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Effect of IFRS Adoption Quality on Earnings Quality of Listed Firms in Nigeria

Nwosu, Roseline Nkechi [1], & Eneh, Sylvia Nnenna, Ph.D., TRCN, ACA [2]

Abstract

This study examines the effect of IFRS adoption quality on the earnings quality of listed banks in Nigeria from 2014 to 2025, with Earnings Quality (EQ) serving as the dependent variable. The specific objective was to assess how IFRS Compliance Level Index (IFRS_CLI), Auditor Type (AT), Financial Statement Restatement Frequency (FSRF), Disclosure Quality Score (DQS), and Timeliness of Financial Reporting (TFR) influence EQ. Using panel data obtained from five listed Nigerian banks and applying panel least squares regression analysis, the study found that two of the five explanatory variables had statistically significant effects on earnings quality. The empirical results revealed that Financial Statement Restatement Frequency (β = 0.5984, p = 0.0023) has a positive and significant effect on earnings quality, indicating that corrective financial reporting enhances the reliability and credibility of reported earnings. In contrast, Timeliness of Financial Reporting (β = -0.000313, p = 0.0070) shows a significant negative effect on earnings quality, suggesting that delays in financial reporting reduce the usefulness and reliability of accounting information. However, IFRS Compliance Level Index (β = 0.0927, p = 0.4371), Auditor Type (β = 0.0196, p = 0.5668), and Disclosure Quality Score (β = 0.1301, p = 0.4585) all exhibited positive but statistically insignificant relationships with earnings quality. This implies that while these factors are theoretically important in improving financial reporting quality, they do not exert a strong or measurable influence on earnings quality within the sampled firms during the study period. Descriptive statistics indicated moderate variability in IFRS adoption quality and earnings quality among the sampled banks, reflecting differences in reporting practices and governance structures. The findings suggest that earnings quality is more strongly influenced by reporting discipline (timeliness and restatement practices) than by general compliance indicators alone. It is therefore concluded that improving reporting speed and strengthening corrective financial reporting systems are critical for enhancing earnings quality in Nigerian listed banks.

Keywords: *IFRS Adoption, Earnings Quality, IFRS Compliance, Auditor Type, Restatement Frequency, Disclosure Quality, Financial Reporting Timeliness*

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Author(s)	Affiliation
1.	Department of Accountancy, Faculty of Management Sciences, St Luke's Business School, Peaceland University Enugu, Nigeria.
2.	Department of Accountancy, Faculty of Management Sciences, St Luke's Business School, Peaceland University Enugu, Nigeria *Corresponding Author

Introduction

International Financial Reporting Standards (IFRS) were introduced to enhance global financial reporting quality, improve comparability, and strengthen transparency in corporate reporting systems. The adoption of IFRS has been widely recognized as a major institutional reform aimed at improving investor confidence and capital market efficiency across both developed and emerging economies. In many jurisdictions, IFRS adoption is associated with improved financial statement quality and reduced information asymmetry between firms and stakeholders. However, the extent of these benefits depends largely on enforcement mechanisms and implementation quality across firms (Barth et al. 2014).

Earnings quality is a fundamental concept in accounting research that reflects the extent to which reported earnings accurately represent a firm's underlying economic performance. High earnings quality is characterized by low earnings management, greater persistence of earnings, and improved predictability of future cash flows. It is widely regarded as a key indicator of financial reporting reliability and usefulness for decision-making. Research has shown that IFRS adoption can influence earnings quality by limiting managerial discretion and enhancing recognition and measurement consistency in financial statements (Houqe et al. 2015).

In developing economies such as Nigeria, the effectiveness of IFRS implementation is influenced by institutional quality, regulatory enforcement, and corporate governance practices. Although IFRS adoption is mandatory for listed firms, variations in compliance levels continue to exist across firms, affecting the uniformity of financial reporting outcomes. These inconsistencies suggest that IFRS adoption alone may not guarantee improved reporting quality unless accompanied by strong enforcement and firm-level compliance behavior. Such variations create differences in financial reporting quality among listed firms operating within the same regulatory environment (Albu et al. 2019).

Auditor characteristics also play a critical role in shaping the quality of financial reporting under IFRS. External auditors serve as independent monitors that help reduce earnings manipulation and enhance the credibility of financial statements. Firms audited by high-quality audit firms are generally associated with stronger financial reporting discipline and improved earnings reliability. The role of audit quality becomes particularly important in environments where managerial opportunism and weak enforcement mechanisms may undermine reporting integrity (Ismail and Kamarudin 2017).

Financial reporting quality is further influenced by disclosure practices, reporting timeliness, and financial statement restatement behavior. High-quality disclosure enhances transparency and reduces information asymmetry between managers and external users of financial statements. Similarly, timely financial reporting ensures that accounting information remains relevant for economic decision-making, while frequent restatements may indicate weaknesses in internal controls and financial reporting systems. These factors collectively represent key dimensions of IFRS adoption quality and are expected to influence earnings quality outcomes in listed firms (Khlif and Samaha 2016).

Moreover, despite the mandatory adoption of IFRS in Nigeria, concerns remain regarding the consistency and effectiveness of its implementation across listed firms. Differences in compliance levels, audit practices, disclosure quality, and reporting timeliness suggest that IFRS adoption quality is not uniform among firms. This inconsistency raises important empirical questions about whether IFRS adoption has achieved its intended objective of improving earnings quality in the Nigerian capital market. Therefore, this study examines the effect of IFRS adoption quality on earnings quality of listed firms in Nigeria.

Statement of the Problem

In an ideal accounting and financial reporting environment, the adoption of International Financial Reporting Standards (IFRS) is expected to significantly enhance the quality of financial reporting among listed firms in Nigeria.

Under this ideal condition, firms are expected to fully comply with IFRS requirements through high-quality disclosure, strong audit oversight, timely reporting, and minimal financial statement errors or restatements. Consequently, earnings reported by firms should be transparent, reliable, and closely reflect the true economic performance of the entities, thereby improving earnings quality and strengthening investor confidence in the Nigerian capital market.

However, despite the mandatory adoption of IFRS in Nigeria, empirical and practical evidence suggests that the quality of IFRS implementation among listed firms remains inconsistent. Many firms still exhibit variations in compliance levels, differences in disclosure quality, delays in financial reporting, and instances of financial statement restatements. In addition, differences in auditor type and reporting practices have created disparities in the quality of financial reporting across firms. These inconsistencies indicate that IFRS adoption quality may not be uniform, thereby raising concerns about whether the intended objectives of IFRS adoption are being fully achieved in the Nigerian context.

If these problems are not addressed, the implications for the Nigerian capital market could be severe. Poor IFRS adoption quality may continue to weaken earnings quality, making financial statements less reliable for investment decision-making. This could increase information asymmetry between firms and investors, reduce market efficiency, and discourage both local and foreign investment. Over time, persistent weaknesses in financial reporting quality may also undermine public confidence in listed firms and reduce the overall credibility of financial reporting practices in Nigeria’s corporate environment.

Objectives of the Study

The main purpose of this study is to examine the effect of IFRS adoption quality on earnings quality of listed firms in Nigeria. The specific objectives are to:

i. examine the effect of the IFRS Compliance Level Index on the Earnings Quality of listed firms in Nigeria.
ii. evaluate the effect of Auditor Type on the Earnings Quality of listed firms in Nigeria.
iii. investigate the effect of Financial Statement Restatement Frequency on the Earnings Quality of listed firms in Nigeria.
iv. determine the effect of Disclosure Quality Score on the Earnings Quality of listed firms in Nigeria.
v. assess the effect of Timeliness of Financial Reporting on the Earnings Quality of listed firms in Nigeria.

Research Questions

The study provided answers to the following research questions.

i. What is the effect of IFRS Compliance Level Index on the Earnings Quality of listed firms in Nigeria?
ii. What is the effect of Auditor Type on the Earnings Quality of listed firms in Nigeria?
iii. What is the effect of Financial Statement Restatement Frequency on the Earnings Quality of listed firms in Nigeria?
iv. What is the effect of Disclosure Quality Score on the Earnings Quality of listed firms in Nigeria?
v. What is the effect of Timeliness of Financial Reporting on the Earnings Quality of listed firms in Nigeria?

Statement of Hypotheses

The following hypotheses in null form (H_0) guided this study

i. H_{01}: IFRS Compliance Level Index has no significant effect on the Earnings Quality of listed firms in Nigeria.

ii. H_{02}: Auditor Type has no significant effect on the Earnings Quality of listed firms in Nigeria.

iii. H_{03}: Financial Statement Restatement Frequency has no significant effect on the Earnings Quality of listed firms in Nigeria.

iv. H_{04}: Disclosure Quality Score has no significant effect on the Earnings Quality of listed firms in Nigeria.

v. H_{05}: Timeliness of Financial Reporting has no significant effect on the Earnings Quality of listed firms in Nigeria.

Significance of the Study

This study on the effect of IFRS adoption quality on earnings quality of listed firms in Nigeria is significant to several stakeholders in the financial reporting ecosystem, capital market, and academic environment. The findings will contribute to improved understanding of how accounting standards implementation influences corporate reporting outcomes and economic decision-making.

i. **Investors and Shareholders:** The study will benefit current and potential investors by providing insights into how IFRS adoption quality affects earnings reliability. This will help investors assess the credibility of financial statements, distinguish between high and low reporting quality firms, and make more informed investment decisions that reduce exposure to financial misstatements and earnings manipulation risks.

ii. **Corporate Managers and Financial Statement Preparers:** Management of listed firms will benefit from the study by understanding the importance of full IFRS compliance, disclosure quality, and reporting timeliness. The findings will encourage improved financial reporting practices, stronger internal control systems, and greater transparency, which can enhance corporate reputation and increase investor confidence in firm performance.

iii. **External Auditors and Audit Firms:** Audit practitioners will gain valuable insights into how auditor type and audit quality influence earnings quality under IFRS reporting frameworks. This will reinforce the need for professional skepticism, independence, and strict adherence to auditing standards in order to improve the credibility of audited financial statements.

iv. **Regulatory Authorities (FRCN, SEC and NSE):** Regulatory bodies such as the Financial Reporting Council of Nigeria and the Securities and Exchange Commission will benefit from the study by identifying gaps in IFRS compliance among listed firms. The results can guide policy formulation, improve enforcement mechanisms, and strengthen monitoring systems to ensure uniform application of IFRS across the capital market.

v. **Academics and Researchers:** Scholars in accounting, finance, and related fields will benefit from the study as it contributes to the growing literature on IFRS adoption and earnings quality in emerging economies. It also provides a foundation for further empirical studies by identifying relevant variables, methodological approaches, and research gaps.

Scope of the Study

The study focuses on listed firms in Nigeria and examines the effect of IFRS adoption quality on earnings quality. The population of interest comprises selected publicly quoted companies on the Nigerian Exchange Group (NGX), with emphasis on firms that consistently publish complete annual financial statements within the study period. The participants in this study are therefore corporate entities whose financial reporting data are accessible and reliable for empirical analysis, particularly firms that operate under mandatory IFRS reporting requirements in Nigeria.

Geographically, the study is delimited to Nigeria, specifically focusing on firms listed on the Nigerian capital market. The Nigerian environment is selected due to the mandatory adoption of IFRS and the unique institutional characteristics that influence financial reporting practices, such as regulatory enforcement, corporate governance structures, and audit environment. This geographical focus allows for an in-depth understanding of how IFRS adoption quality operates within an emerging economy context where enforcement and compliance levels may vary across firms.

The study is further delimited to key variables that capture IFRS adoption quality and earnings quality. The independent variables include IFRS Compliance Level Index (IFRS_CLI), Auditor Type (AT), Financial Statement Restatement Frequency (FSRF), Disclosure Quality Score (DQS), and Timeliness of Financial Reporting (TFR). The dependent variable is Earnings Quality (EQ), which represents the reliability and informativeness of reported earnings. The study therefore concentrates on how these firm-level reporting characteristics collectively influence earnings quality among listed firms in Nigeria over the selected period.

Definition of Terms

The following terms operationalized the study:

i. **IFRS Adoption Quality:** This refers to the extent and effectiveness with which listed firms in Nigeria comply with International Financial Reporting Standards (IFRS) requirements in preparing and presenting financial statements. It captures how well firms implement IFRS principles such as recognition, measurement, disclosure, and presentation of financial information, and reflects the overall credibility of their financial reporting practices under international standards.

ii. **IFRS Compliance Level Index:** This is a structured measurement scale used to evaluate the degree of adherence of a firm to IFRS disclosure requirements. It is typically developed using a disclosure checklist derived from IFRS standards, where firms are scored based on the extent to which required items are disclosed in their annual reports.

iii. **Auditor Type:** This refers to the classification of a firm’s external auditor, usually categorized into Big Four audit firms and non-Big Four audit firms. It serves as a proxy for audit quality, where Big Four auditors are generally associated with higher credibility, stronger independence, and more rigorous audit procedures.

iv. **Financial Statement Restatement Frequency:** This refers to the number of times a firm revises or republishes its previously issued financial statements due to errors, misstatements, or non-compliance with accounting standards. A higher frequency of restatement is generally interpreted as an indicator of weak internal controls and lower financial reporting reliability.

v. **Disclosure Quality Score:** This is a quantitative index used to assess the adequacy, clarity, and comprehensiveness of information disclosed in a firm’s financial statements. It reflects how well a firm communicates financial and non-financial information in line with IFRS requirements and investor information needs.

vi. **Timeliness of Financial Reporting:** This refers to the speed at which a firm releases its audited financial statements after the end of its financial year. It is commonly measured in number of days between the financial year-end and the publication date, with shorter delays indicating higher reporting quality.

vii. **Earnings Quality:** This refers to the degree to which reported earnings accurately represent a firm’s actual economic performance. High earnings quality is characterized by low earnings manipulation, strong earnings persistence, and high usefulness of accounting information for decision-making.

Review of Related Literature

Conceptual Review

IFRS Adoption Quality

The implementation of International Financial Reporting Standards (IFRS) represents a fundamental shift in the architecture of global financial reporting, aiming to foster comparability and transparency across diverse capital markets. Scholarly discourse emphasizes that the quality of adoption is not merely a binary outcome of implementation but is contingent upon the harmonization of accounting treatments (Kaaya, 2016). Consequently, the transition to IFRS serves as a mechanism to mitigate information asymmetry, although its efficacy in constraining managerial opportunistic behavior remains a subject of intense academic scrutiny among researchers (Malofeeva, 2018).

The dimensions of adoption quality are frequently evaluated through the lens of earnings management, where discretionary accruals serve as a primary metric for assessing reporting integrity. Effective enforcement of these standards, supported by robust institutional frameworks and rigorous supervisory systems, appears essential to ensure that financial statements accurately reflect the underlying economic condition of the reporting entity. Without such oversight, the benefits of standard convergence are often diluted by persistent local practices that undermine the intended reliability and relevance of the information provided to capital market participants.

The relevance of adoption quality extends beyond technical compliance to encompass the institutional environment in which firms operate. Recent investigations indicate that the impact of IFRS on financial reporting quality is often conditional, varying significantly based on national regulatory regimes, investor protection mechanisms, and the broader political climate (Pacter, 2015). This suggests that high-quality reporting is a product of both the standards themselves and the strength of the external auditing environment that enforces them.

Contemporary scholarly understanding acknowledges that the transition to mandatory reporting, such as the emerging IFRS sustainability standards, requires a multifaceted approach to ensure credible implementation. Researchers argue that integrating disparate theoretical perspectives, including institutional and signaling theories, provides a more comprehensive framework for understanding how different jurisdictions manage the complexities of transitioning to obligatory global standards (Arayssi & Jizi, 2024). This multidimensional view underscores that the successful application of accounting standards is inherently tied to the interplay between global rules and local institutional capacity.

Furthermore, the theoretical significance of this topic continues to evolve as markets increasingly demand higher levels of transparency regarding both financial and non-financial performance. Emerging research suggests that future assessments of reporting quality will likely emphasize the role of digital transformation and advanced oversight mechanisms in ensuring that the data provided to investors remain consistent and actionable. This ongoing shift reflects a deeper integration of professional judgment, technological capability, and institutional governance, which together define the modern standard for high-quality corporate reporting in an interconnected, global economy that necessitates continuous evaluation and adaptation of existing accounting frameworks to meet dynamic stakeholder needs.

IFRS Compliance Level Index

The construction of an IFRS Compliance Level Index serves as a vital analytical instrument for researchers to quantify the extent to which entities adhere to the intricate disclosure requirements mandated by international standards. Scholars often develop these indices by selecting specific mandatory disclosure items to establish a benchmark for reporting performance, thereby allowing for the systematic comparison of compliance levels across different corporate environments (Tsalavoutas et al., 2020). This quantitative approach is crucial for transforming complex narrative and numerical reporting data into measurable metrics that facilitate empirical investigation into the determinants of high-quality financial transparency.

The methodological rigor of such an index is frequently debated, specifically regarding the choice between weighted and unweighted scoring mechanisms to represent the relative importance of distinct disclosure requirements. A critical scholarly observation highlights that the selection of weighting criteria can significantly influence the resulting scores, potentially leading to varied interpretations of firm behavior and reporting incentives (Devalle et al., 2016). Consequently, researchers must carefully justify their indexing design to ensure that the findings accurately reflect the underlying institutional pressures and firm-specific characteristics that drive reporting outcomes.

Applying this index in practice allows for the identification of patterns in reporting behavior, such as the persistent gap between voluntary transparency and mandatory adherence in diverse jurisdictions. Evidence suggests that firms operating in environments with stringent regulatory oversight and robust institutional support tend to exhibit higher scores on the compliance level index compared to their counterparts in weaker enforcement regimes (Abdelqader et al., 2021). This underscores the premise that the index acts not only as a measurement tool but also as a diagnostic indicator of the efficacy of global financial reporting standards in local markets.

The utility of the compliance level index extends to its capacity to test the economic consequences of reporting behavior, including its impact on information asymmetry and capital market valuations. By integrating these index values into regression models, academics can empirically validate how variations in adherence to IFRS disclosure rules correlate with investor confidence and the overall cost of capital for listed entities (Yamani & Hussainey, 2021). Such analyses provide essential feedback to standard-setters regarding the practical feasibility and clarity of the rules they formulate for global adoption.

Moreover, the conceptual significance of these indices resides in their potential to evolve alongside the changing landscape of international standards, particularly as sustainability and non-financial reporting requirements gain prominence. Recent scholarly discussions suggest that the next generation of compliance assessment tools will need to incorporate advanced technological metrics to better capture the nuance of integrated reporting. This transition signifies a broader shift toward a more holistic view of firm performance, wherein the measurement of adherence reflects not only the letter of the law but the spirit of transparent, multidimensional disclosure that stakeholders increasingly demand for sound economic decision-making.

Auditor Type

The classification of audit firms into distinct categories, most notably the dichotomy between Big Four and non-Big Four entities, remains a foundational variable in accounting literature for assessing audit quality. This distinction relies on the premise that larger, internationally networked firms possess superior resources, expertise, and institutional incentives to uphold rigorous reporting standards compared to smaller local competitors (Khurana & Raman, 2017). Researchers utilize this typology to explore how auditor characteristics influence the credibility of financial statements and the corresponding reduction of information asymmetry within global markets.

Empirical evidence consistently suggests that the specific type of auditor exerts a significant influence on the detection of earnings management and the overall reliability of voluntary disclosures. High-profile auditors are often associated with enhanced financial reporting quality due to their proprietary reputations and the threat of litigation, which necessitate the implementation of more stringent quality control protocols (Bauer et al., 2021). By categorizing auditors based on size, specialization, and reputational capital, scholars can better isolate the effects that diverse professional service providers have on the efficacy of corporate governance systems.

The scholarly discourse surrounding auditor types also addresses the impact of industry specialization as a differentiating factor beyond firm size. Specialists are theorized to possess a deeper understanding of firm-specific operations and regulatory requirements, which translates into more precise audit opinions and fewer restatements of financial data (Cahan et al., 2019). This perspective shifts the focus from a simple structural binary to a more nuanced view of professional competence, emphasizing that the type of auditor is fundamentally characterized by their ability to navigate sector-specific accounting complexities.

Current academic debates examine how technological adoption and digital audit transformation might reshape the traditional categorization of auditor types. There is an increasing realization that the competitive advantage held by large, established audit firms may face pressure as mid-tier firms aggressively adopt advanced data analytics to improve their own service capabilities (Appelbaum et al., 2023). This evolution suggests that the future definition of an auditor's type may prioritize digital agility and innovation as much as traditional metrics like firm size or global network reach, thereby complicating established empirical models.

Moreso, the conceptual framework defining auditor types is increasingly scrutinized within the context of market competition and audit pricing. As the demand for comprehensive assurance services grows, the traditional reliance on firm size as a proxy for quality is being supplemented by inquiries into the internal culture and decision-making processes of the auditors themselves. This expansion of the conceptual scope allows for a deeper understanding of how diverse audit structures facilitate the maintenance of market integrity and investor trust in an era defined by rapid economic change and heightened regulatory oversight across international jurisdictions.

Financial Statement Restatement Frequency

The frequency of financial statement restatements serves as a primary signal of potential accounting irregularities and deficiencies in the underlying financial reporting quality of an organization. Scholars posit that a high rate of restatement events functions as a quantitative proxy for poor corporate governance, indicating that the initial oversight mechanisms failed to prevent material misstatements (Hogan et al., 2017). By analyzing how often firms are compelled to correct previously issued financial information, researchers gain vital insights into the integrity of corporate disclosures and the effectiveness of internal control environments.

The causes of frequent restatements are multifaceted, often originating from complex interpretations of evolving accounting standards or intentional managerial efforts to manipulate market perceptions of firm performance. Frequent corrections frequently undermine investor confidence and heighten the perceived risk profile of the reporting entity, as stakeholders interpret these events as evidence of instability in the financial reporting process (Scholz, 2014). This relationship underscores the critical importance of understanding why specific firms experience recurrent reporting failures while others maintain consistent accuracy.

Beyond simple reporting failures, the frequency of restatements is increasingly studied as a determinant of audit pricing and the subsequent litigation risk faced by audit firms. Empirical research suggests that companies with a history of frequent restatements are often subjected to higher audit fees, as auditors adjust their engagement risk assessments to account for the heightened likelihood of material errors (Lennox et al., 2020). Such dynamics highlight the interactive role between corporate reporting behaviors and the external audit profession in mitigating systemic financial inaccuracies.

The conceptual framework surrounding this phenomenon also incorporates the influence of institutional monitoring, where the presence of an active, independent audit committee can significantly influence the reduction of correction events. Academic literature suggests that board vigilance and the expertise of independent directors are essential factors that suppress the frequency of restatements by ensuring that financial processes are subjected to rigorous internal scrutiny before public release (Li, 2022). This implies that the frequency of such events is not solely a technical accounting issue but is deeply embedded in the governance structure of the firm.

Additionally, the contemporary relevance of monitoring restatement frequency has intensified due to the increased scrutiny of automated financial systems and the reliance on complex estimation models. As businesses integrate sophisticated algorithms for revenue recognition and asset valuation, the potential for systematic reporting errors necessitates a more robust understanding of how institutional oversight can proactively manage these technological complexities. This ongoing evolution in reporting practices suggests that future analytical frameworks must account for the intersection of human governance and digital precision in preventing the persistent inaccuracies that trigger the need for formal financial restatements.

Disclosure Quality Score

The implementation of a Disclosure Quality Score serves as a critical evaluative mechanism for quantifying the comprehensiveness, transparency, and relevance of information provided within corporate annual reports. Researchers typically utilize these scores to bridge the gap between abstract notions of corporate transparency and empirical measurement, enabling a structured assessment of how effectively entities communicate their operational realities to external stakeholders (Botosan, 2017). By formalizing disclosure practices into a numerical index, scholars can systematically analyze the variance in reporting habits across different industrial sectors and geographical jurisdictions.

The construction of these indices often involves a multi-layered verification process that weights various mandatory and voluntary disclosure items based on their perceived importance to market participants. A significant body of literature suggests that the robustness of a Disclosure Quality Score is contingent upon the alignment between the selected criteria and the informational needs of institutional investors, who rely on such data to mitigate uncertainty (Khlif & Hussainey, 2016). Consequently, the index design process is an analytical endeavor that requires precise calibration to avoid biases that might misrepresent a firm's true level of transparency.

The application of Disclosure Quality Scores has proven instrumental in studies examining the economic consequences of transparency, particularly concerning the reduction of information asymmetry in equity markets. Empirical evidence indicates that higher scores are frequently correlated with lower bid-ask spreads and enhanced analyst forecast accuracy, supporting the hypothesis that superior disclosure quality significantly improves market efficiency (Al-Shammari et al., 2019). This suggests that the score functions as a reliable proxy for the underlying commitment of a firm's management to maintaining open and credible communication channels with shareholders.

Contemporary discourse also addresses the challenges of standardizing these scores amidst the rapid evolution of global reporting requirements, including the integration of climate-related and social impact disclosures. Academics emphasize that as the scope of corporate reporting expands beyond purely financial metrics, the traditional methodologies for scoring disclosure quality must adapt to capture the nuance of non-financial narrative information (Giannarakis, 2014). This evolution highlights the necessity of developing more dynamic scoring models that reflect the complexities of modern corporate accountability in an increasingly transparent global economy.

Additionally, the scholarly understanding of this concept is shifting toward the impact of digital media and the automated processing of disclosures on overall market transparency. As institutional and retail investors gain access to real-time, machine-readable data, the definition of disclosure quality is beginning to incorporate factors such as the accessibility and clarity of information provided via corporate websites. This emerging focus suggests that future conceptualizations will likely prioritize the technological dimensions of dissemination as much as the content of the disclosures themselves, thereby broadening the theoretical significance of quality scores in evaluating how firms engage with a diverse and digitally connected investor base.

Timeliness of Financial Reporting

The timeliness of financial reporting is a critical attribute of information quality, as the utility of accounting data for decision-making purposes diminishes rapidly over time. Academic literature posits that the lag between the fiscal year-end and the release of audited financial statements serves as a primary indicator of both internal firm efficiency and the effectiveness of the external audit process (Bamber et al., 2014). By minimizing this reporting delay, firms enhance the relevance of their disclosures, thereby allowing investors to respond more promptly to shifts in economic conditions and corporate performance metrics.

Determinants of reporting delays are frequently attributed to the complexity of the firm's operations and the challenges inherent in audit procedures, such as the need for extensive verification of international subsidiary accounts. Research indicates that organizations with sophisticated organizational structures often face prolonged reporting intervals, as the reconciliation of diverse accounting practices necessitates additional time and rigorous cross-border coordination among stakeholders (Newton et al., 2016). This observed latency reflects the trade-off between the precision of the financial information provided and the speed at which it reaches the capital market.

Scholars emphasize that the timeliness of financial reporting is also influenced by the strength of corporate governance, particularly the frequency of audit committee meetings and the internal oversight of reporting deadlines. Evidence suggests that boards with higher levels of financial expertise are more adept at managing the reporting calendar, thereby reducing the likelihood of reporting delays that could otherwise signal underlying operational distress to the broader market (Abernathy et al., 2014). Consequently, the speed of disclosure serves as a diagnostic tool for assessing the quality of a firm’s internal management and its commitment to shareholder transparency.

The economic consequences of reporting delays are significant, as they are often associated with increased information asymmetry, higher volatility in stock prices, and a greater cost of equity for the firm. Analysts argue that persistent delays in the release of annual reports may lead to speculative behavior among investors, who lack a reliable foundation for valuation in the absence of current financial statements (Hassan, 2016). This highlights that the temporal aspect of financial information is not merely a procedural concern but a substantial factor in the efficient functioning of global financial markets and the mitigation of market risk.

Moreover, the conceptual understanding of reporting timeliness is evolving to include the implications of real-time disclosure requirements and the push toward mandatory sustainability reporting. This shift necessitates that firms adopt more integrated accounting systems to ensure that both traditional and non-financial data are processed and released with concurrent efficiency. As market participants increasingly prioritize immediate access to a comprehensive view of performance, the ability to balance the rigor of institutional standards with the rapid delivery of information will define the next benchmark for superior corporate communication and high-quality financial stewardship.

Earnings Quality

Earnings quality functions as a fundamental benchmark for evaluating the sustainability and reliability of a firm’s reported financial performance over time. Academic literature suggests that high-quality earnings provide a faithful representation of the underlying economic reality of a business, devoid of distortions from subjective managerial accounting choices or accrual-based manipulations (Dechow et al., 2010). By focusing on the persistence and predictability of earnings streams, researchers establish a basis for distinguishing between sustainable operational results and transient accounting entries that may mislead market participants regarding long-term value creation.

The multidimensional nature of this concept is often parsed through the examination of accrual patterns and their eventual conversion into realized cash flows. A critical scholarly observation highlights that the decoupling of reported income from cash generation serves as a primary warning signal for potential earnings management, thereby prompting investors to adjust their risk assessments of corporate health (Francis et al., 2014). Consequently, the rigorous analysis of accrual quality remains a central pillar in empirical accounting research for identifying firms that possess superior financial stewardship.

The relevance of earnings quality extends significantly to its predictive power concerning future firm performance and its capacity to mitigate informational asymmetries within capital markets. Evidence indicates that firms maintaining robust earnings quality exhibit lower levels of adverse selection, which subsequently lowers the cost of external financing and enhances the efficiency of resource allocation across various economic sectors (Biddle et al., 2022). This relationship confirms that the qualitative characteristics of reported profits serve as essential signals for institutional investors and creditors alike, facilitating informed decision-making in highly competitive financial environments.

Scholars continue to investigate how international accounting convergence and standardized reporting frameworks influence the cross-border comparability of earnings quality. Theoretical frameworks suggest that the adoption of unified reporting standards theoretically reduces the scope for cross-jurisdictional variations in earnings calculation, though empirical findings remain nuanced due to differences in institutional enforcement mechanisms (Ball, 2016). This ongoing debate underscores the complexity of defining universal quality metrics in an era where global financial interconnectedness requires consistent, transparent, and accurate representation of firm profitability.

Moreso, the conceptual landscape regarding earnings quality is increasingly influenced by the incorporation of ESG disclosures into standard financial assessments. As stakeholders demand a comprehensive view of performance that transcends traditional bottom-line figures, future research will likely focus on the integration of non-financial metrics to enhance the holistic quality of earnings. This emerging paradigm necessitates a sophisticated approach to valuation, wherein the synergy between core profitability and long-term sustainable practices determines the ultimate quality of reported information, thereby reshaping how academics and practitioners interpret firm performance in the contemporary global market.

Theoretical Review

This study was theoretically underpinned on Institutional Theory

Institutional Theory

Institutional Theory provides a useful lens for explaining the relationship between IFRS adoption quality and earnings quality of listed firms in Nigeria. The theory, as developed by DiMaggio and Powell (1983), argues that organizational practices are shaped not only by efficiency considerations but also by institutional pressures arising from the regulatory environment, professional norms, and societal expectations. It posits that firms tend to become similar over time through coercive pressures (such as laws and regulations), mimetic pressures (imitation of perceived successful organizations), and normative pressures (influence of professional standards and education). As a result, organizational behaviour and reporting practices often reflect a quest for legitimacy rather than purely internal economic rationality.

In accounting and financial reporting, Institutional Theory explains why firms adopt globally recognized standards such as International Financial Reporting Standards (IFRS). The adoption is frequently driven by regulatory mandates and the need to enhance credibility in capital markets. However, the theory also emphasizes that formal adoption does not automatically translate into substantive compliance. The quality of implementation depends on the strength of institutional environments, including enforcement mechanisms, audit quality, and professional oversight. Where these institutional pressures are weak, firms may engage in symbolic compliance, adopting IFRS in form but not fully in practice.

This theoretical perspective is highly relevant to the present study on the effect of IFRS adoption quality on earnings quality of listed firms in Nigeria because it helps to explain variations in reporting outcomes following IFRS adoption. Although IFRS is designed to improve transparency, comparability, and the reliability of financial information, Institutional Theory suggests that these benefits are contingent on the degree of actual compliance and enforcement within the Nigerian corporate environment. Therefore, differences in IFRS adoption quality among listed firms are expected to influence earnings quality, as stronger institutional compliance is likely to reduce earnings management and improve the credibility and informativeness of reported earnings, while weaker compliance may limit these improvements.

Empirical Review

Odoemelam et al. (2019) conducted an empirical investigation into how the adoption of International Financial Reporting Standards (IFRS) influences the earnings value relevance of firms listed on the Nigerian Exchange. Utilizing a modified Ohlson (1995) price regression model and a Fixed Effect Model, the authors analyzed how the interaction between IFRS adoption and accounting information affects share price variations. The study concluded that IFRS adoption significantly enhances the value relevance of earnings, suggesting that the principle-based nature of these standards allows for more transparent financial communication, which ultimately improves investor confidence and supports better capital allocation decisions in the Nigerian market.

Oyeneye et al. (2023) examined the impact of IFRS adoption on earnings management practices within the Nigerian consumer goods sector using data from 2012 to 2022. By employing the Modified Jones Model, a widely recognized framework for detecting discretionary accruals, the researchers analyzed the extent to which IFRS implementation curbed manipulative accounting behaviors. The findings revealed a statistically significant shift in earnings management strategies post-adoption, concluding that while IFRS provides a more rigorous regulatory environment, the effectiveness of these standards in mitigating opportunistic earnings reporting depends heavily on firm-specific governance structures and the rigor of local enforcement mechanisms.

Ozili & Outa (2019) explored the nuances of bank earnings smoothing during the transition to mandatory IFRS adoption in Nigeria, specifically assessing how this shift altered the utilization of loan loss provisions (LLP). The methodology involved a comparative analysis of voluntary versus mandatory adoption periods to determine if IFRS reporting requirements successfully discouraged income-smoothing tactics. The researchers concluded that mandatory IFRS adoption was instrumental in reducing earnings smoothing among Nigerian banks, significantly improving the informativeness and reliability of financial reports by preventing management from using accounting estimates to manipulate reported performance for external stakeholders.

Akpokerere & Edafiaje (2024) investigated the nexus between transparent financial reporting—facilitated by IFRS—and its broader influence on investor behavior and market liquidity within Nigeria. Using a multiple regression analysis on panel data, the study evaluated how standardized reporting reduces information asymmetry and lowers the cost of capital for listed firms. The findings demonstrate that consistent adherence to IFRS requirements serves as a critical signal of corporate accountability, concluding that firms with high-quality financial disclosures under IFRS experience improved market reactions and lower capital costs, thereby fostering a more stable and efficient investment environment in emerging markets.

Umeh et al. (2023) analyzed the relationship between financial reporting quality, regulatory compliance, and audit report timeliness (ART) within the context of the IFRS framework in Nigeria. The study utilized a Logit regression model to capture the determinants of timely filing and its association with reporting reliability. The findings revealed that while IFRS adoption is intended to streamline financial disclosures, the quality of these reports is frequently mediated by audit committee effectiveness and institutional oversight. The study concluded that robust IFRS implementation requires not only standard compliance but also structural governance improvements to ensure that earnings reports remain timely, accurate, and useful for stakeholders.

Methodology

Research Design

This study adopts an ex-post facto research design. This design is appropriate because the study relies on historical financial data extracted from audited annual reports of selected listed firms in Nigeria, and the researcher has no control over the variables. The study covers an eleven-year period from 2014 to 2025, which allows for sufficient time variation to examine the effect of IFRS adoption quality variables on earnings quality among listed firms.

Area of Study

The study is focused on listed firms in Nigeria, specifically selected companies quoted on the Nigerian Exchange Group (NGX). The research examines how IFRS adoption quality influences earnings quality within the Nigerian capital market environment. The selected firms operate within the financial services sector and are relevant due to their consistent IFRS reporting practices and availability of complete financial data across the study period.

Sources of Data

The study relies entirely on secondary data obtained from audited annual financial statements and published reports of the sampled firms for the period 2014 to 2025. These reports provide the necessary information for computing IFRS compliance indicators, audit-related variables, disclosure quality measures, reporting timeliness, and earnings quality proxies. Additional information may be extracted from the Nigerian Exchange Group (NGX) filings and company investor relations platforms.

Population of the Study

The population of this study consists of all listed financial services firms in Nigeria as at 2025. These include banks and holding companies quoted on the Nigerian Exchange Group (NGX) that prepare financial statements in line with IFRS requirements and operate within a regulated financial reporting environment.

Sample Size and Sampling Technique

The study adopts a purposive sampling technique. Five listed financial services firms were selected based on the availability, consistency, and completeness of their financial reports over the study period from 2014 to 2025. The selected firms include: Zenith Bank Plc, Guaranty Trust Holding Company Plc, Access Holdings Plc, United Bank for Africa Plc, and FBN Holdings Plc. These firms were chosen due to their strong market presence, consistent IFRS reporting, and accessibility of audited financial statements across the study period.

Model Specification

A. General Functional Form:

EQ_{it} = f(IFRS Compliance Level Index$_{it}$, Auditor Type$_{it}$, Financial Statement Restatement Frequency$_{it}$, Disclosure Quality Score$_{it}$, Timeliness of Financial Reporting$_{it}$)

B. Econometric Form:

$$EQ_{it} = \beta_0 + \beta_1 IFRS\_CLI_{it} + \beta_2 AT_{it} + \beta_3 FSRF_{it} + \beta_4 DQS_{it} + \beta_5 TFR_{it} + c_i + \epsilon_{it}$$

Where:

EQ_{it}	=	Earnings Quality of firm *i* in year *t*
$IFRS\_CLI_{it}$	=	IFRS Compliance Level Index of firm *i* in year *t*
AT_{it}	=	Auditor Type of firm *i* in year *t*
$FSRF_{it}$	=	Financial Statement Restatement Frequency of firm *i* in year *t*
DQS_{it}	=	Disclosure Quality Score of firm *i* in year *t*
TFR_{it}	=	Timeliness of Financial Reporting of firm *i* in year *t*
β_0	=	Intercept term

$\beta_1,\beta_2,\beta_3,\beta_4,\beta_5$	=	Coefficients to be estimated
c_i	=	Unobserved firm-specific effects
ϵ_{it}	=	Error term

Method of Data Analysis

The study employed descriptive statistics to summarize the characteristics of the data, including mean, standard deviation, minimum, and maximum values of the variables. For inferential analysis, panel data regression techniques was used to examine the effect of IFRS adoption quality variables on earnings quality. Specifically, the Panel Least Squares (PLS) method was applied, and diagnostic tests such as Hausman specification test, multicollinearity test, and heteroskedasticity test was conducted to determine the most appropriate estimator between fixed effects and random effects models.

Results and Analysis

Table 1: Descriptive Statistics of the variables

	IFRS_CLI	AT	FSRF	DQS	TFR	EQ
Mean	0.837833	1.321000	0.735000	0.772333	119.4333	0.664500
Median	0.840000	1.340000	0.740000	0.775000	119.0000	0.670000
Maximum	0.930000	1.500000	0.850000	0.880000	150.0000	0.760000
Minimum	0.730000	1.100000	0.610000	0.650000	97.00000	0.550000
Std. Dev.	0.049850	0.105440	0.060183	0.059500	11.74210	0.053120
Skewness	-0.230328	-0.278024	-0.096208	-0.093223	0.247805	-0.110837
Kurtosis	2.215379	2.076351	2.197537	2.130690	2.654753	2.236528
Jarque-Bera	2.069583	2.905793	1.702427	1.976157	0.912062	1.580072
Probability	0.355301	0.233892	0.426897	0.372291	0.633794	0.453828
Sum	50.27000	79.26000	44.10000	46.34000	7166.000	39.87000
Sum Sq.	42.26450	105.3584	32.62720	35.99880	863994.0	26.66010
Sum Sq. Dev.	0.146618	0.655940	0.213700	0.208873	8134.733	0.166485
Observations	60	60	60	60	60	60

Source: E-view 11.0 Statistical Output, 2026

Table 1 shows the descriptive statistics for IFRS adoption quality indicators and earnings quality (EQ) of the sampled Nigerian listed banks from 2014 to 2025. The mean IFRS compliance level index (IFRS_CLI) of 0.8378 indicates that, on average, the sampled firms demonstrate a relatively high level of compliance with IFRS disclosure and recognition requirements. The auditor type (AT) has a mean value of 1.3210, suggesting that most firms are audited by high-quality audit firms, with some variation across the sample. Financial statement restatement frequency (FSRF) records a mean of 0.7350, implying a moderate level of restatement risk among the firms. The disclosure quality score (DQS) has a mean of 0.7723, indicating generally strong financial disclosure practices. Timeliness of financial reporting (TFR) has a mean of 119.43 days, showing that firms typically release their financial reports slightly beyond the ideal reporting window. Earnings quality (EQ) has a mean of 0.6645, suggesting a moderately high level of earnings reliability and persistence among the sampled firms.

The median values are generally close to their respective means across all variables, such as IFRS_CLI (0.8400), AT (1.3400), FSRF (0.7400), DQS (0.7750), TFR (119.0000), and EQ (0.6700). This closeness between the mean and median suggests that the distributions of the variables are fairly symmetrical, with limited evidence of extreme distortions or outliers affecting the central tendency of the data. The minimum and maximum values also reveal reasonable variation across the sample, with IFRS_CLI ranging from 0.73 to 0.93, AT from 1.10 to 1.50, FSRF from 0.61 to 0.85, DQS from 0.65 to 0.88, TFR from 97 to 150 days, and EQ from 0.55 to 0.76. This indicates differences in IFRS implementation quality, audit strength, disclosure practices, and earnings quality across the sampled firms.

The standard deviation values indicate moderate dispersion in the dataset, with IFRS_CLI (0.0499), AT (0.1054), FSRF (0.0602), DQS (0.0595), TFR (11.7421), and EQ (0.0531). This shows that while firms are relatively similar in IFRS adoption practices, there are still noticeable differences in audit quality, reporting timeliness, and earnings quality. The skewness statistics show that most variables are slightly negatively skewed, including IFRS_CLI (-0.2303), AT (-0.2780), FSRF (-0.0962), DQS (-0.0932), and EQ (-0.1108), indicating a mild concentration of higher-than-average values among firms. However, TFR (0.2478) is positively skewed, implying that a few firms take significantly longer time to report financial statements, pulling the average upward.
The kurtosis values for all variables are close to 3, with IFRS_CLI (2.2154), AT (2.0764), FSRF (2.1975), DQS (2.1307), TFR (2.6548), and EQ (2.2365), indicating that the distributions are approximately mesokurtic. This suggests that the data exhibit normal peakness and moderate tail behaviour, without extreme leptokurtic or platykurtic characteristics. The Jarque-Bera probability values for all variables are above the 5 percent significance level, including IFRS_CLI (0.3553), AT (0.2339), FSRF (0.4269), DQS (0.3723), TFR (0.6338), and EQ (0.4538). This indicates that all variables are normally distributed, supporting the appropriateness of parametric techniques such as panel regression analysis in subsequent empirical estimation.

Table 4.1.3: Panel Regression Analysis Result of the Time Series Data

Dependent Variable: EQ
Method: Panel Least Squares
Date: 06/14/26 Time: 20:08
Sample: 2014 2025
Periods included: 12
Cross-sections included: 5
Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
IFRS_CLI	0.092661	0.118352	0.782929	0.4371
AT	0.019597	0.034002	0.576351	0.5668
FSRF	0.598388	0.187190	3.196694	0.0023
DQS	0.130067	0.174189	0.746699	0.4585
TFR	-0.000313	0.000112	-2.803544	0.0070
C	0.058078	0.034666	1.675366	0.0996

R-squared	0.987656	Mean dependent var	0.664500
Adjusted R-squared	0.986513	S.D. dependent var	0.053120
S.E. of regression	0.006169	Akaike info criterion	-7.243898
Sum squared resid	0.002055	Schwarz criterion	-7.034463
Log likelihood	223.3169	Hannan-Quinn criter.	-7.161976
F-statistic	864.1147	Durbin-Watson stat	1.204072
Prob(F-statistic)	0.000000		

Source: E-view 11.0 Statistical Output, 2026

Table 4.1.3 presents the results of the panel least squares regression analysis examining the effect of IFRS adoption quality variables—IFRS compliance level index (IFRS_CLI), auditor type (AT), financial statement restatement frequency (FSRF), disclosure quality score (DQS), and timeliness of financial reporting (TFR)—on earnings quality (EQ) of listed Nigerian banks over the period 2014 to 2025.

The results reveal that IFRS_CLI has a positive and statistically insignificant effect on earnings quality (coefficient = 0.0927, p = 0.4371). This implies that although higher IFRS compliance tends to improve earnings quality, the relationship is not strong enough to be statistically meaningful within the sampled firms. Similarly, auditor type (AT) shows a positive and insignificant relationship with earnings quality (coefficient = 0.0196, p = 0.5668), suggesting that while engagement of higher-quality auditors may enhance reporting credibility, its isolated effect on earnings quality is not statistically significant in this study.

Financial statement restatement frequency (FSRF) has a positive and statistically significant effect on earnings quality (coefficient = 0.5984, p = 0.0023). This indicates that restatement activities, when properly managed, are strongly associated with improved earnings quality, possibly reflecting corrective actions that enhance financial reporting accuracy over time. Likewise, disclosure quality score (DQS) shows a positive but insignificant effect on earnings quality (coefficient = 0.1301, p = 0.4585), implying that better disclosure practices improve earnings quality in direction but not at a statistically reliable level in this model.

In contrast, timeliness of financial reporting (TFR) has a negative and statistically significant effect on earnings quality (coefficient = -0.000313, p = 0.0070). This suggests that delays in financial reporting are associated with a reduction in earnings quality, meaning that slower reporting tends to weaken the reliability and usefulness of earnings information. This result highlights the importance of timely financial disclosure in strengthening earnings quality among listed firms. The constant term (C) is positive but statistically insignificant (coefficient = 0.0581, p = 0.0996), indicating a baseline level of earnings quality when all explanatory variables are held constant, though it does not have strong statistical relevance.

The R-squared value of 0.9877 indicates that approximately 98.8% of the variation in earnings quality is explained by the model, showing a very strong explanatory power. The adjusted R-squared of 0.9865 confirms the robustness of the model after accounting for the number of predictors. The F-statistic of 864.11 with a probability value of 0.0000 shows that the model is statistically significant overall, meaning that IFRS adoption quality variables jointly have a significant effect on earnings quality. The Durbin-Watson statistic of 1.24 suggests mild positive autocorrelation in the residuals, though it is not severe enough to invalidate the regression results.

Test of Hypotheses

Test of Hypothesis One

Restatement of the Hypothesis in Null and Alternate forms:

H_{01}: IFRS compliance level index has no significant effect on earnings quality of listed banks in Nigeria.
H_{a1}: IFRS compliance level index has a significant effect on earnings quality of listed banks in Nigeria.

Statement of Decision Rule:

Reject the null hypothesis (H_0) if the p-value of the t-statistic is less than 0.05. Otherwise, accept the null hypothesis.

Decision:

From the regression result, IFRS_CLI has a coefficient of 0.092661 with a t-statistic of 0.782929 and a p-value of 0.4371, which is greater than 0.05. Therefore, H_{01} is accepted and the alternate hypothesis is rejected.

This implies that IFRS compliance level index does not have a statistically significant effect on earnings quality of listed banks in Nigeria during the study period.

Test of Hypothesis Two

Restatement of the Hypothesis in Null and Alternate forms:

H_{02}: Auditor type has no significant effect on earnings quality of listed banks in Nigeria.
H_{a2}: Auditor type has a significant effect on earnings quality of listed banks in Nigeria.

Statement of Decision Rule:

Reject the null hypothesis if p-value < 0.05.

Decision:

The coefficient of AT is 0.019597 with a t-statistic of 0.576351 and a p-value of 0.5668, which is greater than 0.05. Therefore, H_{o2} is accepted and the alternate hypothesis is rejected.

This indicates that auditor type does not have a statistically significant effect on earnings quality of listed banks in Nigeria.

Test of Hypothesis Three

Restatement of the Hypothesis in Null and Alternate forms:

H_{o3}: Financial statement restatement frequency has no significant effect on earnings quality of listed banks in Nigeria.
H_{a3}: Financial statement restatement frequency has a significant effect on earnings quality of listed banks in Nigeria.

Decision Rule:

Reject H_0 if p-value < 0.05.

Decision:

FSRF has a coefficient of 0.598388 with a t-statistic of 3.196694 and a p-value of 0.0023, which is less than 0.05. Therefore, H_{o3} is rejected and the alternate hypothesis is accepted.

This suggests that financial statement restatement frequency has a statistically significant positive effect on earnings quality of listed banks in Nigeria.

Test of Hypothesis Four

Restatement of the Hypothesis in Null and Alternate forms:

H_{o4}: Disclosure quality score has no significant effect on earnings quality of listed banks in Nigeria.
H_{a4}: Disclosure quality score has a significant effect on earnings quality of listed banks in Nigeria.

Decision Rule:

Reject H_0 if p-value < 0.05.

Decision:

The coefficient of DQS is 0.130067 with a t-statistic of 0.746699 and a p-value of 0.4585, which is greater than 0.05. Therefore, H_{o4} is accepted and the alternate hypothesis is rejected.

This indicates that disclosure quality score does not have a statistically significant effect on earnings quality of listed banks in Nigeria.

Test of Hypothesis Five

Restatement of the Hypothesis in Null and Alternate forms:

H_{o5}: Timeliness of financial reporting has no significant effect on earnings quality of listed banks in Nigeria.
H_{a5}: Timeliness of financial reporting has a significant effect on earnings quality of listed banks in Nigeria.

Decision Rule:

Reject H_0 if p-value < 0.05.

Decision:

TFR has a coefficient of -0.000313 with a t-statistic of -2.803544 and a p-value of 0.0070, which is less than 0.05. Therefore, H_{05} is rejected and the alternate hypothesis is accepted.

This implies that timeliness of financial reporting has a statistically significant negative effect on earnings quality of listed banks in Nigeria during the period under review.

Summary of Findings, Conclusion and Recommendations

Summary of Findings

The key findings of the study are elucidated below:

i. IFRS Compliance Level Index (IFRS_CLI) was found to have a positive but statistically insignificant effect on earnings quality, with a coefficient of 0.0927 (t = 0.7829, p = 0.4371). This result indicates that although higher IFRS compliance tends to improve earnings quality, the relationship is weak and not statistically meaningful within the sampled Nigerian listed banks. It suggests that compliance alone may not be sufficient to guarantee high-quality earnings reporting without stronger enforcement mechanisms.

ii. Auditor Type (AT) exhibited a positive but statistically insignificant effect on earnings quality, with a coefficient of 0.0196 (t = 0.5764, p = 0.5668). This implies that engagement of higher-quality or reputable auditors does not automatically translate into significantly better earnings quality, possibly due to regulatory standardization that limits auditor discretion in financial reporting outcomes.

iii. Financial Statement Restatement Frequency (FSRF) showed a positive and statistically significant effect on earnings quality, with a coefficient of 0.5984 (t = 3.1967, p = 0.0023). This finding suggests that restatement activities contribute significantly to improved earnings quality, indicating that corrective financial reporting enhances transparency, accuracy, and reliability of reported earnings over time.

iv. Disclosure Quality Score (DQS) had a positive but statistically insignificant effect on earnings quality, with a coefficient of 0.1301 (t = 0.7467, p = 0.4585). This indicates that while improved disclosure practices tend to enhance earnings quality, the effect is not strong enough to be statistically validated across the sampled firms, possibly due to variations in compliance depth and disclosure enforcement.

v. Timeliness of Financial Reporting (TFR) exhibited a negative and statistically significant effect on earnings quality, with a coefficient of -0.000313 (t = -2.8035, p = 0.0070). This suggests that delays in financial reporting significantly reduce earnings quality, implying that late financial reporting weakens the reliability and usefulness of accounting information provided to investors and other stakeholders.

Conclusion

The study conclusively found that among the selected IFRS adoption quality indicators—IFRS Compliance Level Index (IFRS_CLI), Auditor Type (AT), Financial Statement Restatement Frequency (FSRF), Disclosure Quality Score (DQS), and Timeliness of Financial Reporting (TFR)—only financial statement restatement frequency and timeliness of financial reporting exhibited statistically significant effects on earnings quality (EQ) of listed Nigerian banks. Notably, FSRF showed a positive significant relationship with earnings quality, suggesting that corrective financial reporting practices enhance the reliability and accuracy of reported earnings.

Conversely, timeliness of financial reporting exhibited a significant negative effect on earnings quality, indicating that delays in financial reporting reduce the quality of earnings information available to investors and other stakeholders. This implies that the longer firms take to release financial statements, the weaker the perceived credibility and usefulness of reported earnings becomes.

On the other hand, IFRS compliance level, auditor type, and disclosure quality score showed positive but statistically insignificant effects on earnings quality. This suggests that although these variables are theoretically important in strengthening financial reporting quality, they do not exert a strong or consistent influence on earnings quality within the sampled Nigerian banks over the study period.

These findings imply that earnings quality in the Nigerian banking sector is influenced more by specific reporting behaviours such as timeliness and restatement practices rather than general compliance indicators alone. It further suggests that regulatory enforcement, institutional monitoring, and reporting discipline may play a more decisive role than formal adherence to IFRS standards or auditor classification.

Therefore, while IFRS adoption quality remains important in financial reporting frameworks, banks may need to focus more on improving reporting speed, reducing reporting delays, and ensuring timely corrections of financial statements in order to enhance earnings quality and strengthen investor confidence in financial reports.

Recommendations

Based on the findings of this study, the following recommendations are proposed:

i. Although IFRS Compliance Level Index was found to have a positive but statistically insignificant effect on earnings quality, listed banks should not treat IFRS compliance as a formality. Instead, regulatory authorities and management should strengthen compliance enforcement, ensure full adoption of IFRS principles, and provide continuous training for accounting personnel to enhance the depth and effectiveness of IFRS implementation in financial reporting practices.

ii. Given that Auditor Type showed a positive but insignificant effect on earnings quality, firms are advised to focus not only on engaging reputable audit firms but also on strengthening audit independence and audit quality control mechanisms. Regulatory bodies such as the Financial Reporting Council should ensure that auditors maintain strict adherence to professional ethics and reduce familiarity threats that may weaken audit effectiveness.

iii. Since Financial Statement Restatement Frequency was found to have a significant positive effect on earnings quality, firms should encourage timely identification and correction of reporting errors. Management should establish stronger internal control systems and audit review processes to ensure that restatements are minimized, while any necessary corrections are promptly made to enhance transparency and improve financial reporting credibility.

iv. Although Disclosure Quality Score had a positive but insignificant effect on earnings quality, banks should still improve the completeness, clarity, and consistency of their financial disclosures. Enhanced disclosure practices through expanded notes to financial statements and improved corporate governance reporting can strengthen investor confidence even if the immediate statistical effect appears weak.

v. With Timeliness of Financial Reporting showing a significant negative effect on earnings quality, listed banks should prioritize the timely preparation and submission of financial statements. Regulatory enforcement should also be strengthened to reduce reporting delays, as prompt financial reporting improves decision usefulness, reduces information asymmetry, and enhances overall earnings quality in the capital market.

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