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Role of IPSAS Adoption in Improving the Decision Usefulness of Financial Reports: Evidence from Northern Nigerian State Governments

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Abstract

This study examined the role of International Public Sector Accounting Standards (IPSAS) compliance in improving the decision-usefulness of financial reports in Northern Nigerian state governments, with particular emphasis on relevance as a qualitative characteristic of reporting quality. Using secondary data from the audited financial statements of 19 state governments covering 2015–2022, the study assessed compliance with 176 disclosure requirements across eight IPSAS standards. A compliance index was developed and analysed alongside a five-point measure of reporting relevance. Descriptive results revealed low compliance, with an overall average of 38% and wide variations across standards, moderate compliance with IPSAS 1, 2, and 3 but very low compliance with IPSAS 23, 24, 33, and 39. Regression analysis indicated that compliance with IPSAS significantly enhances reporting relevance, particularly through IPSAS 1, 3, and 22, while weak or inconsistent implementation of IPSAS 2, 24, and 33 limited their effectiveness. The fixed effects model provided the best fit, underscoring the importance of state-specific factors in shaping reporting outcomes. The findings align with international evidence of uneven IPSAS implementation in developing economies and highlight the need for stronger enforcement, institutional reforms, and capacity building to improve compliance and enhance decision-useful financial reporting at the subnational level.

Keywords: *IPSAS compliance, relevance, decision-usefulness, financial reporting quality, Northern Nigeria*

1.0 Introduction

The public sector, financed largely through taxpayers' contributions, is entrusted with the responsibility of managing public resources, which necessitates both transparency and accountability. Financial reporting is the principal mechanism through which governments discharge stewardship, communicate performance, and ensure the judicious management of resources (Abdallah & Majbour, 2015). The quality of accounting information depends largely on the standards and frameworks guiding its preparation. Weak frameworks, as noted by Abimbola, Kolawole, and Olufunke (2017), tend to encourage selective disclosure by public officials, thereby undermining users' ability to evaluate government performance comprehensively.

Prior to the introduction of International Public Sector Accounting Standards (IPSAS), Nigeria relied on frameworks such as the 1999 Constitution, the Finance (Control and Management) Act of 1958, and Treasury circulars, all of which emphasized the cash basis of accounting (Ijeoma & Oghoghomeh, 2014). These frameworks, however, were widely criticized for their inadequacy in promoting transparency, accountability, and high-quality reporting (Adams, 2006; Akinleye & Alaran-Ajewole, 2018). The global push for public sector reporting reforms, motivated by rising public debt crises and demands for transparency, culminated in the development of IPSASs by the International Public Sector Accounting Standards Board (IPSASB). IPSAS aims to improve the quality of general-purpose financial reporting by enhancing decision-usefulness, comparability, and accountability (Danjuma & Mohammed, 2024; Udeh & Sopekan, 2015).

Nigeria approved IPSAS adoption in 2010, mandating cash-basis implementation from 2014 and accrual-basis adoption from 2016 (Okoye & Oghoghomeh, 2011). State governments, particularly in Northern Nigeria, occupy a central role as intermediaries between federal and local governments. They manage significant statutory allocations and tax revenues but remain plagued by allegations of corruption, mismanagement, and weak accountability (Ofoegbu, 2014).

Consequently, IPSAS compliance is expected to enhance financial reporting quality in terms of relevance, providing more decision-useful information for stakeholders and improving governance outcomes (Erin, Okoye, Modebe, & Ogundele, 2016).

Despite the formal adoption of IPSAS in Nigeria, questions remain as to whether state governments in Northern Nigeria have achieved compliance to the extent necessary to improve the relevance of their financial reports. Earlier reliance on the cash basis fostered opacity, underutilization of scarce resources, and susceptibility to manipulation, resulting in reports of poor quality (Johnson, 2004; Akinleye & Alaran-Ajewole, 2018). IPSAS was designed to address these weaknesses by ensuring better disclosure, comparability, and decision-usefulness (Udeh & Sopekan, 2015). However, much of the Nigerian literature has concentrated on adoption challenges and transparency issues, often using survey data from preparers rather than empirical analysis of financial statements (Atu, Atu, & Okoye, 2013; Abimbola et al., 2017; Balogun, 2017). This leaves a gap in understanding whether IPSAS compliance has tangibly improved reporting quality, particularly in terms of relevance, at the state government level.

The primary objective of this study is to evaluate the role of IPSAS adoption in improving the decision-usefulness of financial reports prepared by state governments in Northern Nigeria. The specific objectives are to: Examine the extent of compliance with selected IPSAS standards by Northern Nigerian state governments; Assess whether IPSAS compliance has significantly enhanced the relevance of financial reporting in these states; Determine the effect of compliance with specific IPSAS provisions, such as IPSAS 1, IPSAS 2, IPSAS 24, and IPSAS 33, on the decision-usefulness of financial reports.

This study focuses on examining how compliance with eight selected IPSAS standards, covering areas such as the presentation of financial statements (IPSAS 1), cash flow reporting (IPSAS 2), budget information (IPSAS 24), and first-time adoption (IPSAS 33)—affects the quality of financial reporting in state governments across Northern Nigeria. The remaining part of the article

is presented into literature review, methodology followed by the results and discussion and the policy implication of the results.

2.0 Literature Review

Financial reporting in the public sector has long been recognized as a vital tool for promoting transparency, accountability, and decision-usefulness in the management of public resources. However, the quality of such reporting largely depends on the standards guiding its preparation. In Nigeria, prior reliance on cash-basis frameworks often resulted in poor disclosure, delayed reporting, and limited usefulness of financial statements. The adoption of International Public Sector Accounting Standards (IPSAS) was therefore expected to address these shortcomings by aligning Nigeria's public financial reporting with global best practices (Danjuma & Mohammed, 2024). Existing studies have examined IPSAS adoption and compliance, as well as its implications for financial reporting quality, though findings remain mixed and context-specific. This review synthesizes conceptual, theoretical, and empirical perspectives relevant to IPSAS compliance and financial reporting quality, with particular focus on the relevance dimension in state governments across Northern Nigeria.

2.1 Concept of IPSAS

The International Public Sector Accounting Standards (IPSAS) are a set of high-quality, globally accepted financial reporting rules issued by the IPSASB for use by public sector entities (IFAC, 2015). IPSAS is considered the public sector's equivalent of IFRS, tailored to address unique issues of accountability, service delivery, and stewardship of resources (Anderson, Mansi & Reeb, 2004). In Nigeria, IPSAS adoption was expected to improve transparency, enhance accountability, and align with international best practices (Acho, 2014; Akinleye & Alaran-Ajewole, 2018).

2.2 Concept of Financial Reporting Quality

Financial reporting quality (FRQ) refers to the extent to which financial statements reflect a true and fair view of the entity's financial position and performance (Bennett, Bradbury & Prangnell, 2006). In the public sector, FRQ encompasses completeness, relevance, and faithful representation of transactions (Tanjeh, 2016).

Weak FRQ in Nigeria has been linked to corruption, mismanagement of resources, and poor accountability at all levels of government (Ryan & Walsh, 2004; Otunla, 2014).

2.3 Measurement of Financial Reporting Quality

The IPSASB's conceptual framework highlights qualitative characteristics—relevance, understandability, comparability, timeliness, and faithful representation—as key measures of FRQ (IPSASB, 2013). Relevance, in particular, demands that information in financial reports should support users' decision-making needs (Adeoye, 2017; Akinleye & Alaran-Ajewole, 2018). While quantitative models like accrual and value relevance models are often applied in the private sector, public sector research emphasizes qualitative scoring frameworks (OECD, 2017; IPSASB, 2017).

2.4 IPSAS and Financial Reporting in Nigeria

Historically, Nigerian state governments relied on cash-basis frameworks under the 1999 Constitution, Treasury Circulars, and Finance Act of 1958, which focused on legal compliance rather than decision usefulness (Esu & Inyang, 2009; Tom, 2015). This system produced delayed, incomplete, and less reliable reports (Rezaee, 2003; Owolabi, 2012). IPSAS was adopted in 2010 to replace these outdated frameworks, with phased implementation of cash-basis IPSAS (2014) and accrual IPSAS (2016) (FRCN, 2013). The reform aimed to align Nigeria with global practices, increase donor confidence, and improve comparability across states (Nongo, 2014; Nkwagu, Uguru & Nkwede, 2016).

2.5 IPSAS and Relevance of Financial Reports

Studies suggest that IPSAS adoption enhances the relevance of public sector reports by ensuring timely, comprehensive, and decision-useful disclosures (Cohen et al., 2013; Adams, 2010). Accrual IPSAS provides a clearer picture of assets, liabilities, and obligations than the old cash basis, allowing stakeholders—citizens, legislators, and donors—to make informed judgments (Chan, 2008; Atu et al., 2013). In Nigeria, IPSAS-compliant reports are expected to reduce fiscal opacity, curb corruption, and provide evidence of

service delivery outcomes (Ozugbo, 2009; Balogun, 2017).

2.6 Theoretical Review

This study is underpinned by agency theory, stakeholder theory, and institutional theory, which together explain the relationship between IPSAS compliance and financial reporting quality. Agency theory emphasizes the accountability relationship between citizens as principals and government officials as agents, where transparent frameworks such as IPSAS help reduce information asymmetry and ensure stewardship of public resources (Kayode, 2014; Jonas & Blanchet, 2000; John, 2011). Stakeholder theory broadens accountability to include diverse groups such as taxpayers, donors, creditors, and employees, noting that IPSAS compliance improves the capacity of financial reports to meet these varied information needs through enhanced transparency, comparability, and relevance (Danjuma, Mohammed, and Abubakar, 2024; Izedonmi & Ibadin, 2013; IASB, 2009; Ile & Odimmega, 2018). Institutional theory provides the strongest explanatory basis, positing that Nigeria's adoption of IPSAS was driven by external pressures from international bodies and donor partners, reflecting coercive and mimetic isomorphism (Ifezue, 2006; Burdon & Sorour, 2020; IFAC, 2015). While such adoption may have been initiated for legitimacy, it nonetheless improves the relevance and decision-usefulness of state financial reports.

2.7 Empirical Review and Hypotheses

While IPSAS adoption has been widely promoted as a reform tool to strengthen transparency and accountability in public sector financial reporting, empirical evidence on the extent of compliance and its actual impact on reporting quality remains limited, especially in developing economies. Most existing studies have examined compliance levels, adoption challenges, or general reporting outcomes, but few have specifically analysed the relevance of financial information as a measure of quality in Nigerian state governments. To address this gap, the following review considers prior studies in line with the study's specific objectives, and hypotheses are formulated accordingly.

2.7.1 Extent of Compliance with Selected IPSAS Standards

Empirical evidence shows that compliance with IPSAS requirements in developing economies remains uneven. A World Bank (2011) survey covering eight South Asian countries revealed low levels of compliance, with only one country applying cash-basis IPSAS fully by 2009. In Nigeria, Rao (2014) reported partial compliance among tertiary institutions in the South-East, especially in the presentation of assets and liabilities, while Rezaee (2003) found a relatively high compliance rate (91.3%) among federal government agencies using accrual IPSAS. Similarly, Baboojee (2011), examining 125 public entities across 13 developing countries, found an average compliance rate of 61% with disclosure requirements under IPSAS 1, 2, 3, 14, and 24, indicating that full compliance remains a challenge. These studies suggest that while IPSAS adoption has gained ground, compliance at the sub-national level, particularly in Nigerian states, may be inconsistent and requires closer empirical investigation (Danjuma, et al 2024).

Hypothesis 1: Northern Nigerian state governments do not fully comply with the disclosure requirements of selected IPSAS standards.

2.7.2 IPSAS Compliance and Relevance of Financial Reporting

The literature highlights a positive association between IPSAS adoption and financial reporting relevance. Balogun (2017), focusing on Ekiti State, reported that IPSAS adoption enhanced the comparability and overall usefulness of reports for decision-making. Opaniyi (2016), in a Kenyan study, found significant improvements in comparability, timeliness, faithful representation, and relevance of reports post-IPSAS adoption, (Danjuma & Mohammed, 2024) though understandability slightly declined. In Nigeria, Ijeoma and Oghoghomeh (2014) confirmed that IPSAS strengthened the reliability, credibility, and integrity of state financial reports, while Maikudi and Mikail (2014) observed that IPSAS improved accountability, comparability, and reliability in county governments between 1999 and 2009. These findings support the view that IPSAS compliance enhances the relevance of financial

reports by providing more decision-useful information to stakeholders.

Hypothesis 2: Compliance with IPSAS significantly enhances the relevance of financial reporting in Northern Nigerian state governments.

2.7.3 Effect of Compliance with Specific IPSAS Provisions on Decision-Usefulness

Studies examining compliance with individual IPSAS standards demonstrate varying effects on decision-usefulness. Baboojee (2011) found mixed compliance across IPSAS 1 (presentation of financial statements), IPSAS 2 (cash flow), and IPSAS 24 (budget information), while full compliance was observed for IPSAS 14. Rao (2014) noted that although some tertiary institutions applied IPSAS 1 in separating assets and liabilities, they failed in areas such as liquidity-based classification and disclosure of expected recoverable amounts. Malahleha (2012), using data from Ogun State, established that IPSAS adoption correlated positively with the credibility and integrity of reports. McDaniel, Martin, and Maines (2002) further demonstrated that accrual IPSAS improved accountability and comparability, particularly when governments complied with presentation and disclosure standards. These findings suggest that compliance with specific standards like IPSAS 1, 2, 24, and 33 plays a central role in improving decision-usefulness of public sector reports.

Hypothesis 3: Compliance with specific IPSAS standards, IPSAS 1, IPSAS 2, IPSAS 24, and IPSAS 33, significantly improves the decision-usefulness of financial reports in Northern Nigerian state governments.

3.0 Methodology

This study adopted a non-survey research design, applying content analysis to evaluate the extent of compliance with International Public Sector Accounting Standards (IPSAS) and its effect on the quality of financial reporting among Northern Nigerian state governments. Content analysis was considered appropriate because it provides a systematic way of extracting and analyzing data from documentary sources, minimizing subjectivity in the process. The population of the study comprised the nineteen state governments in Northern Nigeria, each treated as a single reporting

entity on the basis of producing consolidated financial statements covering ministries, departments, agencies, and parastatals. Since the population was not too large and the required financial statements were available, a census approach was adopted, resulting in the inclusion of all nineteen states in the sample.

The study relied entirely on secondary data obtained from the annual financial reports and accounts of the sampled states, sourced from the Offices of the State Accountants-General and, where available, from official state government websites. Two categories of variables were examined: IPSAS compliance as the independent variable and financial reporting quality (FRQ) as the dependent variable. IPSAS compliance was operationalized using 176 reporting requirements drawn from eight standards IPSAS 1 (Presentation of Financial Statements), IPSAS 2 (Cash Flow Statement), IPSAS 3 (Accounting Policies, Changes in Accounting Estimates, and Errors), IPSAS 22 (Disclosure of General Government Sector Information), IPSAS 23 (Revenue from Non-Exchange Transactions), IPSAS 24 (Presentation of Budget Information), IPSAS 33 (First-Time Adoption), and IPSAS 39 (Employee Benefits). Compliance with each requirement was scored as “1” for compliance and “0” otherwise. FRQ was measured using five qualitative characteristics identified in the IPSASB (2017) framework, namely relevance, faithful representation, comparability, understandability, and timeliness. Following prior studies, each characteristic was assessed using a five-point scale, with “1” denoting low quality and “5” high quality, while special emphasis in this article was placed on relevance as the main indicator of decision-usefulness.

The study tested the effect of IPSAS compliance on FRQ using multiple regression analysis. The functional form is expressed as:

$$FRQ = f(AV_IPSAS, IPSAS1, IPSAS2, IPSAS3, IPSAS22, IPSAS23, IPSAS24, IPSAS33, IPSAS39)$$

For this article's focus on relevance, the econometrical model is presented thus:

$$RLV_{it} = \beta_0 + \beta_1 IPSAS1_{it} + \beta_2 IPSAS2_{it} + \beta_3 IPSAS3_{it} + \beta_4 IPSAS22_{it} + \beta_5 IPSAS23_{it} + \beta_6 IPSAS24_{it} + \beta_7 IPSAS33_{it} + \beta_8 IPSAS39_{it} + \beta_9 AV_IPSAS_{it} + \varepsilon_{it}$$

Where: RLV = Relevance (proxy for decision-usefulness), it = State government and year, e = Error term.

In line with the study's focus on assessing the impact of IPSAS compliance on the relevance of financial reporting, four standards were considered as control variables. These include IPSAS 3, which addresses accounting policies, changes in estimates, and correction of errors; IPSAS 22, which requires disclosure of information about the general government sector; IPSAS 23, which governs the recognition and disclosure of revenue from non-exchange transactions such as taxes and transfers; and IPSAS 39, which relates to employee benefits and obligations. While these standards are important for ensuring consistency, faithful representation, and completeness of financial reports, their contribution to the decision-usefulness of financial information is more indirect. As such, they were treated as control variables in the model to account for their potential influence while isolating the effect of IPSAS 1, IPSAS 2, IPSAS 24, and IPSAS 33, which more directly affect the relevance of financial reporting. The inclusion of these control variables minimizes omitted variable bias and enhances the robustness of the regression results.

4.0 Results and Discussion

This section presents the empirical findings of the study on the effect of IPSAS compliance on the relevance of financial reporting in Northern Nigerian state governments. The analysis begins with descriptive statistics to provide an overview of the data distribution, followed by the compliance index, which highlights the extent to which states adhere to the reporting requirements of the selected IPSAS standards. Correlation analysis is then used to examine the associations among the variables and to assess potential multicollinearity. Finally, the regression results are presented to evaluate the impact of IPSAS compliance on financial reporting relevance, including the role of control variables, with robustness tests conducted to ensure the validity of the findings.

4.1 Description Statistic

The descriptive statistics provide insights into the extent of IPSAS compliance and its relationship

with financial reporting relevance in Northern Nigerian state governments.

Table 1: descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
RLV	152	2.278	0.429	1.6	3.0
AV_IPSAS	152	38.008	17.753	19.8	89.2
IPSAS1	152	52.781	17.366	33.33	91.4
IPSAS2	152	61.333	12.331	44.44	88.89
IPSAS3	152	53.125	14.187	25.0	100
IPSAS22	152	51.645	25.852	0	100
IPSAS23	152	15.214	23.613	0	93.75
IPSAS24	152	31.447	33.542	0	100
IPSAS33	152	27.851	34.347	0	93.33
IPSAS39	152	10.727	8.816	0	46.15

Source: Researchers' Computation, 2025

The average score for relevance (RLV) is 2.28, below the benchmark of 3.0, indicating that the information presented in state financial reports is not sufficiently decision-useful for stakeholders.

In terms of compliance, the overall average IPSAS compliance index (AV_IPSAS) is 38.0%, reflecting a generally low adherence to reporting requirements. Among the individual standards, compliance is highest with IPSAS 2 (cash flow statements, mean = 61.3%), followed by IPSAS 3 (53.1%), IPSAS 1 (52.8%), and IPSAS 22 (51.6%), all of which fall within a moderate compliance range. By contrast, IPSAS 23 (revenue from non-exchange transactions, mean = 15.2%), IPSAS 24 (budget information, mean = 31.4%), IPSAS 33 (first-time adoption, mean = 27.9%), and IPSAS 39 (employee benefits, mean = 10.7%) recorded very low compliance levels. The wide variation in standard deviations—ranging from 8.8 for IPSAS 39 to 34.3 for IPSAS 33—suggests inconsistencies in how states apply different standards.

Overall, these results reveal that while states demonstrate moderate compliance with presentation- and disclosure-related standards (IPSAS 1, 2, 3, and 22), they lag significantly in areas crucial for enhancing decision-usefulness, such as revenue recognition, budget disclosure, and employee benefits. This imbalance helps explain the relatively low mean score for relevance, underscoring the need for stronger compliance with standards directly tied to improving the decision-usefulness of financial reports.

4.2 Regression Diagnostics

Prior to regression estimation, several diagnostic and robustness tests were conducted to ensure the validity of the models. Linearity was confirmed through correlation analysis, which showed positive associations among the independent variables, indicating that changes in IPSAS compliance measures were linearly related to financial reporting quality. Multicollinearity was assessed using the Variance Inflation Factor (VIF) presented in table 3.

Table 2: Multicollinearity Test Results

	VIF	1/VIF
IPSAS 1	6.588	0.152
IPSAS 2	3.904	0.256
IPSAS 3	4.944	0.202
IPSAS 22	2.868	0.349
IPSAS 23	7.059	0.142
IPSAS 24	2.054	0.487
IPSAS 33	6.256	0.16
IPSAS 39	2.933	0.341
Mean VIF	4.576	

Source: Researchers' Computation, 2025

It can be deduced from table 2 above, with results indicating that IPSAS 23 (7.059), IPSAS 1 (6.588), and IPSAS 33 (6.256) exhibited relatively higher collinearity with other predictors. However, all values remained well below the conventional threshold of 10, and the overall mean VIF of 4.576 confirmed that multicollinearity was moderate but within acceptable limits. This suggests that the regression results are unlikely to be distorted by multicollinearity. In addition, other panel-specific robustness checks, including the Lagrangian Multiplier (LM) test for panel effects, Hausman test for model specification, heteroskedasticity tests, and cross-sectional dependence tests, were conducted at the model estimation stage to validate the appropriateness and reliability of the regression estimates.

4.3 Test of Hypotheses and Discussion of Results

This section presents the tests of the study's hypotheses based on the empirical results obtained. Each hypothesis is evaluated against the relevant benchmark, using both descriptive and inferential statistics where appropriate. The aim is to determine whether IPSAS compliance by Northern

Nigerian state governments has significantly influenced the relevance of financial reporting.

4.4 Extent of Compliance with Selected IPSAS Standards

The first objective of this study was to examine the extent to which Northern Nigerian state governments comply with the disclosure requirements of selected IPSAS standards. Compliance levels were assessed using the IPSAS compliance index (AV_IPSAS), derived from 152 disclosure items across eight standards. This section presents the descriptive statistics, classification of compliance levels, and trend analysis to provide insights into how far state governments have implemented the reporting requirements during the study period.

Table 3: Compliance Classification

Compliance Class	Frequency	Percent	Cum. %
Low (0–49%)	121	79.61	79.61
Moderate (50–69%)	22	14.47	94.08
High (70–100%)	9	5.92	100.00
Total	152	100	

Source: Researcher's computation, 2025

Table 3 presents the classification of IPSAS compliance levels among Northern Nigerian state governments between 2015 and 2022. The compliance index was categorized into three classes: low (0–49%), moderate (50–69%), and high (70–100%). The results reveal that compliance is predominantly low, with 79.6% of state-year observations in the lowest category. Only 14.5% of cases achieved moderate compliance, while a mere 5.9% reached the high compliance benchmark of 70% and above. This pattern suggests that most states are lagging in implementing IPSAS disclosure requirements to a satisfactory level.

In order to achieve a more rigorous analysis, table 5 reports the one-sample t-test results comparing the mean IPSAS compliance index (AV_IPSAS) to the 70% threshold for full compliance. This test provides statistical evidence on whether the average level of compliance meets the required benchmark or not.

Table 4: One-Sample t-Test of Compliance Index

Var	Obs	Mean	Std. Dev.	Test Value	t-Statistic	p-Value	95% CI for Mean
AV_IP SAS	152	38.01	17.75	70	-22.22	0.000	[35.16, 40.85]

Source: Researcher's computation using STATA.

The mean compliance of 38.0% falls significantly short of the 70% benchmark, with a large negative t-statistic (-22.22 , $p < 0.01$). The 95% confidence interval (35.16%–40.85%) lies entirely below 70%, reinforcing the conclusion that compliance levels are far from full compliance.

Hypothesis 1: Northern Nigerian state governments do not fully comply with the disclosure requirements of selected IPSAS standards.

To test this hypothesis, the study combined descriptive evidence with a formal statistical test. The compliance classification in Table 4 shows that nearly four out of every five state, year observations fall below 50% compliance, while only a handful exceeded the 70% threshold. Complementing this, the one-sample t-test in Table 5 confirms that the mean compliance score (38.0%) is significantly below the 70% benchmark, with strong statistical significance ($p < 0.01$). Together, these results provide consistent evidence that Northern Nigerian state governments have not achieved full compliance with IPSAS disclosure requirements within the period of this study. Hence, the null hypothesis of full compliance is accepted. The findings strongly support Hypothesis 1, demonstrating widespread low compliance across the region.

These findings are consistent with earlier studies documenting uneven and often limited compliance with IPSAS in developing countries. The World Bank (2011) survey across South Asia showed low adoption of IPSAS, with none of the countries achieving full compliance at the time. Similarly, Rao (2014) reported only partial IPSAS adoption among tertiary institutions in Nigeria's South-East, while Baboojee (2011) found an average

compliance of just 61% among public sector entities in 13 developing countries, far below the ideal standard. Although Rezaee (2003) observed relatively high compliance (91.3%) among some Nigerian federal agencies, such results appear to be exceptions, as subnational governments generally struggle with weak adoption and inconsistent disclosure practices.

Taken together, both the current study and prior empirical evidence highlight that compliance challenges persist, particularly at the state level in Nigeria. Structural factors such as weak institutional capacity, poor enforcement mechanisms, and resource constraints may explain why most state governments remain in the low compliance category. Thus, the rejection of the null hypothesis in this study aligns with the wider literature, confirming that Northern Nigerian states have not yet realized full compliance with IPSAS disclosure requirements.

4.5 IPSAS Compliance and Relevance of Financial Reporting

The second objective of this study was to assess whether compliance with IPSAS significantly enhances the relevance of financial reporting in Northern Nigerian state governments. Relevance, as a key qualitative characteristic, reflects the decision-usefulness of financial information to stakeholders. Table 5 presents the robust simple regression results testing the relationship between IPSAS compliance (AV_IPSAS) and the relevance (RLV) of financial reporting.

Table 5: Robust Simple Regression Result for IPSAS Compliance and Relevance

RLV	Coef.	p-value
AV_IPSAS	0.014	0.000***
Constant	1.753	0.000***
R-Squared	0.563	
Prob>F	0.000	
Hetero	P=0.892	

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Researchers' Computation 2025

The coefficient for AV_IPSAS is 0.014 with a p-value of 0.000, which is highly significant at the 1% level. This indicates that a one-unit increase in the compliance index leads to a 0.014 increase in the relevance score of financial reporting, holding other factors constant. In practical terms, higher

IPSAS compliance is strongly associated with improved decision-usefulness of state financial reports.

The constant term of 1.753, also significant at the 1% level, reflects the baseline relevance score when compliance is zero. The model explains about 56.3% ($R^2 = 0.563$) of the variation in relevance, suggesting a strong explanatory power given the simplicity of the model. The overall model is significant ($\text{Prob} > F = 0.000$), confirming that IPSAS compliance is a valid predictor of relevance. Moreover, the heteroskedasticity test ($p = 0.892$) indicates no evidence of heteroskedasticity, meaning the model estimates are robust and reliable.

Hypothesis 2: Compliance with IPSAS significantly enhances the relevance of financial reporting in Northern Nigerian state governments. The regression result shows that IPSAS compliance (AV_IPSAS) has a positive and statistically significant effect on relevance (coef. = 0.014, $p < 0.01$). This finding supports the hypothesis that compliance with IPSAS enhances decision-usefulness of state financial reports. Therefore, the null hypothesis of no significant effect is rejected, and the alternative hypothesis is accepted. The results provide strong evidence that higher IPSAS compliance improves the relevance of financial reporting among Northern Nigerian state governments.

This finding aligns with prior empirical evidence. Balogun (2017), in a study, found that IPSAS adoption improved comparability and the overall usefulness of reports for decision-making. Similarly, Opaniyi (2016) reported in Kenya that IPSAS adoption significantly enhanced comparability, timeliness, faithful representation, and relevance of reports, even though understandability slightly declined. In Nigeria, Ijeoma and Oghoghomeh (2014) showed that IPSAS adoption strengthened the reliability, credibility, and integrity of state financial reports, which are closely related to relevance as key dimensions of reporting quality. Likewise, Maikudi and Mikail (2014) observed that IPSAS implementation improved accountability and comparability in Nigerian county governments.

The consistency between the present findings and earlier studies highlights the robustness of the evidence that IPSAS compliance enhances decision-usefulness in public sector reporting. However, while prior studies often relied on survey-based opinions, this study extends the literature by using actual state financial statements to empirically demonstrate the significant effect of IPSAS compliance on relevance. The result reinforces the view that IPSAS adoption contributes meaningfully to improving the quality of financial reporting in developing countries, especially in terms of its relevance to decision-making.

4.6 Compliance with Specific IPSAS Provisions on Decision-Usefulness

The third objective of this study was to determine the effect of compliance with specific IPSAS provisions, such as IPSAS 1, IPSAS 2, IPSAS 24, and IPSAS 33, on the decision-usefulness of financial reporting among Northern Nigerian state governments. Table 6 presents the panel regression results across robust pooled OLS, random effects, and fixed effects models.

Table 6: Panel Data Regression Results for IPSAS Compliance and Relevance

Variables	Robust Pooled OLS Model	Random Effect Model	Fixed Effect Model
Constant	0.713(0.011) **	3.902(0.001) ***	4.191(0.004) ***
IPSAS 1	0.019(0.000) ***	0.031(0.000) ***	0.033(0.000) ***
IPSAS 2	- 0.009(0.016) **	0.001(0.897)	0.001(0.990)
IPSAS 3	0.023(0.000) ***	0.016(0.000) ***	0.016(0.000) ***
IPSAS 22	0.007(0.000) ***	0.019(0.000) ***	0.021(0.000) ***
IPSAS 23	- 0.007(0.009) ***	0.005(0.070) *	0.006(0.080) *
IPSAS 24	- 0.009(0.000) ***	0.003(0.250)	0.004(0.172)
IPSAS 33	- 0.004(0.017) **	0.005(0.218)	0.006(0.206)
IPSAS 39	0.004(0.395)	- 0.002(0.687)	- 0.003(0.614)
R-Squared	0.548	0.377	0.726
Prob>F	0.000	0.000	0.000

Heteroskedasti	P=0.136
city	
Ramsy RESET	P=0.061
LM Test	P=0.000
Hausman	P=0.001

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Researchers' Computation, 2025.

Regarding model fit, the fixed effects model is preferred based on the Hausman test ($p = 0.001$), and it provides the highest explanatory power ($R^2 = 0.726$), indicating that state-specific factors significantly influence compliance and relevance. The diagnostic tests further confirm model adequacy, with no evidence of heteroskedasticity ($p = 0.136$) and correct specification (RESET $p = 0.061$).

The results indicate that compliance with IPSAS 1 (presentation of financial statements), IPSAS 3 (accounting policies and errors), and IPSAS 22 (general government disclosure) consistently shows a positive and highly significant effect ($p < 0.01$) across all models. This demonstrates that these standards are critical drivers of relevance, as they improve the transparency, comparability, and clarity of state financial reports.

By contrast, IPSAS 2 (cash flow statements) exhibits a negative and significant effect under pooled OLS but becomes insignificant in the random and fixed effects models. This suggests that inconsistent compliance with cash flow reporting may reduce relevance, though the effect weakens when state-specific heterogeneity is controlled. Similarly, IPSAS 24 (budget information) and IPSAS 33 (first-time adoption) show negative and significant effects under pooled OLS but lose significance under random and fixed effects, indicating that weak or partial compliance with these standards may undermine decision-usefulness but the results are not robust across specifications.

IPSAS 23 (revenue from non-exchange transactions) displays mixed results: negative and significant in pooled OLS but turning positive and marginally significant ($p < 0.1$) under random and fixed effects. This suggests that compliance with revenue recognition standards has a weak but potentially positive effect on relevance once unobserved state factors are accounted for. Finally, IPSAS 39 (employee benefits) remains

insignificant across all models, implying little or no effect on reporting relevance.

Hypothesis 3: Compliance with specific IPSAS standards—IPSAS 1, IPSAS 2, IPSAS 24, and IPSAS 33, significantly improves the decision-usefulness of financial reports in Northern Nigerian state governments.

The regression results in Table 7 show mixed evidence regarding the effect of these specific standards on the relevance of financial reporting. IPSAS 1 (presentation of financial statements) displays a consistently positive and highly significant coefficient across all models ($p < 0.01$). This indicates that compliance with IPSAS 1 strongly enhances decision-usefulness by ensuring financial statements are prepared in a transparent and comparable format. Similarly, IPSAS 3 (accounting policies and errors), though not one of the primary standards specified in the hypothesis, also emerged as a strong positive determinant of relevance.

By contrast, IPSAS 2 (cash flow statements) exhibited a negative and significant coefficient in the pooled OLS model (-0.009 , $p < 0.05$) but became insignificant under the random and fixed effects models, suggesting that weak or inconsistent compliance with cash flow reporting may undermine relevance. IPSAS 24 (budget information) and IPSAS 33 (first-time adoption) were also negative and significant under pooled OLS but lost significance in the panel models. These results imply that although compliance with budget and first-time adoption standards has the potential to improve relevance, in practice the implementation across states remains weak and inconsistent, reducing their contribution to decision-usefulness.

The Hausman test ($p = 0.001$) indicated that the fixed effects model is the most reliable, with an R^2 of 0.726, showing that state-specific characteristics strongly influence reporting relevance. Under this preferred model, IPSAS 1 remains highly significant, whereas IPSAS 2, IPSAS 24, and IPSAS 33 do not exert significant effects.

Based on these results, the null hypothesis cannot be fully rejected. While compliance with IPSAS 1 significantly improves the decision-usefulness of financial reports, IPSAS 2, IPSAS 24, and IPSAS

33 do not show robust or consistent effects across models.

These findings partially support earlier studies. For example, Baboojee (2011) reported that compliance with IPSAS 1 and IPSAS 2 improved decision-usefulness, although compliance was often incomplete. Rao (2014) also found partial compliance with IPSAS 1 in Nigerian tertiary institutions, particularly in classifying assets and liabilities. However, the weak performance of IPSAS 24 and IPSAS 33 in this study echoes the broader literature that highlights implementation challenges in developing contexts (World Bank, 2011; Balogun, 2017). Taken together, the evidence suggests that while some IPSAS standards, especially IPSAS 1, are central to enhancing relevance, others require stronger institutional commitment and capacity before their potential benefits can be realized.

5.0 Conclusion and Recommendations

The findings of this study carry important policy implications for public financial management in Northern Nigerian state governments. First, the test of Hypothesis 1 revealed that overall IPSAS compliance remains low, with the majority of state-year observations falling into the low compliance category. This suggests the need for stronger enforcement mechanisms by oversight bodies such as the Federation Account Allocation Committee (FAAC), the Office of the Accountant-General of the Federation, and state legislatures to ensure that states consistently meet IPSAS disclosure requirements. Targeted training and capacity building for accountants, auditors, and financial reporting officers is also be critical in addressing technical gaps that contribute to non-compliance.

Second, the result of Hypothesis 2 demonstrated that compliance with IPSAS significantly improves the relevance of financial reporting. This implies that strengthening IPSAS implementation will not only promote accountability but also enhance the decision-usefulness of financial reports for stakeholders such as policymakers, development partners, and citizens. Consequently, state governments should institutionalize IPSAS-based reporting practices as part of governance reforms

aimed at improving transparency, public trust, and the efficient allocation of resources.

Third, the mixed evidence from Hypothesis 3 highlights that while compliance with IPSAS 1 has a strong positive effect on relevance, other standards such as IPSAS 2, IPSAS 24, and IPSAS 33 show weaker or inconsistent effects. This points to selective compliance and underscores the need for policymakers to prioritize the implementation of standards that directly enhance decision-usefulness, especially IPSAS 24 (budget information) and IPSAS 33 (first-time adoption). Improving compliance in these areas would strengthen the link between budget execution and financial reporting, a vital step in reducing fiscal opacity and enhancing fiscal discipline at the state level.

Overall, the policy implication of the results is that IPSAS adoption in Northern Nigerian state governments should not be treated as a mere formality to satisfy external stakeholders, but as a reform mechanism to drive credible, transparent, and decision-useful reporting. This requires a mix of capacity building, stronger regulatory oversight, and institutional reforms to ensure that IPSAS implementation translates into tangible improvements in financial reporting quality.

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