and Management*, *39*(2), 329-362.

Mazzi, F., Slack, R., & Tsalavoutas, I. (2018). The effect of corruption and culture on manadatory disclosure compliance levels: Goodwill reporting in Europe. *Journal of International Accounting*, *Auditing and Taxation*, *31*, 52-73.

Olaoye, F. O., & Talabi, A. O. (2018). International Public Sector Accounting Standards (IPSAS) and credibility of Financial Reporting in Nigeria Public Sector: An Improvement or a Ruse. *Research Journal of Finance and Accounting*, *9*(14), 68-74.

Salome, A. (2012). An evaluation of effectiveness of Economic and Financial Crimes Commission (EFCC) in checkmating Public Sector Accounts operation in Nigeria. *Arabian Journal of Business and Management Review*, *1*(1), 21-34.

Santis, S., Grossi, G., & Bisogno, M. (2006). Public sector consolidated financial statements: A structured literature review. *Journal of Public Budgeting, Accounting and Financial Management*, *30*(2), 230-251.

Van Hendel, J., & Uddin, S. (2016). Public sector management in emerging economies: A literature review. *Critical Perspective on Accounting*, *41*(1), 34-62.

Woods, M. (2009). A contingency theory perspective on the risk management control system within Birmingham city council. *Management Accounting Research*, *20*(1), 69-81.

Zeff, S. A. (2012). *The Objective of Financial Reporting: A Historical Analysis. Paper Presented at ICAEW's Information for Better Markets Conference, 17 December.* London.