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IFRS adoption, corporate governance and faithful representation of financial reporting quality in Nigeria's development banks

Ayodeji T. Ajibade^{1*}, Nelson Okutu¹, Folorunsho Akande², Jerry D. Kwarbai¹,
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Abstract: Development banks were designed to achieve the government's economic priorities that were not adequately addressed by the banking industry. Studies, however, show that the activities of some development banks in Nigeria have not been as impacting as expected for different reasons, which include lack of access to finance. This study investigated the impact of International Financial Reporting Standards (IFRS) adoption and corporate governance on the faithful representation of the financial reporting quality in Nigeria's development banks. The study adopted a survey research design. The study adopted a convenience sampling technique. The validity and reliability test of the instrument was conducted on the variables. The reliability test was analyzed using Cronbach's alpha test, and all variables were greater than 0.7, indicating a good construct. The study used descriptive and inferential (multiple linear regression) data analysis methods. The study's findings revealed that IFRS adoption and Corporate governance significantly affect the faithful representation of financial reporting of Nigeria's Development Banks. The study concluded that IFRS adoption and corporate governance significantly affect the faithful representation of the financial reporting quality in Nigeria's development banks. The paper recommended that the management of the development banks should endeavor to take advantage of the opportunities presented by the IFRS adoption to improve their reporting to promote uniformity and transparency.

Subjects: Finance; Business, Management and Accounting; Accounting; Corporate Governance;

Keywords: corporate governance; faithful representation; financial reporting quality; IFRS adoption; Nigeria's development banks

1. Introduction

Development banks were designed to achieve the government's economic priorities that were not adequately addressed by the banking industry. Development banks, for example, assisted Korea in transitioning from a net exporter of essential exports in the 1950s to a net exporter of industrial products in the 2000s. They did it by first offering targeted assistance to primary product producers, then changing their focus to manufacturing producers when economic interests shifted (Nwamaka, 2007). The presence of development banks in Nigeria, with the Bank of Industry (BOI) being the oldest (63 years) up to the incorporation of the youngest of them, and the

Development Bank of Nigeria (DBN) (8 years) has unfortunately not transformed Nigeria as anticipated. This problem has often been attributed to inadequate funding of the development institutions in Nigeria. The CBN regulates funding for development institutions in Nigeria to include Paid-up shares capital, Reserves, Preference shares, Long-term loans from International Financial Institutions (IFIs), Debentures, Bonds, Loans from national and supra-national governments and other bodies, Funds from development partners, Gifts, grants, and donations and any other source as may be approved by the CBN from time to time (CBN, 2015).

Financial reporting quality is crucial in maintaining the efficiency of financial markets because market participants, such as investors, lenders, and regulators, rely on financial reporting information to make decisions (Yeh et al., 2014). Poor quality of financial reporting results in inaccurate, misleading, or incomplete information. Extreme lapses in financial reporting quality have given rise to high-profile scandals that resulted in investor losses and reduced confidence in the financial system. Potential problems that broadly affect the quality of financial reporting include revenue and expense recognition on the income statement; classification on the statement of cash flows; and the recognition, classification, and measurement of assets and liabilities on the statement of financial position.

Following this, the paper believed that strong corporate governance structures, in conjunction with the adoption of IFRS, can effectively yield high-quality financial reporting of Nigerian development banks, which will in turn enhance investments to the banks, thereby boosting the funding of the development banks for better service delivery. As a result, this study differs from previous research on the relationship between IFRS and financial reporting quality, as well as the relationship between corporate governance and financial reporting quality, by focusing on the role of corporate governance in the IFRS-reporting quality relationship in Nigeria's development banks.

2. Literature review

2.1. International Financial Reporting Standards (IFRS)

International Financial Reporting Standards, as defined by the International Accounting Standard Board (IASB) and International Accountants Standard Committee (IASC), are a set of accounting standards globally accepted for the measurement, disclosure, and reporting of financial information by public interest entities. Modugu and Eragbhe (2013) defined IFRS as a set of international accounting standards that states how certain transactions and events should be reported in a financial statement. According to Adetoso and Oladejo (2013), IFRS is a set of standards promulgated by the International Accounting Standards Board (IASB), an International Standard setting body based in London, United Kingdom.

Pavtar (2017) defined IFRS as a series of accounting pronouncements published by the International Accounting Standard Board (IASB) to help prepare financial statements worldwide to provide and present high-quality, transparent, and comparable financial information. However, Fasoranti et al. (2014) see (IFRS) as a combination of the International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), and Standing Interpretations Committees (SICs) pronouncements; and International Financial Reporting Interpretations Committees (IFRICs) guidelines. The IFRS is, therefore, a robust principle-based set of global accounting standards with detailed disclosure requirements that will be useful to a wide range of users for making economic decisions.

2.2. IFRS adoption

The adoption of IFRS is more than changing the accounting rules, applying new accounting rules, or applying new accounting standards. It involves commercial awareness of various industries to enable correct interpretations and judgment as the circumstance arises. IFRS adoption was one of the most fundamental changes that corporate entities dealt with over the transition period outlined by the Financial Reporting Council of Nigeria (FRCN). It was a momentous change that will

come with both risks and opportunities. As such, businesses and their regulators must be prepared and brace up for the changes' new responsibilities. Before adopting IFRS in Nigeria, there was a legal and regulatory framework for accounting to prepare the financial report in Nigeria. The Company and Allied Matter Act (CAMA) prescribes some format and content of company financial statement disclosure requirements and auditing. It requires that the financial statement of all corporate organizations comply and adhere to the Statement of Accounting Standards (SAS) issued from time to time by the Nigerian Accounting Standard Board (NASB). This requires that audits be carried out following the General Auditing Standards. Therefore, adopting IFRS in Nigeria, launched in September 2010 by the then Minister of Commerce and Industry, was an advancement to the existing regulatory structure.

2.3. Corporate governance

Corporate governance (CGN) in Nigerian development banks has proliferated recently, and its relevance has been recognized globally. It has even been used by countries that have yet to regulate the use of CG in organizations. The global interest in CGN is that it is the foundation for a company's operating framework. As a result, the owners are expected to benefit from the adoption and implementation of the question and answer practice because they are committed to using the principles and mechanisms, which in the broadest sense amounts to adequate monitoring of a company's activities, mainly when the principles of disclosure and transparency are adopted (Grantham, 2020). As a result, when organizations adopt and implement CGN, this decision can favor decisions connected to current investors on the one hand and new investors on the other (Hebble & Ramaswamy, 2005). However, studies have shown a link between CGN, IFRS, and faithful representation of financial reporting quality leading to conflict. Some results show (2018). good benefits, while others show a mix of negative and positive effects on company performance (Alabdullah, 2016).

2.4. Faithful representation

Faithful representation is the second Fundamental Qualitative Characteristic. The financial reports represent economic phenomena in words and numbers. The financial information in the financial reports should represent its purpose. It should show what is present (e.g., the position of Assets and Liabilities) and what happened (e.g., the position of Income and expenditure), as the case may be. There are three characteristics of faithful representation:

Completeness: Depiction of all necessary information for a user to understand the depicted phenomenon. It includes all necessary descriptions and explanations (adequate or full disclosure of all necessary information),

Neutrality: Depiction is without bias in the selection or presentation of financial information, just not being manipulated to influence users' decisions. (Fairness and freedom from bias), we often refer to a term called accurate and Fair View in Accounting.

Free from error: means there are no errors and inaccuracies in the description of the phenomenon and no errors made in the process by which the financial information was produced. (No inaccuracies and omissions). That does not mean no inaccuracies can arise, particularly when making estimates. The standards expect that the estimates are made on a realistic basis and not arbitrarily.

2.5. Theoretical review

The stakeholder theory was adopted to provide theoretical explanations for the subject matter of this study. The choice of this theory is informed by the need to investigate how IFRS adoption and corporate governance effectively affect the preparation of a faithfully represented financial report, in meeting the expectation of different users/stakeholders of the development banks' financial reports. Also, the criticism of stakeholders may be primarily or remotely affected by the faithful representation of financial reports. Producing a faithfully represented high-quality financial report

can be enhanced if all parties in the financial reporting ecosystem are viewed as stakeholders in ensuring a high-quality financial report and decisions based on the tenets and principles of stakeholders' theory are made. Hence, the study is underpinned on the stakeholder's theory.

2.6. Review of empirical literature

Literature has emphasized the importance of strong corporate governance structures due to several corporate scandals; however, how corporate governance can influence the relationship between IFRS and faithful representation of financial reporting quality, especially with respect of development banks remains unclear. To fill this literature gap and improve understanding of the relationship between IFRS and faithful representation of financial reporting quality, studies on this topic are needed, such as examining how actual IFRS adoption improves the faithful representation of financial reporting quality and how corporate governance improves the effect of IFRS adoption and faithful representation of financial reporting quality in Nigeria's development banks.

Researchers have also considered information asymmetry with IFRS adoption. Part of the research is the study of Benkraiem et al. (2022), who studied how international financial reporting standards affect information asymmetry using the importance of the earnings quality channel. The study used a dataset from French-listed companies to analyze the path analysis and maximum likelihood estimation. The study found that faithful representation of earnings increased under IFRS regulation, which, in turn, enhanced the quality of the informational environment and was based on sensitivity analysis. Likewise, Turki, et al. (2017b) researched evidence from two years of adoption based on a longitudinal study. The findings showed that the effect of IFRS adoption on financial analysts' errors is not immediate. In Bangladesh, Hasan et al. (2022) adopted 94 firms from Dhaka Stock Exchange to analyze the balance panel data. Their research investigates the relationship between IFRS adoption and natural earnings management with the moderating role of board characteristics. The study concluded that IFRS, board expertise, and gender diversity negatively affect real earnings management.

Scholars reviewed the literature using IFRS adoption from past studies. Imhanzenobe (2022) on value relevance and changes in accounting standards. The study examined the relationship between value relevance and adopting IFRS using existing literature. The study concluded that adopting IFRS standards is a possible factor that can improve value relevance. Likewise, Kainth and Mustafa (2021) reviewed IFRS-based financial accounting comprehensively. They suggested that most articles reviewed are more likely to be borrowed from the mainstream and finance literature used in irregular forms. Antwi et al. (2022) used the bibliometric literature review method on corporate governance research in Ghana, thereby revealing the critical research domain and giving more meaningful results.

Similar to this study was the paper of Mbir et al. (2020), who examined IFRS compliance, corporate governance, and financial quality. The paper adopted a secondary sample of 23 non-financial firms on the Ghana Stock Exchange. The study, however, found a significant moderating effect of corporate governance structures on the relationship between IFRS compliance and the level of reporting quality. Modugu (2017) studied corporate attributes and corporate disclosure levels of listed companies in Nigeria. The study used a post-IFRS adoption study to examine the determinants of corporate disclosure levels of listed companies in Nigeria. The results revealed that significant negative relationship between leverage and mandatory disclosure. Another finding showed that leverage and firm size have a significant positive relationship with voluntary disclosure. The combined effect of leverage and firm size shows a significant positive relationship with total disclosure. Modugu (2017) investigated the relationship between firm performance (proxied by profitability and liquidity) and corporate disclosure in Nigerian listed firms. Findings from the descriptive statistics reveal that, contrary to prior findings, Nigerian companies have steadily improved mandatory disclosure since the country adopted IFRSs.

Some researchers have also considered the quality of financial reporting with another variable. An instance is the paper of Pham et al. (2022) which tested an hypothesis using PLS_SEM with

a sample of 362 public non-business units by studying the role of internal and external supervisory mechanisms in improving financial reporting quality in Vietnam. The paper concluded that independent audits, internal control effectiveness, and financial inspection frequency positively impacted financial reporting quality. On the contrary, Can (2020) also used financial reporting quality as a dependent variable comprising 1645 observations of 217 companies over nine years. Financial reporting quality was determined using discretionary accruals, small profit, and audit aggressiveness. The findings showed that discretionary accruals and small profit decrease as the companies move forward in their life cycles.

Similarly, Al-Qadasi et al. (2022) used financial reporting quality as an independent variable. The paper used OLS regression analysis to test the hypothesis of financial reporting quality on institutional ownership and employed secondary data between 2009 and 2016. The findings showed a positive relationship between institutional ownership and financial reporting systems quality, suggesting that institutional investors prefer to invest in a firm with effective financial reporting systems.

Gupta and Singh (2022) worked on the evolution of corporate governance practices of banks in India, which majorly affect the quality of their financial reporting. The study used secondary data from 42 Indian banks between 2010 and 2019 while using a panel regression analysis to test the hypothesis. The study found that the quality of financial reporting improved in Indian banks as corporate governance evolved. A similar study was conducted by Gowd et al. (2013) on a similar independent variable but used financial institutions as a dependent variable. The study employed secondary data sources and adopted a multiple regression analysis to conclude that corporate governance score positively influences financial institutions' shareholders.

Tontiset (2022) identified the factors affecting the accounting effectiveness of listed companies using the stock exchange of Thailand. The study found that the overall findings indicated that top management support, accountant professional, and corporate governance orientation positively affect total accounting effectiveness. Râmniceanu (2022) investigated European Union initiatives and regulations on sustainable corporate governance. It was discovered from their study that the evolution of the European regulatory framework on sustainability, resilience, and corporate social responsibility, as well as the stage of implementation of European directives in Romanian company and financial law with a focus on coding ESG standards ("environment, science, governance") and how to translate them from the soft law area to concrete, measurable obligations and how to sanction breaches of standards and obligations incumbent on the Member States on the one hand and companies on the other.

Wali and Kamel (2017) examined the effect of mandatory IFRS adoption on executive compensation and the moderating effect of corporate governance in an emerging context, such as the case of Malaysia. The results from the various tests indicate no significant effect between IFRS adoption and managers' compensation in Malaysia. Empirical evidence also shows that some corporate governance mechanisms moderate the relationship between IFRS adoption and executive compensation. Turki, et al. (2017b) examined the benefits of the IFRS tax decision on the information quality of published accounting figures. Chu et al. (2019) found that the beneficial effect of IFRS adoption on analyst forecast errors is observed for firms with moderate corporate governance before IFRS adoption but not for firms with superior or inferior corporate governance.

Rachmawati (2019) found that implementing bookkeeping systems, financial reporting, and budgeting systems positively affects the good corporate governance of rural banks, while IFRS for SMEs implementation did not significantly affect the good corporate governance of rural banks. Aggreh et al. (2018) showed that adopting IFRS significantly affects the financial performance of Nigerian deposit money banks. Specifically, IFRS adoption significantly and positively affects the profitability of Nigerian deposit money banks, while it significantly but negatively affects their liquidity and financial leverage. Zango et al.'s (2015) study revealed non-compliance with

disclosure requirements. However, compliance is above average for the two years under study, and an improvement is nonetheless recorded if the two years of the study are compared.

3. Materials and methods

This paper examines the effect of IFRS adoption and corporate governance on the faithful representation of financial reporting quality. The study adopted a survey research design. A convenience sampling technique was used to select the total staff of six (6) development finance institutions in Nigeria which constitute the population of the study. Table 1 shows the list of the development banks in Nigeria, their period of establishment, and the licensed year. A structured questionnaire was administered to the staff of FIRS, other Financial Institutions Division of Central Bank of Nigeria, and Nigeria Development Banks with a total sample size of 400 respondents. Before proceeding with the questionnaire distribution, validity and reliability tests were conducted using Factor analysis and Cronbach's alpha test. The result showed that all variables were more significant than 0.7 for the reliability test (Cronbach's alpha) and were significant for the validity test, indicating a good construct.

The questionnaire was divided into two parts. One aspect of the questionnaire was distributed among the staff of the development banks on IFRS adoption and corporate governance. The other was distributed among the staff of FIRS and CBN on financial reporting with a sample size of 400 respondents each. Hence, the percentage of the questionnaire retrieved is explained in Table 2.

3.1. Model specification

The model below established the effect of IFRS adoption, corporate governance, and faithful representation of financial reporting quality. Following the arguments made by Mbir et al. (2020), this research expects a positive effect of IFRS adoption and corporate governance on the faithful representation of financial reporting quality. The model is specified as follows:

$$FART_i = f(\text{IFRS adoption, Corporate Governance})$$

Table 1. List of development finance institutions in Nigeria

S/N	Development banks	Year established	Year licensed
1	Bank of Agriculture (BOA)	1973	2007
2	Bank of Industry (BOI)	1959	2015
3	Development Bank of Nigeria PLC	Invalid	2017
4	Nigeria Export and Import (NEXIM)	1991	2007
5	Federal Mortgage Bank of Nigeria (FMBN)	1977	2007
6	The Infrastructure Bank	1992	2007

Source: CBN Website, 2022.

Table 2. Response rate

Response rate	IFRS adoption and corporate governance	Financial reporting quality
Returned	334 (83.50)	343 (85.75)
Not returned	66 (16.50)	57 (14.25)
Total	400	400

Source: Researcher's Compilation, 2022.

$$FART_i = \beta_0 + \beta_1 IFRS_i + \beta_2 SBD_i + \beta_3 RBD_i + \beta_4 ADC_i + U_i$$

where $FART_i$ represents the faithful representation of financial reporting quality; $IFRS_i$ —IFRS adoption; SBD_i is the structure of the board of directors; RBD_i is the role of the board of directors, ADC_i is the audit committee, and U_i represents the error term. The source of the questionnaire is shown in Table 3.

3.2. Estimation technique

The collected questionnaire was processed using SPSS version 21, and the study employed frequency distribution, percentage distribution, and multiple regression analysis. The study also assessed the adequacy of the model using the multicollinearity test (represented by variance inflation factor and tolerance level (1/VIF)) and joint significance.

4. Empirical result and discussions

In this section, the study presents and discusses the results of the empirical analysis. The first aspect was descriptive statistics which comprises frequency distribution and percentage distribution. Descriptive statistics enable us to gain an overview of the data used in the empirical analysis. Also, the correlation matrix, VIF, and tolerance level (VIF and 1/VIF) were presented to minimize the issue of the multicollinearity test. Lastly, the paper presents the empirical analysis to establish the effect of IFRS adoption, corporate governance, and faithful representation of the financial reporting quality of Nigeria's development bank.

4.1. Descriptive statistics

The questionnaires were combined, and the socio-demographic characteristics were combined and analyzed using frequency and percentage distribution, as shown in Table 4. From the results displayed, it is evident that 59.4% of the respondents are male, with a 402 frequency of occurrence out of the total 677 respondents, while the female respondents are just 40.6%, with a frequency rate of occurrence of just 275 of the total 677. The age distribution of the staff of FIRS, CBN, and the Nigeria development banks reveals that the highest rate of occurrence is the class interval of ages 31–40 years with a 48.3% rate of occurrence, while the interval of ages 41–50 with 31.8% percentage of occurrence follow as the second class with the highest rate of occurrence and finally age 18–30 with the least occurring frequency among the respondents with a 19.9% percentage occurrence. Working experience is the last socio-demographic characteristic; those with working experience in the class interval 5–10 years of working experience have the highest rate of occurrence with a percentage occurrence of 47.9%, while the second-highest rate of occurrence in the class interval 16 years above work experience. This is followed by those in the class interval with less than 5 years of work experience, with a percentage occurrence of 18.3%, before the class interval containing those with 11–15 years of work experience, with a percentage occurrence rate of 14.6%.

Table 3. Source of questionnaire statements

Variables	No. of Items	Authors
Faithful representation of financial reporting quality	5	Ologun, O.V., Isenmila, P.A., Okuns, O.O., & Alade, M.E. (2020)
IFRS adoption	5	Osasere and Ilaboya, (2018)
Corporate governance		
The structure of the board of directors	5	Ologun (2022)
The role of the board of directors	5	Ologun (2022)
Audit committee	5	Ologun (2022)

Source: Researcher's Compilation, 2022.

Table 4. Summary statistic

Socio-demographic characteristic	Frequency distribution	Percentage distribution
Gender		
Male	402	59.4
Female	275	40.6
Total	677	100.0
Age of the respondents		
18–30 years	135	19.9
31–40 years	327	48.3
41–50 years	215	31.8
• 50 years	0	0.0
Total	677	100.0
Working experience		
<5 year(s)	124	18.3
5–10 years	324	47.9
11–15 years	99	14.6
• 16 years	130	19.2
Total	677	100.0

Source: Researcher's Field Survey, 2022.

4.2. Bivariate and multicollinearity test

The analysis results find the independence of the IFRS adoption and the proxies of corporate governance, which shows that the variables are independent of each other. The study shows that each proxy of corporate governance and IFRS adoption shows that the variables are independent since the value obtained indicated a weak positive correlation. Also, the multicollinearity test was conducted using the variance inflation factor, indicating a proceed of analysis since the multicollinearity test represents $VIF < 10$ and $1/VIF < 1$. Hence, there is no problem of multicollinearity, and the variables are independent of each other. The result of the correlation analysis further confirmed that there is no problem with multicollinearity since the independent variables do not exhibit a high correlation of 0.9, as found by the pairwise correlation matrix as displayed in Table 5.

4.3. Regression results

In this section, the research presents and discusses the regression results. Table 6 highlights the effect of IFRS adoption and corporate governance on the faithful representation of the financial reporting quality of Nigeria's development banks. The dependent variable is the faithful representation of financial reporting quality, while the independent variables are IFRS adoption and corporate governance (SBD, RBD, and ADC).

Hypothesis: IFRS adoption and Corporate governance have no significant effect on the faithful representation of financial reporting quality of Nigeria's development banks.

IFRS indicates International Financial Reporting Standard, SBD is the structure of the board of directors, RBD is the role of the board of directors and ADC is the audit committee.

Table 5. Correlation and multicollinearity analysis

Variable	IFRS adoption	SBD	RBD	ADC	VIF	1/VIF
IFRS adoption	1.000				2.187	0.457
SBD	0.321	1.000			2.076	0.482
RBD	0.453	0.367	1.000		2.922	0.342
ADC	0.229	0.238	0.374	1.000	2.581	0.387

Source: **Researcher's Field Survey, 2022.**

4.4. Dependent variable: FART (faithful representation)

5. Source: researcher's computation, 2022

Note: all the analysis was tested at a 5% significance level.

$$FART_i = \beta_0 + \beta_1 IFRS_i + \beta_2 SBD_i + \beta_3 RBD_i + \beta_4 ADC_i + \mu_i$$

$$FART_i = 3.681 + 0.060IFRS_i - 0.010SBD_i - 0.167RBD_i + 0.144ADC_i + \mu_i$$

5.1. Interpretation

Table 6 represents the regression model of the hypothesis testing the effect of IFRS adoption and corporate governance on the faithful representation of financial reporting quality of Nigeria's development banks. The regression estimate of the model above shows that two proxies of IFRS adoption and corporate governance positively affect the relevance of financial reporting quality. In comparison, two other proxies of corporate governance have a negative effect on the relevance of financial reporting quality. The signs of the coefficients indicate this.

From Table 6, the sign of the coefficient of the independent variables shows that the International Financial Reporting Standard adoption has a positive effect on the faithful representation of financial reporting, with a coefficient of 0.06. This positive effect is statistically significant as the *t*-statistic significance level shows 0.002, which is lesser than the 0.05 significant levels chosen for this study. However, the structure of the board of directors has a negative and insignificant effect on the faithful representation of financial reporting quality, with a coefficient of -0.010 and a *p*-value of 0.148, which is greater than 0.05. Also, the role of the board of directors has a negative effect on the faithful representation of financial reporting quality, with a coefficient of -0.167. This negative effect is, however, significant as the *t*-statistic significance level shows 0.016, which is less than 0.05. Finally, the audit committee has a positive effect on the faithful

Table 6. IFRS adoption, corporate governance, and faithful representation of financial reporting quality

FART	Coeff	Std. Error	t-Stat	p-value
Constant	3.681	.234	15.729	0.000
IFRS adoption	0.060	0.112	0.536	0.002
SBD	-0.010	0.152	-0.065	0.148
RBD	-0.167	0.135	-1.239	0.016
ADC	0.144	0.139	1.034	0.302
Adj. R^2	0.064			
F-Stat (Prob)	1.668 (0.015)			

representation of financial reporting quality, with a coefficient of 0.144; this positive effect is statistically insignificant as the *t*-statistic significance level shows 0.302, which is more significant than 0.05. The analysis has revealed that SBD and RBD will decrease the faithful representation of financial reporting quality. At the same time, the IFRS adoption and audit committee would improve the faithful representation of the financial reporting quality of Nigeria's development banks.

The adjusted R-square of the model showed 0.064, which is closer to 0, indicating 6.4%; this suggested that variations in a faithful representation of financial reporting of the sampled population can be attributed to all our independent variables put together, while the remaining 93.6% variations in the faithful representation of financial reporting quality are caused by other factors not included in this model.

However, the *F*-statistics is 1.668, with a *p*-value of 0.015, which is less than the 0.05 level of significance adopted for this study. This implies that the null hypothesis that says IFRS adoption and corporate governance have no significant effect on the faithful representation quality of financial reporting was rejected. Therefore, from the regression estimates, all our exogenous variables (IFRS adoption and corporate governance) significantly affect the faithful representation of financial reporting quality.

5.2. Discussion of findings

The value obtained for the adjusted R-square is 0.064. The adjusted R-square, though weak, is positive which signifies that IFRS adoption and corporate governance indeed has an influence on faithful representation of financial reporting quality. Its weakness, however, suggested that the combined effect of IFRS adoption and corporate governance slightly influence the faithful representation of financial reporting quality in Nigeria's development banks. This suggested that more variables could be considered to determine the financial reporting quality. The variables can also be changed to determine a better improvement of the subject matter (financial reporting quality). The study revealed that two of the four proxies were significant at a 5% level. IFRS adoption and the role of the board of directors were the variables found significant, while the structure of the board of directors and audit committee were insignificant at 5%.

Meanwhile, IFRS adoption revealed a significant positive effect with a faithful representation of financial reporting quality; audit committees were positively insignificant with faithful representation; structure of the board of directors was minor negative with financial reporting quality, and the role of the board of directors revealed an insignificant negative effect. The study, however, revealed that IFRS adoption increases financial reporting quality while the role of the board of directors decreases the financial reporting quality. Also, the structure of the board of directors and audit committee were insignificant, but the structure of the board of directors was negatively insignificant with financial reporting quality. The audit committee discovered an insignificant positive effect on financial reporting quality. These findings indicated that an increase in IFRS adoption and audit communities leads to an increase in financial reporting quality. At the same time, the structure of the board of directors and the role of the board of directors decrease the faithful representation of the financial reporting.

The study considered a 95% confidence interval, indicating a 5% significance level. The study concluded that IFRS adoption and corporate governance significantly affect the faithful representation of the financial reporting quality. This supported the report of Tontiset (2022) in his research on factors affecting the accounting effectiveness of listed companies using the stock exchange of Thailand. The research works aligned with the findings of this study and thereby concluded that the effect of IFRS adoption and corporate governance have a significant effect on the faithful representation of the financial reporting quality of Nigeria's development banks. The study of

Benkraiem et al. (2022) obtained the significant effect of international financial reporting standards on information asymmetry using the importance of the earnings quality channel.

Modugu (2017), in their study, leverage and firm size showed a significant positive relationship with voluntary disclosure. These findings corroborate and follow the research findings. The research of Modugu (2017) found a significant positive relationship between mandatory and total disclosure, which is corroboration by this research findings. Other studies that were significant and supported these research findings include the findings of Rachmawati (2019), Aggreh et al. (2018).

Further analysis from Modugu (2017) showed that the combined effect of profitability and liquidity shows no significant relationship with any of the components of corporate disclosure, which contradicts these research findings. Other researchers who found insignificant effects include Turki et al. (2017a) and Wali and Kamel (2017). The findings of Turki et al. (2017b) contradict this research because it discovered no immediate IFRS adoption on financial analysts' errors. Also, Wali and Kamel (2017) were contrary to this research's findings.

This study as implication for policy makers in the sense that policies that legalize strict adherence to corporate governance structures by ensuring a high level of board independence and, most prominently, audit committee independence, be made and enforced. This is because of the significant contribution of corporate governance to financial reporting quality. Furthermore, it should be highlighted that the ultimate goal of enhancing financial reporting quality is to ensure that investors channel funds to the best use possible for economic growth and development. Thus, improving the quality of financial reporting is a means to an end rather than an end. To that end, the government must be wholly committed to creating an enabling climate for domestic and foreign investors to use high-quality financial statements to make investment decisions.

6. Conclusion and recommendation

The paper sought to investigate the effect of IFRS adoption and corporate governance on the faithful representation of the financial reporting quality of Nigeria's development banks. Based on the multiple regression analysis results, the study found that IFRS adoption and the role of the board of directors have a significant effect on the faithful representation of the financial reporting quality of Nigeria's development banks. These findings supported the a priori expectation indicating a significant positive expectation of IFRS adoption and corporate governance on the faithful representation of financial reporting quality of Nigeria's development banks. Therefore, the paper recommended that the management of the development banks should endeavor to take advantage of the opportunity presented by the IFRS adoption to improve their reporting to promote uniformity and transparency.

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