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Unmasking Earnings Management In Nigerian Banks: The International Financial Reporting Standards (IFRS) Approach

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ABSTRACT:
This study investigates the impact of International Financial Reporting Standards (IFRS) adoption on the financial performance and reporting practices of Deposit Money Banks (DMBs) in Nigeria. It focuses on critical areas such as earnings management, loan loss provisions, and overall financial transparency. It explores whether IFRS adoption has significantly influenced key financial metrics, including Operating Cash Flow (OCF), leverage (LEV), non-performing loans (NPL), and Return on Assets (ROA). Using a pre-and-post-IFRS adoption analysis, the findings reveal that IFRS has enhanced operational transparency, with notable improvements in OCF and ROA, suggesting an increase in reporting quality and financial accuracy. However, IFRS adoption alone has not significantly impacted leverage ratios or non-performing loans, indicating limited influence on risk management practices within Nigerian banks. The study underscores that while IFRS has improved the comparability and transparency of financial reports, additional regulatory measures are necessary to address persistent challenges in credit risk and leverage management. Based on these insights, the study recommends stricter credit risk assessment guidelines, enhanced capital adequacy measures, and comprehensive training for financial teams to ensure full IFRS compliance. Furthermore, the adoption of additional systemic risk management frameworks is suggested to complement IFRS and foster a more resilient Nigerian banking sector. These findings offer valuable insights for stakeholders, policymakers, and regulatory authorities seeking to improve financial reporting and risk management standards in emerging economies.

KEYWORDS: *Loan Loss, Performance, cash flows, Reporting, Accounting Standards*

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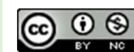

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INTRODUCTION

Reporting on provisions for loan losses has continued to pique the interest of shareholders in different companies; this is due to the importance of reporting on business performance and shareholders' value (Oto *et al*, 2023).The Evidences show that accuracy, reliability, and timeliness in reporting timely loan provisions have been widely scrutinized and attributed to be the cause of some notable accounting scandals that have rocked some world-class companies (Zachariah *et al*, 2017).Interestingly, financial accounting systems have provided some companies with the platform to manipulate profits based on skilfulness in reporting; such that earnings management has become a caveat in companies (Nwaogwugwu, 2020). Earnings management is viewed as the use of accounting discretion to influence the reported accounting outcome such that the interest of one stakeholder is favoured at the detriment of others in a particular period. This sharp practice is seen as discretion without wisdom. Earnings management can occur in many forms, for instance, deferred loan loss, deferred taxes, income smoothing, under-reporting of expenses, and other related events. These forms of transactions are usually discretionary and require different judgments that make earnings management behaviour differ across countries. Earnings management is a global issue, dependent on the

reporting patterns of governments, companies, and industries. Purportedly, firms located in countries with strong investor protection have been reported to employ fewer earnings management antics.
In fact, the African Development Bank crisis in the late 1990s was a prime example of how companies can manipulate their financial statements to mislead stakeholders. The nation's previous bank regulations and accounting standards were considered flawed, porous, and excessively liberalized, especially before the adoption of international financial reporting standards (IFRS). Osaze (2007) observed that the implication of this is the inability of financial statements to depict and reflect economic and business reality and in effect leads to capital sub-optimally deployment and resource misallocation, whereby the investors pay huge opportunity cost by investing in companies with inflated values, and better investments eroded. This has led to protracted battle between the Central Bank of Nigeria and the offenders. Shareholders were in dire need of accounting standards that establish trust, accountability and efficiency in timely treatments of loan loss provisions. The campaign heralded new radical banking regulations and prescribed accounting standards modelled after Basel Core Principles, IFRS strategies, and other notable directives. Presumably, Nigeria is presently in tune with the provisions of the Sarbanes-Oxley Act, Capital Market Frauds and Misappropriation of Funds Act.
More so, the development of the International Accounting Standards Board (IASB, 2001), an independent organization registered in the United States of America but based in London, United Kingdom, aims to make financial statements consistent, comparable, and transparent globally (Oto, *et al.,* 2023). September 2010 was officially declared the road map to IFRS adoption in Nigeria, and the Central Bank of Nigeria (CBN) initiated the guidelines to be followed for its accomplishment by the Nigerian banks. In 2012, Nigeria embraced the process of convergence to international financial reporting standards (IFRS), which are sets of principled-based accounting standards developed to curb corporate financial reporting scandals and restore investors' confidence (Abe *et al,* 2020).
International Financial Reporting Standards (IFRS) are high-quality, principle-based accounting standards that are most concerned with transparency and comparability for financial reports (Adnan, *et al.,* 2021). As a result, several general principles that were followed for implementing IFRS had three consecutive tranches. First, the Listed and Significant Public Interest Entities that are mandated to prepare and present their audited financial statements in compliance with relevant IFRS were mandated to comply by the 31st December, 2012. Second, the Public Interest Entities that allow adoption with IFRS format for statutory rationale by 31st December 2013, and thirdly, all Small and Medium-sized Enterprises (SMEs) were to fully comply with the adoption of IFRS as statutory reporting by 31st December 2014. The harmonization to the IFRS by the federal government of Nigeria (FGN) made the country to be enlisted member of those countries that have successfully implemented IFRS across the globe. Those who opposed the introduction of IFRS argued that even though there was a need for some internal structure, there exists no single standard that covers accounting for all transactions and until some inherent issues are settled, the much-talked-about IFRS adoption will remain suspect.
Adopting the IFRS means that financial information is expected to be of high quality and should be devoid of smoothing. The problem of manipulated financial information can be evidenced by the financial scandals that have engulfed several firms across continents over the last two decades. Since 1999, Nigeria has undergone a significant financial information reform program, which includes the adoption of international financial reporting standards (IFRS) because it was assumed that earnings management was a problem in Nigeria's pre-IFR era. Therefore, the expectation of adopting these reforms was to improve the quality of financial information among adopting countries (Okafor *et al,* 2017). Regrettably, empirical evidence on the efficacy of this financial information reform has been grossly limited, particularly in the context of emerging economies. Based on this, this study examines the extent to which the adoption of FRS has influenced earnings management practices in Nigerian banks; and how IFRS can impact loan loss provision in Nigeria. This study aims to contribute to the existing body of knowledge by providing an understanding of how IFRS adoption has impacted earnings management in the Nigerian banking sector. The transition to IFRS was intended to enhance the transparency, comparability, and reliability of financial reporting. However, empirical evidence of its success in mitigating earnings management remains scarce, particularly in the context of emerging economies. The findings will provide evidence for policymakers, regulators, and stakeholders on the efficacy of IFRS in improving financial reporting quality. For instance, Okafor *et al.* (2017) highlight that while IFRS aims to address earnings manipulation, its implementation may face contextual challenges in emerging markets. Furthermore, Abe *et al.* (2020) argues that IFRS adoption holds promise for improving trust in financial reporting but requires robust regulatory backing to achieve its objectives. By situating these arguments within the Nigerian banking context, this study contributes practical recommendations to enhance regulatory and reporting frameworks.

REVIEW OF LITERATURE

Concept of IFRS

In other countries, the adoption of international financial reporting standards (IFRS) has been associated with a reduction in earnings management and the quality of financial reports(Ali*et al.,* 2021; Malo-Alain *et al.,* 2021). Furthermore, Nigeria's compliance with the IFRS adoption roadmap for companies outside the banking industry lapsed by June 2014. Despite all the efforts, there are conceptual and empirical inconsistencies in the prior studies. While many studies have confirmed the efficacy of IFRS in enhancing the financial components of companies and country reports, others have argued otherwise (Alruwaili *et al.,*2023; Abdelqader *et al.,*2021). The main purpose of implementing the IFRS by the Nigerian Accounting Standards Board (NASB) is to improve the quality, reliability, uniformity, and transparency of financial reports. Before the adoption of IFRS, access to the Nigerian market by foreign investors was hampered by scarce, dispersed, and unreliable financial information. Over the past 15 years, the local regulators and key stakeholders have come to accept the need for higher-quality financial reporting in Nigeria (Ikpor *et al.,* 2022). This is significant to accounting standard-setters, industry regulators, shareholders, investors, and directors as it helps in preventing fraud that may lead to huge financial losses and capital outflow from the country.

There is also a need to avoid accounting scandals that occur due to different accounting practices by firms at different times. These sharp practices may make financial reports unreliable and thus expose firms to litigation and shareholders' loss. Some studies argued that it would be impossible to develop uniform accounting standards to accommodate local peculiarities, let alone universal standards in Nigeria with different ethnic groups that speak different languages and are culturally different. They maintained that even countries in Europe with an accounting culture that is similar to Nigeria have been unsuccessful in having a uniform accounting standard.

Surface it to say that one of the greatest challenges to the global acceptance of the IFRS is the existence of small and medium-sized enterprises (SMEs) that cannot afford to comply with the IFRS even if the standards are accepted by the countries in which they operate. It was worrisome to adopt IFRS because foreign firms would dominate the market, while infant industries could be driven away to the public detriment (Farrier *et al,* 2024). Other challenges that tend to derail compliance with the IFRS include the multiplicity of foreign currencies and difficulties in managing fluctuation in accounting treatments, given that Nigeria operates a managed flexible exchange rate. Again, companies that were expected to comply with the IFRS by 2012 were not adequately prepared for the impending changes to address the problems arising from compliance with the IFRS (Arafat *et al,* 2020)

Other studies argued that the time frame given was not realistic considering the level of preparation and compliance of any country (Capano, 2020; Thi *et al*, 2020). More so, the importance of education, retraining of personnel, development of software, and investment in IT infrastructure required to implement an internationally acceptable standards framework cannot be overemphasized. Local preparation must be geared towards bridging the created gaps before time runs out to avoid being out of the race altogether. Concerns have also been raised on the suitability of the standards to Nigerian issues.

Concept of Earnings Management (EM)

In every industry, companies have discretionary alternatives in designing their accounting systems that have inequitable consequences on cash flow, net income, and stock prices. There are financial accounting rules, finally chosen, commonly accepted, and a few selection options (Effiong *et al,* 2020; Casas-Arce *et al,* 2022; Omoro, 2020). Accounting rules chosen may include firm-specific factors and cross-country factors. Such wide latitude affects some stocks more than others, and within a particular company, some income components more than others. To detect earnings management, analysts and stakeholders need to know how to identify non-arbitrary accounting choices, how to detect that a decision is non-arbitrary, and contextualize what information potentially looks like coming from it. Finally, how to interpret the analysis conducted (Mukhtaruddin *et al,* 2020). Given the intention of detecting non-arbitrary accounting choices, three techniques make sense. The first is the study of choices in which accounting rules are to be followed. The second is studying the choice of firm business model, and finally is the study of the choice of financial contract.

The utilization of unrestricted accounting principles enables management to affect the accounting outcome as long as the information provided adheres to the rules, regulations, accounting policies, and principles. When this practice becomes excessive, it could involve accounting fraud and illegal practices. A growing body of literature explores the ethical implications of earnings management. Dominant ethical considerations in the literature converge on the notion that earnings management should be either wholly permitted or restricted (Guillet *et al.,* 2021). IFRS implementation is expected to limit the incentives, opportunities, and ability to practice EM.

Earning management has created a gap in financial reporting. Okafor *et al.,* (2017) asserted that the scandals of Enron and WorldCom, capital market crash, and economic recessions proved to be profit-making became

insolvent and as such pose a big question as to whether reporting under GAAP value is relevant. Aderin et al. (2016) opined that IFRS enhances earnings quality by minimising any information asymmetry, reducing earnings management, and providing more value relevant financial information to shareholders, and decreasing cost of capital. When this happens, the firm will have more money to meet all obligation. Zachariah et al. (2017) argued that IFRS has maintained greater achievement in terms of curbing earnings management over local standards since small positive profit is reported. Notably, Brunilda *et al.* (2015) elucidated that profitability is the essence of bank existence and it should always maintain revenues in excess of cost in every accounting year.

IFRS and Operating cash flows

Operational cash flows consider basic and long-term taxes from assets, which are essential to the adoption of a business strategy, as well as complementary sources whose goal is to adapt the entity to the changing environment in which it operates (Ball & Nikolaev, 2022). Presumably, it was believed that after adopting IFRS, firms seeking access to global investment or capital markets may ordinarily change their reporting and operational performance assessment practices. Just like international accounting standards (IAS 7), which deals with the operating, financial, and investment cash of an entity, it can force many companies to engage in "smart contracting" and "earnings management" of the "discretionary cash outflows or inflows" in all reporting periods (Öztürk & Baker2023). According to Uwah *et al.* (2023), the impacts of false categorization of assets and liabilities from operating to investing or financing activities on financial statements could either result to the overvaluation or undervaluation of these firms financial performance. In the event, stakeholders may subscribe to the Adjusted Operating Cash Flows or change the weight of the traditional indicators of financial health. Literature is categorized according to whether firms are under-full IFRS or IFRS with carve-in adoption. It has been suggested that studies on cash flows and IFRS could use either a direct or indirect method. The direct approach estimates the level of firm cash flows and changes in operating performance that are directly attributed to adopting a new accounting regime, while the indirect method focuses on analyzing the impact of IFRS adoption on various aspects of firms' operational cash flows. Regardless of the approach, the current literature reports that IFRS adoption positively affects operational behaviour and operational outcomes (Mohsin *et al.,* 2021). The choice of IFRS or national GAAP needs to be considered when discussing the implications of reporting standards for operational cash flows, hence we hypothesis that

H_{01}: There is no significant difference in operating cash flow before and after IFRS adoption among DMBs in Nigeria

IFRS and Leverages

Financial leverage measures the proportion of equity and debt used for financing the firm's total assets. Financial leverage is a measure depicting the usage of debt in the capital structure of a firm and how it affects the earnings per share of the firm's residual equity holders. In Malaysia, the adoption of IFRS has implications for increasing or reducing the total financing strategies of firms (Garrett *et al.,* 2020). The deferring impacts are due to the level of a firm's taxation, wherein the higher the taxation, the lower the total financing as a result of the expenses incurred in borrowing. IFRS has the potential to reduce information asymmetries, and the costs related to it, which in turn provides firms with the incentive to reduce leverage (Saravanan *et al,* 2024). More often, this becomes counterproductive for a firm with a higher tax shield. More so, when a business operation knows that the return on investment (ROI) is higher than the cost of borrowing, it can provide tax savings to owners while increasing the risk at the same time. (Rajindra *et al.,* 2021). IFRS was meant to bring about relevant, reliable, comparative, and useful financial statements. Among the benefits associated with IFRS, the improvement in access to the debt market via debt financing is quite remarkable. A firm that reports good credit ratings under IFRS might be able to get a loan at a lower rate, enhance its credit rating, and have more bank loans issued each year. Duong *et al*. (2022) maintained that the reduction in the cost of debt financing enhances firm value, but not in an environment that is still socioeconomically backward. Noticeable is the fact that from the time the standards were first introduced, the modern long-term relationships involved in debt financing were predicted to have decreased the value of the firm. (Legesse *et al.,* 2020). However, learning about the risks and financial performance of borrowers is emphasized by stakeholders. When earnings started to be revealed to banks, the balance of the financial picture of lending decisions improved, as well as the risk assessments made by them. IFRS requires lenders to reorganize their covenant structure to comprise the crucial financial line items. Based on the foregoing, the study hypothesizes that

H03: There is no significant difference in financial leverage between DMBs in Nigeria before and after IFRS adoption.

IFRS and Non-performing loans

In Nigeria, the rate of non-performing loans (NPLs) has become a pivotal issue in the financial system's stability. Nigeria now houses various industries, like agriculture, oil and gas, telecom, finance, health, manufacturing, and consumer services, constituting more than 50% of the total Nigerian industries.

However, the country has done unfavorably in most sectors due to many challenges, such as non-performing loans. Non-performing loans have been a major pitfall, particularly in sustaining the prosperity of African banking sectors. Non-performing loans are the elements of an industry's loan portfolio or financing volume that have been grouped as default for at least 90 days or more, in terms of interest and capital repayments that are due and up to date in contractual agreements. For the past six years, the value of non-performing loans has been alarming. For instance, the banking sector have undergone two sets of reforms in the years 2006–2010 and 2011–2012 as a result of high non-performing loans (Bacchiocchi *et al.,* 2022). Also, in 2020, non-performing loans recorded an average of 6.6%, maintaining an annual position of 1.5%. High levels of non-performing loans often dilute the capital base of financial institutions, which can pose a threat in financial stability and affect investor confidence (Lekhelebana, 2022). NPLs were made up of doubtful and bad assets, while other categories such as substandard and loss were not recognized in the balance sheets. Moreover, revenue recognition was carried out in a manner that does not represent fair value, while the banks window-dressed financial statements.

Arguably, when NPL is high, banks are likely to fail, because managers engage in insider dealing leading to substantially larger losses when the risk is realized. Harmonizing reporting requirements with IFRS, input reserves and non-performing loans reporting were among the aims of embracing IFRS. Unlike many developing countries where non-performing loans (NPLs) reporting is covert and hidden in the audited accounts, perhaps due to a weak reporting framework, lack of relevant disclosures, or transparency (Mohamad and Jenkins2021), there is marked improvement in Nigeria in terms of appropriate disclosures with particular reference to NPLs after the adoption of the standards which lends credence to the fact that the new accounting standards have come to enhance the existing framework further leading to the researcher to hypothesized that

H03: There is no significant difference in non-performing loans between DMBs in Nigeria before and after IFRS adoption.

IFRS and Performance

Studies have also found conflicting results regarding the impact of the adoption of IFRS on firm value and firm performance in different countries. For instance, in a less developed capital market, it is inconclusive whether the adoption of IFRS and firm performance is positively related, negatively related, or has no effect at all. Such evidence is of interest for various potential IFRS converts seeking to benefit from a smooth transition to their adoption (Roca, 2021). The expectation of many convergence proponents is that a significant improvement in IFRS financial reporting would lead to a more internationally integrated capital market, and in effect, reduce the cost of raising capital, which is linked to ensuing effects on the firms' performance. IFRS is somewhat less prescriptive than the rules-based Financial Accounting Standards in many instances. Thus, it is hoped that the requirements of the principles-based IFRS, focused on transparency, relevancy, reliability, comparability, and timeliness, will enhance internal economic decision processes, ultimately improving firm performance in Nigeria (Ali-Momoh, 2023). Adnan *et al.* (2021), argued that IFRS adoption could reduce cost of operations and improve the quality of accounting information for the use of fair value to reflect better the economic condition of the company. Profitability indicates the capacity of an entity to generate returns. Several literatures have argued that International Financial Reporting Standards have improved information quality and signal the value of annual accounts to the capital market, thereby improving reporting of firms' investments by observing the risk of equity. However, the significant association remains contestable. Observably, some studies documented that there are no significant changes in profitability in countries that have implemented IFRS with developed financial markets. (Li, *et al.*2024). Interestingly, there is a dearth of empirical studies that provide evidence in the context of emerging economies like Nigeria. Prior studies have shown mixed results on the impact of IFRS adoption on firm profitability in Nigeria. Some argue that the increased transparency and comparability brought about by IFRS can lead to improved performance (Ma *et al.,* 2022; Elfakhani *et al.,* 2022), while others suggest that the costs of compliance may outweigh the benefits (Aziz *et al.,* 2023; Baekgaard, *et al.,* 2021). And we hypothesized that

H_{04}: There is no significant difference between profitability before and after adoption among DMBs in Nigeria

RESEARCH METHODOLOGY

Due to the secondary nature of the data set, the ex-post facto research designand the longitudinal study were adopted. The targeted population is the 23 Deposit Money Banks (DMBs) listed on the Central Bank of Nigeria (CBN)official website as of 31st June 023. Following the introduction of IFRS in 2014 in the Nigerian banking industry, it is expedient to have a comparative analysis structured into pre-adoption of IFRS (2006-2013) and post-adoption of IFRS (2015- 20323). The dependent variable of interest is loan loss provisions as a proxy for earnings management, while the independent variable is IFRS.

Operating cash flows, financial leverage, non-performing loans, and return on assets were factored in as moderating variables. This study considered the simple random sampling technique as a sample selection criterion. Hence, a sample size of ten (10) banks was sampled, and that constitutes 43% of the entire population. The method of data analysis included both descriptive and inferential statistical methods. The technique for inferential data is independent-sample T-test and Regression analysis, while the descriptive statistics analysis includes percentages and frequencies using Statistical Package for Social Sciences (SPSS) version 23.

Model Adoption and Modification

The model for this study was adopted from the work of Aderin, *et al.,* (2016) as specified:

Model 1: (Pre-IFRS) $MV = \beta0 + \beta1PAT + \beta2BVE + \beta3NOSH + Ut$. ……………(a)

(Post-IFRS) $MV = \beta0 + \beta1PAT + \beta2BVE + \beta3NOSH + Ut$ . . ………..(b)

The model was modified to accommodate the intended variables of this study thus:

Model 1: (Pre-IFRS) $LLP_{it}=\beta_0+\beta_1IFRS_{it} +\beta_1CF_{it}+\varepsilon_{it}$……………………………(c)

(Post-IFRS) $LLP_{it}=\beta_0+\beta_1IFRS_{it}+\beta_1CF_{it}+\varepsilon_{it}$……………………………(d)

Model 2: (Pre-IFRS) $LLP_{it}=\beta_0+\beta_2IFRS_{it}+\beta_2LEV_{it}+\varepsilon_{it}$……………………………(e)

(Post-IFRS) $LLP_{it}=\beta_0+\beta_2IFRS_{it}+\beta_2LEV_{it}+\varepsilon_{it}$……………………………(f)

Model 3: (Pre-IFRS) $LLP_{it}=\beta_0+\beta_3IFRS_{it}+\beta_3NPL_{it}+\varepsilon_{it}$……………………………(h)

(Post-IFRS) $LLP_{it}=\beta_0+\beta_3IFRS_{it}+\beta_3NPL_{it}+\varepsilon_{it}$……………………………(i)

Model 4: (Pre-IFRS) $LLP_{it}=\beta_0+\beta_4IFRS_{it}+\beta_4ROA_{it}+\varepsilon_{it}$……………………………(j)

(Post-IFRS) $LLP_{it}=\beta_0+\beta_4IFRS_{it}+\beta_4ROA_{it}+\varepsilon_{it}$……………………………(k)

Where:

LLPit - Loan loss provision ratio; IFRS - International financial reporting standard

OCF- Operating Cash Flow for firm; LEV- Financial Leverage for firm

NPL - Non-Performing Loans for the firm; ROA - Return on Assets for firm

β = Coefficient of independent/control variables; ε = error term; $\beta0$= Intercept

β_1, β_2, β_3, β_4 = Slope of the coefficients; t= year

Table 1 Measurement of Variables

No	Variable	Variable Type	Measurement
1.	Earnings Management (loan loss provisions)	Dependent variable	Current year's loan loss provisions
2.	IFRS	Independent variable	The dummyvariableequals1inthe adoptionperiodand0in pre-adoption period
3.	Operating Cash Flow (OCF)	Control Variable	CF from operating activities Lagged total assets.
4.	Financial Leverage (LEV)	Control Variable	Total debt Total equity
4.	Non-Performing Loans (NPL) ratio	Control Variable	Non-Performing Loans Total amount of outstanding loans
5.	Return on Assets (ROA)	Control Variable	Net Income Total Assets

Source: Author's computation, 2024

RESULTS AND DISCUSSIONS

Descriptive Statistics

The study's emphasis is to explore how the operation of Earnings management (EM) has been perceived during the pre-IFRS and post-FRS. EM is represented with loan loss provisions. That is the channel where the companies would strictly adhere to regulations and principles stipulated by the International Accounting Standard Board and other regulated agencies in other to get rid of sharp practices. The descriptive analysis unveils the mean or average and the standard deviation of the distinguished variables of interest in this study. It also employs the minimum and maximum values of the variables, which assist in getting a clear picture of the maximum and minimum values a variable can obtain and achieve, as observed in Table 2.

Table2: Descriptive Statistics

	N	Minimum	Maximum	Mean	St. Deviation
OCF	160	-8.999	9.800	1.01591	3.837045

LEV	160	-4.137	191.210	7.52666	14.884745
NPL	160	-112.205	48.210	.88421	10.281426
ROA	160	-2.100	9.000	2.30901	2.531008
ValidN(listwise)	160				

The result obtained in Table 2, revealed an average of ROA 2.30 .53. Indicating that most deposit money Banks in Nigeria have a positive return on assets (ROA) over the study period. Also, evidence from the descriptive statistics showed that the maximum ROA is 9.00 and the minimum ROA value of –2.10%. The mean of operating cash flow is 1.01±3.87 days, with a minimum of -8.99 and maximum OCF of 9.8, respectively.

Test of Hypothesis 1:

Table 3: Group Statistics

	Pre and post-IFRS adoption	N	Mean	St. Deviation	Std. Error Mean
OCF	Pre-IFRSadoption	80	.544	3.316	.371
	Post-IFRS Adoption	78	1.601	4.275	.490

Descriptive Table 3 indicates that the mean operating cash flow (OCF) of DMBs in Nigeria was lower before IFRS adoption (M=0.5444, SD=3.316) and higher during the periods of IFRS adoption (M=1.60158, SD=4. 56). This reposed the trust of adopting the IFRS.

Table 4: Independent Samples Test

		Levene's Test		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2tailed)	Mean Diff.	Std. E	95% CI	
									Lower	Upper
	Equal variances	7.190	.008	2.218	158	.043	-1.057	.60	1.31	1.78
OCF	Unequal variances assumed			2.219	148.796	.042	-1.057	.60	1.31	1.98

Table 4 shows the results of an independent-sample t-test conducted to compare the operating cash flow (OCF) among the deposit money banks (DMBs) in the pre-IFRS and post-IFRS adoption periods. There was significant difference (t =2.219, df=148.80, p=0.043) in the score before IFRS adoption (M=0.5444, SD=3.3316) and higher after IFRS adoption (M=1.60158, SD=4.2756). The magnitude of differences in the means (mean difference= 1.05718, 95% CI: 1.312629 to 1.978261) was significant. Hence, the null hypothesis was rejected.

Table 5 Group Statistics

	Pre and post-IFRS adoption	N	Mean	Std. Deviation	Std. Error Mean
LEV	Pre-IFRS adoption	80	5.90365	3.608244	.403414
	Post-IFRS adoption	80	9.14967	20.677557	2.311821

Evidence in Table 5, indicates that the meanvalue of DMBs' Leverage (LEV) in Nigeria was lower in the pre-IFRS era (M=5.90, SD=3.61) and higher during the post-IFRS era (M=9.15, SD=2.68).

Table6: Independent Samples Test

		Levene's Test		t-test for Equality of Means						
		F	Sig.	T	df	p	Mean Diff	S.EDiff.	95% C.I Lower	Upper
LEV	Equal variances	.748	.39	-1.38	158	.169	-3.25	2.35	-7.88	1.39
	Unequal variances			-1.38	83.80	.170	-3.25	2.35	-7.91	1.42

Table 6, shows the independent-sample t-test conducted to compare leverage (LEV) among the deposit money banks (DMBs) for the pre and post-adoption periods of FRS. It was ascertained that there is no significant difference (t =-1.38, df=158.80, p=0.169) in the pre-IFRS adoption (M=5.90, SD=3.61) and a higher post-IFRS adoption (M=9.15, SD= 68). The magnitude of differences in the means (mean difference= 3.25, 95% CI: -7.88 to 1.40) was very all. Hence, the null hypothesis was supported

Test of Hypothesis 3:

Table 7: Group Statistics

	Pre and post-IFRS adoption	N	Mean	Std. Deviation	Std. Error Mean
NPL	Pre-IFRSadoption	80	1.57591	6.399111	.715442
	Post-IFRS Adoption	80	.19251	13.070420	1.461317

From descriptive table 7, it was indicated that the mean of the operating non-performing loan (NPL) of DMBs in Nigeria was higher in the pre-IFRS adoption (M=1.576, SD=6.40) than the obtained in the post-IFRS adoption (M=.193, SD=13.07).

Table8: Independent Samples Test

		Levene's Test		t-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Diff	SE	95%CI Lower	Upper
NPL	Equalvariances assumed	.36	.55	.85	158	.396	1.38	1.63	-1.83	4.60
	Equalvariances not assumed			.85	114.81	.397	1.38	1.63	-1.83	4.61

Obviously, an independent-samples t-test was conducted to compare non-performance (LEV) among the DMBs in the periods of the pre-IFRS and the period of post-IFRS adoption, as envisaged in Table 8 A critical look into the table revealed that there is no significant difference (t =-0.85, df=158, p=0.396) in the value obtained in the pre-IFRS adoption. However, it was higher (M=1.58, SD=6.40) than the ones gotten in the post-IFRS adoption era (M=0.20, SD=1 07). Since, it was evidenced that the magnitude of differences in the means (mean difference= 1.38, 95% CI: -1.83 to 4.60) was very all. This study rejects the alternative hypothesis and accepts the null hypothesis as formulated.

Test of Hypothesis 4:

Table9: Group Statistics

	Pre and post-IFRS adoption	N	Mean	Std. Deviation	Std. Error Mean
ROA	Pre-IFRSadoption	80	1.88763	2.230962	.249429
	Post-IFRS Adoption	80	2.73040	2.748867	.307333

In Table 9, the descriptive data revealed that the mean return on asset (ROA) of DMBs in Nigeria was lower before IFRS adoption (M=1.89, SD=2.23) and jerked up immediately after (M=2.73, SD=2.75).

Table10: Independent Samples Test

		Levene'sTest		t-testforEqualityof Means						
		F	Sig.	t	df	P	Mean Diff.	S.E	95%CI Lower	Upper
ROA	Equal variances	5.92	.016	- 2.129	158	.035	-.843	.396	-1.63	-.061
	Unequal variances			- 2.129	151.58	.035	-.843	.396	-1.63	-.060

Table 10 shows the result of an independent-sample t-test conducted to compare the return on asset (ROA) among the deposit money banks (DMBs) for the pre-IFRS adoption era and the post-IFRS adoption era. Arguably, the result showed that there were significant differences (t =2.129, df=151.58, p=0.035) between the values obtained in the pre-IFRS era (M=1.89, SD=2.23) and the higher values obtained in the post-IFRS era (M=2.73, SD= 75). Following the magnitude significance of the mean difference (mean difference= 0.843, 95% CI: -1.63 to - 60). This study rejected the null hypothesis and accepted the alternative hypothesis.

Discussion of Results

The findings from this study provide mixed evidence regarding earnings management and other key financial metrics for Deposit Money Banks (DMBs). Hypothesis one was developed to ascertain if there were any significant differences in operating cash flow before and after IFRS adoption among DMBs in Nigeria. It was observed OCF was significant and higher after the implementation of IFRS which suggests that the reforms have contributed positively to the operational transparency of banks in Nigeria. The findings collaborate with that of Okafor *et al.* (2017), whose findings revealed that that IFRS adoption has an incremental effect on the cash flow from operations. This could be as a result of the enhanced clarity in financial reporting requirements under IFRS, leading to better representation of cash inflows and cash outflows. An increase in OCF signifies that banks were managing their cash more effectively, which is critical in the financial sector, where liquidity is key to operations. Better cash flow management also reduces the need for external financing, improves debt service capability, and indicates healthier operations. The improvement in OCF in the post-IFRS periods further highlights a potential increase in the reliability of a better-reporting mechanism. This reaffirms the benefits of IFRS in enhancing financial transparency and accuracy in cash flow reporting. For instance, it can boost investor confidence, as transparent cash flow reporting reduces the uncertainty around earnings manipulation.

Similarly, hypothesis two established that there is no significant difference in financial leverage in the pre- and post-after IFRS adoption among DMBs in Nigeria. The findings buttressed IFRS adoption has not brought a significant leverage to firms; suggesting that banks' financing strategies remain largely unaffected by the introduction of IFRS, which promises better reporting. This finding supports that of Zachariah *et al.* (2017), whose study found that the introduction of IFRS has changed the attitude of firms in engaging in earnings management which in turn affected the leverage of the firms in a negative direction. This finding is in consonance with the research of Nwaogwugwu (2020), which opined that the adoption of IFRS in Nigeria has not led to higher performance and increased value. This by implication, means that the stability in leverage ratios might reflect the banks' conservative approach to borrowing, which could be influenced by regulatory capital requirements (like those imposed by the Central Bank of Nigeria) unlike the ones imposed than by accounting standards board. Because leverage ratio is often influenced by external factors such as interest rates and economic conditions rather than purely accounting practices. Ordinarily, IFRS adoption

should improve the way leverage is reported, but it doesn't necessarily dictate banks' borrowing and capital structure decisions.

Furthermore, hypothesis three argued that there is no significant difference between non-performing loans in the pre-IFRS adoption era and after IFRS adoption among DMBs in Nigeria. The result obtained revealed that the Non-Performing Loans (NPL) decreased slightly in the post-IFRS adoption, but the difference was not statistically significant. This indicates that the introduction of IFRS has not significantly altered the way banks manage their credit risk, at least in the short term. While IFRS reduces the avenues for earnings management through more stringent loan loss provisioning requirements, other factors, such as economic conditions or bank-specific policies, play a larger role in determining NPL levels. Furthermore, since NPLs are a key indicator of credit risk and financial stability, the slight reduction, though not significant, suggests that banks are becoming more cautious in their lending practices. However, the lack of statistical significance implies that more robust credit risk management practices beyond accounting standards are necessary for reducing NPLs. This result collaborated the work of Oto *et al.* (2023), which found that the adoption of IFRS has not improved accounting information quality as measured by timely recognition of losses, hence, a decline in timely loss recognition.

Finally, hypothesis four established no significant relation between profitability before and after IFRS implementation among Nigerian Banks. Profitability was proxy with Return on Assets. The result revealed that there is a significant impact of IFRS adoption on Profitability. The rise in ROA during the post-IFRS adoption indicates that DMBs have become more efficient in reporting their profitability more accurately than as it was before IFRS adoption. This supports the study of Aderin *et al.* (2016), which maintained that the IFRS provides a more accurate reflection of asset values through practices like fair value accounting than local standards and reduces manipulation in the valuation of assets. Also, the adoption of IFRS has increased transparency in reporting and boosted investor confidence, potentially leading to better stock performance. Hence, banks with higher capital could engage in more profitable lending activities. This, by implication, means that a ROA indicates that banks are efficiently utilizing their assets to generate earnings.

CONCLUSION AND RECOMMENDATIONS

The adoption of International Financial Reporting Standards (IFRS) can be said to have resulted to a positive impact on the financial performance and reporting qualityof Deposit Money Banks (DMBs) in Nigeria, particularly in terms of profitability and operational transparency. The significant improvements observed in Operating Cash Flow (OCF) and Return on Assets (ROA) in the post-IFRS adoptions indicated that the standards have enhanced the efficiency and accuracy of financial reporting.Thus, contributing to better decision-making process for stakeholders. However, the study also highlighted that the adoption of IFRS alone was not enough to bring significant changes in leverage (LEV) and non-performing loans (NPL), because these two critical indicators of risk management were not adequately addressed by IFRS. This suggests that while IFRS has improved the clarity and comparability of financial statements, it has not directly influenced banks' risk-taking behaviours on credit risk management practices.

Emanating from the above, this study recommends that regulatory bodies like the Central Bank of Nigeria (CBN) should introduce more stringent guidelines on credit risk assessment and capital adequacy to complement the financial reporting standards set by IFRS. Also, there should be an implementation of rigorous loan approval processes and regular monitoring of borrowers' financial health to reduce the risk of non-performing loans scheme, which remains a critical concern despite IFRS adoption. More so, there should be a need to invest in training financial and accounting teams for easy compliances of IFRS principles because this helps in maximizing the benefits associated with IFRS adoption. Finally, there should be additional frameworks and tools for managing systemic risks in the banking sector that IFRS may not directly address, such as liquidity requirements and stress testing protocols.

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