

Regulatory Effectiveness, IFRS Adoption and Creative Accounting in Nigeria: Evidence from Stakeholder Perceptions

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ABSTRACT

Creative accounting remains a significant threat to the credibility of corporate reporting, investor confidence and the efficient functioning of capital markets, particularly in emerging economies where regulatory capacity and enforcement institutions may be uneven. Focusing on Nigeria, this paper looks at how stakeholders perceive the effectiveness of the country's regulatory framework in curbing creative accounting, paying particular attention to regulatory enforcement, IFRS adoption and institutional enforcement challenges. A cross-sectional quantitative survey was used, drawing on a purposive sample of accessible senior stakeholders, a choice made necessary by resource constraints and restricted access to regulatory-body personnel. Data were obtained through a structured five-point Likert-scale questionnaire, with 70 usable responses from stakeholders involved in financial reporting and regulatory processes. Respondents' perceptions are summarised using descriptive statistics, mainly percentage response distributions across Likert categories; because the underlying item-level data could not be recovered for retrospective validation, no inferential statistical test of association was performed, so the findings below are descriptive accounts of stakeholder perception rather than statistically tested hypotheses. What emerges is a strong stakeholder perception that Nigeria's regulatory framework helps detect and prevent creative accounting, and that IFRS adoption has improved reporting transparency, alongside a clear sense that enforcement constraints, inadequate capacity, regulatory loopholes, limited resources and weak deterrent sanctions, remain significant. This is broadly consistent with recent Nigerian evidence that IFRS adoption and governance mechanisms can reduce some forms of earnings management, even though the effect is not uniform across firms and reporting practices. The paper's central argument is that regulatory effectiveness rests less on the existence of accounting standards than on the institutional capacity to enforce them, which speaks to institutional and deterrence perspectives by showing how enforcement capability turns formal accounting rules into credible behavioural constraints.

Keywords: Creative accounting; regulatory effectiveness; IFRS; institutional theory; Nigeria; financial reporting

INTRODUCTION

The credibility of financial reporting is fundamental to the functioning of modern capital markets. Investors, creditors, regulators, employees and other stakeholders depend on financial statements to evaluate organisational performance, risk and financial position. When reported information is deliberately shaped to create a more favourable picture than underlying economic reality, the resulting information asymmetry can weaken market confidence and distort economic decision-making. Creative accounting is particularly problematic because it may operate within the technical boundaries of accounting standards while departing from their underlying principles and intended representation of economic substance.

The challenge is especially important in emerging markets, where formal regulatory institutions may coexist with uneven enforcement capacity. Nigeria provides an important setting for examining this problem because its financial reporting architecture incorporates multiple regulatory and professional institutions, including the Financial Reporting Council of Nigeria (FRCN), the Securities and Exchange Commission (SEC), the Central Bank of Nigeria (CBN), corporate governance mechanisms and professional accounting bodies. Nigeria also

adopted International Financial Reporting Standards (IFRS) for public-interest entities as part of a broader effort to improve comparability, transparency and reporting quality. The IFRS Foundation identifies Nigeria as a jurisdiction in which IFRS Accounting Standards are required for listed companies and other public-interest entities.

Yet the existence of formal standards does not necessarily guarantee high-quality reporting, and this is not a uniquely Nigerian observation. International evidence on IFRS adoption is itself divided. Barth, Landsman and Lang (2008) found that firms applying international standards generally exhibited less earnings management and greater value relevance, while Christensen, Lee, Walker and Zeng (2015), studying voluntary versus mandatory IFRS adopters in Germany, showed that accounting-quality improvements were concentrated among firms with genuine incentives to improve reporting, rather than following automatically from the standards themselves. This international debate frames the Nigerian evidence reviewed below: adoption of a common reporting language does not, on its own, establish that reporting behaviour has changed.

Recent Nigerian evidence remains mixed. Studies have reported that IFRS adoption is associated with reductions in discretionary accruals and improvements in reporting transparency in some sectors, while other studies suggest that earnings management may persist or change form following IFRS adoption (Gbadebo, 2023; Ike & Ezeilo, 2024). Ike and Ezeilo (2024), for example, found that IFRS adoption significantly affected discretionary accruals among industrial-goods firms and reported evidence consistent with reduced earnings manipulation, while board independence was also negatively associated with earnings manipulation. A separate 2023 study of Nigerian manufacturing companies found that discretionary accruals declined following IFRS adoption (Ogala, Falope & Ifiok, 2023).

The relationship is not, however, unequivocal. Gbadebo (2023) found evidence of earnings discontinuity after IFRS implementation, suggesting that adoption of international standards alone may not eliminate managerial incentives to manipulate reported performance. More recent evidence also indicates that the nature and extent of earnings management may vary according to institutional and governance characteristics. A 2024 study of Nigerian listed non-financial companies found that effective risk management committees were associated with lower accrual and real earnings management.

This creates an important theoretical and empirical question: does regulatory effectiveness derive primarily from the existence of formal accounting standards, or from the capacity of regulatory institutions to enforce those standards?

This paper takes up that question by looking at how stakeholders perceive the effectiveness of Nigeria's regulatory framework in detecting and preventing creative accounting, whether IFRS adoption is seen as reducing it, and what challenges get in the way of regulatory enforcement.

The timing also matters, since Nigeria's financial reporting environment keeps evolving. The FRCN released a roadmap for adopting IFRS Sustainability Disclosure Standards in 2024, signalling a more sophisticated regulatory reporting environment, and amended that roadmap in 2026 to clarify implementation requirements, reporting timelines and assurance arrangements. Taken together, these developments show Nigerian corporate reporting regulation moving well beyond traditional financial statements, toward a broader architecture of accountability and disclosure.

Research Questions

The study addresses three research questions:

1. How effective is Nigeria's regulatory framework, as perceived by stakeholders, in detecting and preventing creative accounting practices?
2. Is IFRS implementation perceived by stakeholders as significantly reducing the occurrence of creative accounting practices in Nigerian companies?

3. What challenges constrain Nigerian regulatory bodies in enforcing financial reporting standards, as perceived by stakeholders?

All three questions are framed around stakeholder perception, consistent with the survey-based design used in this study. A perception survey can establish how stakeholders view the effectiveness of regulation and IFRS; it cannot, on its own, establish an objective reduction in creative accounting, and the study does not claim otherwise.

Significance of the Study

This paper makes three main contributions: it links institutional theory and deterrence theory to the regulation of creative accounting in an emerging market, it offers stakeholder evidence on how effective Nigeria's regulatory architecture is perceived to be, and it flags enforcement capacity, regulatory loopholes, sanctions, corporate governance and internal controls as areas that need policy attention.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Conceptualising Creative Accounting

Creative accounting refers broadly to the use of accounting discretion, estimates, classifications and reporting choices to produce a desired representation of organisational performance or financial position. The concept sits in an ambiguous space because some accounting discretion is inherent in standards, and manipulation becomes problematic only when discretion is used to mislead users or obscure economic substance.

The distinction between legitimate accounting judgement and opportunistic manipulation is therefore central. Creative accounting may exploit gaps or ambiguities within accounting rules without necessarily breaching a standard outright. This study defines creative accounting as the transformation of accounting figures into desired figures through exploitation of existing rules or departure from their intended application.

Recent research reinforces the continuing importance of the issue in Nigeria. A 2025 study of Nigerian deposit money banks found that creative accounting practices significantly affect financial reporting quality, particularly through off-statement financial-position transactions (Okai, 2025). Recent research on Nigerian listed insurance companies identifies corporate governance mechanisms, including board independence and audit committee characteristics, as important factors in understanding creative accounting (Ogunleye, Dopemu & Ajape, 2026).

Creative accounting can therefore be seen as a continuum rather than a binary distinction between legal and illegal reporting. At one end is legitimate managerial judgement; at the other are fraudulent misrepresentations. Between the two are earnings management techniques that exploit accounting discretion to influence reported performance.

Regulatory Framework and Creative Accounting

A financial reporting regulatory framework consists of the standards, laws, institutions, monitoring arrangements, professional requirements and enforcement mechanisms governing the preparation and disclosure of financial information.

In Nigeria, the FRCN occupies a central position in financial reporting regulation, alongside the SEC, CBN and professional accounting institutions. Nigeria's adoption of IFRS was intended to strengthen transparency and comparability, and the IFRS Foundation confirms that IFRS is required for Nigerian listed companies and other public-interest entities.

Regulatory effectiveness, however, depends on more than formal rules. It requires monitoring, investigation, enforcement, sanctions and organisational capacity. This proposition is not specific to Nigeria. La Porta, Lopez-de-Silanes, Shleifer and Vishny (1998), in a comparative study of legal investor protection across 49

countries, showed that the quality of legal enforcement, not merely the existence of formal rules, is a primary determinant of the strength of investor protection, a finding that extends naturally to the enforcement of accounting standards. This study identifies inadequate enforcement, resource constraints, regulatory loopholes, inadequate training and corruption as challenges affecting regulatory implementation in the Nigerian context specifically.

This distinction between regulatory existence and regulatory effectiveness is central to the present study.

IFRS and Earnings Management

The theoretical expectation behind IFRS adoption is that internationally harmonised reporting standards should improve comparability, transparency and reporting quality. Accounting standards, however, cannot fully eliminate managerial discretion, because financial reporting requires estimates, assumptions and judgement.

Recent evidence from Nigeria illustrates this complexity. Ike and Ezeilo (2024) found that IFRS significantly influenced discretionary accruals among industrial-goods firms and reported evidence consistent with reduced earnings manipulation. A separate 2023 study of Nigerian manufacturing firms also reported a significant reduction in discretionary accrual-based earnings management after IFRS adoption (Ogala, Falope & Ifiok, 2023).

Gbadebo (2023), by contrast, reported evidence of earnings discontinuity after IFRS adoption, which raises questions about whether international standards alone are sufficient to prevent earnings management.

This tension mirrors an established finding in the international literature. Barth, Landsman and Lang (2008) associated IFRS application with higher accounting quality across a sample of adopting firms, while Christensen, Lee, Walker and Zeng (2015), using the natural experiment of voluntary pre-mandate adoption in Germany, showed that accounting-quality gains were confined to firms with genuine reporting incentives, and concluded that it is unwarranted to infer that IFRS itself improves accounting quality independent of those incentives. Applied to Nigeria, this suggests that the observed association between IFRS and reduced earnings management may be conditional on the same enforcement and incentive structures examined in this study, rather than a standard-alone effect.

IFRS may therefore constrain some forms of manipulation while shifting managerial incentives toward other techniques. It should be understood as one component of a broader regulatory system rather than a stand-alone solution.

Corporate Governance and Regulatory Effectiveness

Corporate governance provides an internal complement to external regulation. Independent boards, financially knowledgeable audit committees, risk management committees and effective internal controls can reduce opportunities for managers to manipulate reported information.

Nigerian evidence backs this up: a 2024 study of 365 firm-year observations found that risk management committee size, expertise, meeting frequency and overlap with audit committees were negatively associated with both accrual and real earnings management (Musa, Abdul Latif & Abdul Majid, 2024).

Recent evidence on Nigerian manufacturing firms also indicates that board independence can reduce discretionary accruals.

Regulatory effectiveness should therefore be understood as a multi-level phenomenon, involving external regulation, IFRS compliance, regulatory monitoring, enforcement and sanctions, external audit, board independence, audit committee effectiveness and internal control systems.

THEORETICAL FRAMEWORK

Institutional Theory

Institutional theory provides the principal theoretical foundation for this study. It explains organisational behaviour through pressures generated by laws, regulations, professional norms and established institutional expectations. DiMaggio and Powell (1983) identify three such pressures, coercive, mimetic and normative isomorphism, through which organisations converge toward similar structures and practices. Here, statutory regulatory requirements stand in for coercive pressure, professional accounting norms for normative pressure, and capital-market expectations for IFRS-consistent reporting act as a further pressure toward conformity.

Within the Nigerian financial reporting environment, regulatory institutions generate coercive pressure through statutory requirements, professional institutions generate normative pressure through accounting and auditing standards, and capital-market expectations generate further pressure for conformity.

The application of institutional theory to creative accounting produces an important proposition: formal accounting standards influence corporate reporting behaviour only when institutional pressures are credible enough to induce organisational compliance. IFRS adoption represents institutional convergence; regulatory enforcement determines the strength of coercive institutional pressure.

Agency Theory

Agency theory explains creative accounting through conflicts between managers and shareholders. Managers possess greater information about organisational performance than shareholders and may exploit that information asymmetry to pursue private interests.

Creative accounting can arise where managers have incentives to achieve earnings targets, secure bonuses, maintain employment, satisfy lenders or influence investor perceptions. Regulatory reporting requirements, independent boards and external audits reduce information asymmetry and increase managerial accountability.

Deterrence Theory

Deterrence theory is particularly relevant here because the regulatory problem is not simply whether rules exist but whether organisations expect violations to be detected and punished. The central proposition can be stated as a simple chain, illustrated in Figure 1 below: rules, monitoring and credible sanctions raise the expected cost of manipulation, which in turn lowers the incentive for creative accounting.



Figure 1: The Deterrence Chain, Showing Rules, Monitoring, Sanctions and Expected Cost of Manipulation. Source: Authors' construction.

Where enforcement is weak, the expected cost of manipulation falls even when accounting standards are sophisticated.

Conceptual Model

Figure 2 below sets out the conceptual relationship this paper works with: the Nigerian regulatory framework, made up of IFRS compliance, regulatory monitoring, enforcement and sanctions, external audit and internal governance mechanisms, is treated as the independent variable, and stakeholder-perceived reduction in creative accounting as the dependent variable.

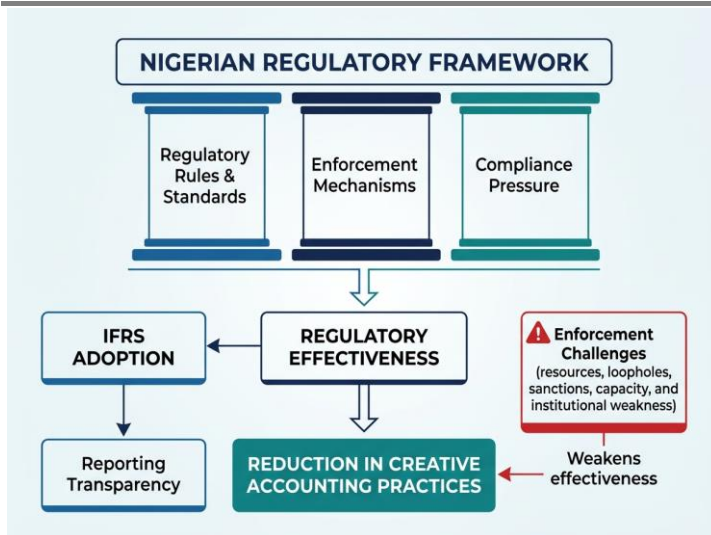


Figure 2: Conceptual Model of the Regulatory Framework and Perceived Reduction in Creative Accounting. Source: Authors' construction.

Hypotheses

Based on the theoretical framework above, the study proposes the following hypotheses, each stated as a perception-based hypothesis consistent with the survey design:

H1: Regulatory effectiveness is significantly associated, in stakeholder perception, with the detection and prevention of creative accounting practices among Nigerian companies.

H2: IFRS implementation is significantly associated, in stakeholder perception, with reduced creative accounting practices among Nigerian companies.

H3: Regulatory enforcement challenges significantly constrain the effectiveness of Nigeria's financial reporting regulatory framework, as perceived by stakeholders.

METHODOLOGY

Research Design

A quantitative cross-sectional survey design was used, which fits the aim of capturing stakeholder perceptions of regulatory effectiveness, IFRS implementation and enforcement challenges at a defined point in time. Data collection was limited to a structured questionnaire, so the empirical evidence presented here should be read on that basis rather than as part of a broader mixed-methods investigation.

Study Context

Nigeria provides an important emerging-market context because it combines international accounting standards with a complex domestic institutional environment. IFRS has been required for listed companies and other public-interest entities, and the FRCN provides statutory oversight of financial reporting standards. In 2024 the FRCN released a roadmap for IFRS Sustainability Disclosure Standards, and subsequent developments have continued to expand reporting and assurance expectations.

Population and Sampling

The study population is described as approximately 1,200 stakeholders, comprising preparers, users and regulators involved in Nigerian financial reporting; this figure is a rough working approximation rather than a documented count, and the original basis for it (a register, directory, or agency estimate) was not retained and cannot now be verified. Using a standard sample-size formula for a population of this size, a probability-

based target sample of approximately 292 respondents was originally calculated, though this calculation is correspondingly only as reliable as the underlying population estimate.

That probability-sampling target was not achieved. Data collection was constrained by limited resources and by restricted access to regulatory-body personnel, who are frequently difficult for external researchers to reach in sufficient numbers within a formal probability-sampling framework. As a result, the study relies on a purposive sample of accessible senior stakeholders directly involved in financial reporting and regulatory processes. Seventy-two questionnaires were distributed and seventy valid responses were obtained, a completion rate of about ninety-seven percent among those actually distributed.

The respondents were predominantly senior employees: 62 were classified as senior staff and 8 as junior staff. This seniority classification was the only role-level distinction retained; a finer breakdown of the 62 senior-staff respondents by professional function, such as regulator, preparer, external auditor, investor, director or academic, was not preserved in the surviving records and cannot be reconstructed. The sample also included respondents with varying educational qualifications and organisational experience.

Because the sample is purposive rather than probability-based, the findings should be read as exploratory stakeholder evidence from an accessible, senior-staff-weighted respondent pool, not as statistically representative of the full population of Nigerian financial-reporting stakeholders.

Instrument and Data Collection

Data were collected through a structured questionnaire using a five-point Likert scale ranging from strongly agree to strongly disagree. Questionnaire items covered respondents' demographic characteristics, creative accounting practices and dimensions of the regulatory framework.

Formal reliability and validity testing of the instrument, such as Cronbach's alpha or exploratory factor analysis, was not conducted for this study, and the underlying item-level data needed to conduct such testing retrospectively is no longer available. The instrument's content basis rests on its items having been derived to reflect the study's stated constructs (regulatory effectiveness, IFRS and creative accounting, and enforcement challenges) and on the standard five-point Likert format used. No independent statistical or expert-panel confirmation of reliability or validity is available. This is treated as a limitation of the study and is discussed further in Section 5.7.

Data Analysis

The study uses descriptive statistics to summarise how the 70 valid responses were distributed across the five Likert categories, strongly agree, agree, undecided, disagree and strongly disagree, for each construct. A Pearson chi-square goodness-of-fit test against an even 14-per-category benchmark appeared in an earlier version of this analysis and has since been dropped. Two problems ruled it out: a goodness-of-fit test only checks a distribution against an even split, so it cannot establish the associations H1 to H3 actually propose, and the numbers entered as “observed frequencies” turned out to be derived from percentage response rates rather than raw counts of the 70 respondents, which breaks the count-data assumption the test depends on. What follows is reported purely as descriptive percentages, with no claim to statistical significance.

For each construct, the table below reports the percentage of respondents who selected each Likert category, alongside the 20 percent share each category would get under a perfectly even split. That benchmark is included only as a point of reference, not as a statistical null hypothesis.

Table 1: Descriptive Response Distribution for Regulatory Effectiveness (RQ1)

RQ1: Regulatory effectiveness	% of Respondents	Equal-split benchmark (%)	Difference (pp)
Strongly Agree	60.4	20.0	40.4
Agree	30.6	20.0	10.6

Undecided	4.7	20.0	-15.3
Disagree	3.1	20.0	-16.9
Strongly Disagree	1.2	20.0	-18.8
Total	100.0	100.0	Not applicable

Source: Authors' computation from field survey responses (N = 70), reported as percentages of the total sample.

Table 2: Descriptive Response Distribution for IFRS and Creative Accounting (RQ2)

RQ2: IFRS and creative accounting	% of Respondents	Equal-split benchmark (%)	Difference (pp)
Strongly Agree	57.1	20.0	37.1
Agree	33.6	20.0	13.6
Undecided	4.6	20.0	-15.4
Disagree	2.9	20.0	-17.1
Strongly Disagree	1.8	20.0	-18.2
Total	100.0	100.0	Not applicable

Source: Authors' computation from field survey responses (N = 70), reported as percentages of the total sample.

Table 3: Descriptive Response Distribution for Enforcement Challenges (RQ3)

RQ3: Enforcement challenges	% of Respondents	Equal-split benchmark (%)	Difference (pp)
Strongly Agree	58.1	20.0	38.1
Agree	33.3	20.0	13.3
Undecided	4.5	20.0	-15.5
Disagree	2.6	20.0	-17.4
Strongly Disagree	1.4	20.0	-18.6
Total	100.0	100.0	Not applicable

Source: Authors' computation from field survey responses (N = 70), reported as percentages of the total sample.

Table 4: Summary of Response Concentration Across the Three Constructs

Research issue	Agree/Strongly Agree (%)	Undecided (%)	Disagree/Strongly Disagree (%)	Pattern
Regulatory effectiveness	91.0	4.7	4.3	Concentrated agreement in
IFRS and creative accounting	90.7	4.6	4.6	Concentrated agreement in
Enforcement challenges	91.4	4.5	4.0	Concentrated agreement in

Source: Authors' computation from field survey responses (N = 70), reported as percentages of the total sample.

Table 4 pulls these together: agreement is heavily concentrated in the strongly agree and agree categories for all three constructs, well above the 20 percent share each would get under an even split, while undecided and disagree responses together stay under 10 percent on every construct. That lines up with the direction of H1, H2 and H3, in the sense that opinion clearly leans toward agreement rather than sitting even or turning negative. It is not a statistical test of association, though, and should not be taken to mean the hypotheses have been confirmed. All it shows is that, among the respondents reached, opinion is not evenly or negatively spread.

RESULTS

Respondent Profile

The final analysed sample consisted of 70 respondents. Male respondents accounted for 48 participants and female respondents for 22. About 88.6 percent of valid respondents were senior staff, compared with 11.4 percent junior staff. Thirty-five respondents had fewer than five years of organisational experience, 27 had five to ten years and eight had more than ten years.

Respondents also had relatively high formal educational qualifications, with holders of a B.Sc., BA or HND forming the largest group, followed by M.Sc. or PhD holders and OND or NCE holders. This seniority-skewed and highly educated profile is relevant to the interpretation of the results below and is discussed further as a potential source of response bias in Section 5.3.1.

RQ1: Effectiveness of the Nigerian Regulatory Framework

Table 1 shows a strong positive perception of the Nigerian regulatory framework: 91.0 percent of respondents selected strongly agree or agree for the regulatory effectiveness construct, against 4.7 percent undecided and 4.3 percent disagree or strongly disagree. Stakeholders clearly lean toward seeing the regulatory framework as effective in detecting and preventing creative accounting, but for the reasons given in Section 3.5, this is a description of the response pattern, not a statistically tested result.

RQ2: IFRS and Perceived Reduction in Creative Accounting

Responses concerning IFRS followed a similar pattern (Table 2): 90.7 percent of respondents selected strongly agree or agree that IFRS implementation has reduced creative accounting practices, against 4.6 percent undecided and 4.6 percent disagree or strongly disagree. This says something about how stakeholders perceive IFRS, not about whether creative accounting has actually fallen; that would require the archival evidence discussed next.

This perception is broadly consistent with the direction of some recent Nigerian archival evidence, even though the two forms of evidence measure different things. Ike and Ezeilo (2024) found that IFRS adoption significantly affected discretionary accruals and reported evidence consistent with reduced earnings manipulation, using an objective accrual-based measure rather than stakeholder perception.

RQ3: Regulatory Enforcement Challenges

Regulatory challenges drew a similarly strong response (Table 3): 91.4 percent of respondents selected strongly agree or agree, against 4.5 percent undecided and 4.0 percent disagree or strongly disagree.

Read alongside H3, this points to stakeholders seeing inadequate enforcement, resource limitations, regulatory loopholes and weak sanctions as real constraints on the regulatory framework, with the same caveat as RQ1 and RQ2: the response distribution supports this reading, but it has not been tested statistically.

DISCUSSION

Regulatory Effectiveness

The first major finding is that respondents perceive Nigeria's regulatory framework as effective in detecting and preventing creative accounting. This suggests that the formal institutional architecture, including financial reporting standards, regulatory oversight and governance requirements, has created meaningful constraints on opportunistic financial reporting, at least in the perception of the stakeholders surveyed.

This finding is consistent with the broader direction of recent Nigerian research showing that governance and regulatory mechanisms can reduce earnings management. Evidence from Nigerian listed companies shows that effective risk management committees are associated with lower accrual and real earnings management (Musa, Abdul Latif & Abdul Majid, 2024).

The finding should not be read as evidence that creative accounting has been eliminated. Continuing manipulation risks remain, particularly in revenue recognition and asset valuation, and theoretical regulatory strength does not always translate into effective implementation. This distinction matters theoretically: institutional theory predicts that formal rules generate pressure for conformity, but the strength of that pressure depends on the credibility of institutional enforcement, a point made more generally, outside the accounting literature, by La Porta et al. (1998), whose comparative evidence shows that the quality of legal enforcement, not the mere existence of investor-protection rules, drives outcomes across very different legal systems.

IFRS as a Perceived Constraint on Creative Accounting

The second finding indicates a positive stakeholder perception of IFRS as a mechanism for reducing creative accounting. This perception is directionally supported by recent empirical evidence from Nigeria using independent, non-perception-based measures. Ike and Ezeilo (2024) found that IFRS adoption influenced discretionary accruals and was associated with improved reporting transparency. A 2023 study of Nigerian manufacturing firms similarly reported reduced discretionary accruals following IFRS adoption.

The evidence is not uniform, however. Gbadebo (2023) found evidence suggesting that earnings management persisted after IFRS implementation, and recent research on Nigerian firms suggests that IFRS may reduce particular forms of manipulation without eliminating managerial discretion entirely. This mirrors Christensen, Lee, Walker and Zeng's (2015) international finding that accounting-quality gains around IFRS adoption are conditional on firms' underlying reporting incentives rather than automatic consequences of the standard itself, which supports this study's central argument that enforcement and institutional incentives, not the standard alone, determine outcomes.

IFRS is, at most, a necessary but insufficient condition for high-quality financial reporting, and stakeholder perception that it is effective should be read alongside, not as a substitute for, the archival evidence. Its effectiveness depends on complementary institutions such as auditors, boards, audit committees, regulators, enforcement agencies and professional bodies.

Enforcement Challenges

The third finding concerns the persistence of institutional constraints. Inadequate enforcement, limited resources, regulatory loopholes and insufficient penalties emerge as barriers to effective regulation. This demonstrates the difference between de jure regulation and de facto enforcement: a sophisticated accounting standard can constrain manipulation only when firms expect that non-compliance will be detected and sanctioned.

This finding is consistent with deterrence theory. If the probability of detection is low or penalties are insufficient, managers may perceive the expected cost of manipulation as lower than its potential benefits. Recent Nigerian evidence also suggests that internal governance mechanisms can strengthen the effectiveness

of external regulation, since risk management committees with greater expertise and activity have been associated with lower earnings management (Musa, Abdul Latif & Abdul Majid, 2024).

Potential Response Bias

A limitation that must be weighed against all three findings above is the composition of the respondent pool. About 88.6 percent of respondents were senior staff, individuals who are, in most cases, professionally and institutionally invested in the regulatory and governance systems being evaluated. Combined with response distributions concentrated overwhelmingly, around 90 percent, in the agree and strongly agree categories across all three constructs, this raises a genuine possibility of social desirability bias, where senior respondents may be reluctant to characterise their own institutional environment as ineffective, or acquiescence bias, a general tendency to agree with survey statements regardless of content.

This does not necessarily invalidate the findings, but it means the strongly positive perception of regulatory and IFRS effectiveness should not be read as disinterested or representative of the full population of stakeholders, including junior staff, external auditors not embedded in the regulated firms, or investors. Future data collection should deliberately oversample non-senior and external stakeholder groups to test whether the strongly positive perception holds across respondent types.

Theoretical Contribution

This paper contributes to institutional theory in three ways. First, it shows that formal institutional convergence through IFRS does not automatically translate into behavioural convergence, since Nigerian organisations can formally comply with international standards while still finding room to exploit accounting judgement. Second, it brings institutional theory together with deterrence theory, given that regulatory effectiveness turns on how institutional rules and credible enforcement interact. Third, it extends agency theory by showing that external regulatory controls and internal governance mechanisms work as complementary tools for cutting down information asymmetry.

The resulting theoretical proposition is that regulatory standards constrain creative accounting most effectively when institutional legitimacy is supported by credible monitoring, enforcement capacity and governance-based accountability.

Nigeria and the Global South Context

The Nigerian experience illustrates why regulatory transplantation requires institutional adaptation. International standards such as IFRS provide a globally comparable reporting language, but implementation occurs within national institutional environments that differ in enforcement capacity, professional infrastructure, legal systems and organisational governance.

This explains why evidence concerning IFRS is mixed, both in Nigeria and internationally (Barth, Landsman & Lang, 2008; Christensen, Lee, Walker & Zeng, 2015). The standard itself may reduce some reporting discretion, but managerial incentives can persist where enforcement mechanisms are weak. Nigeria's continuing expansion of its reporting framework reinforces this point: the country has moved beyond traditional IFRS adoption toward sustainability reporting under IFRS S1 and IFRS S2, demonstrating continued convergence with global reporting architecture.

Future regulatory reforms should therefore focus not simply on adopting additional standards but on strengthening the institutional capacity required to implement them.

Policy Implications

Three policy priorities emerge from the findings.

Strengthen enforcement capacity. The FRCN, SEC and other relevant regulators should receive adequate technical, financial and investigative resources. Enforcement should move from primarily compliance-oriented monitoring toward risk-based surveillance capable of identifying unusual reporting patterns.

Increase the credibility of sanctions. Sanctions for deliberate misreporting should be predictable and proportionate enough to create a meaningful deterrent, and enforcement should be timely, since delayed sanctions reduce deterrence.

Strengthen corporate governance and internal controls. Regulatory reform should be complemented by stronger audit committees, independent directors, internal audit functions, whistle-blower protection and risk management oversight. Recent evidence showing that effective risk management committees are associated with lower earnings management reinforces the importance of this internal governance dimension.

LIMITATIONS

The principal limitation is that the sample of 70 respondents was purposively selected from accessible senior stakeholders, rather than drawn as a probability sample of the full population of about 1,200, owing to resource constraints and restricted access to regulatory personnel. The findings therefore cannot be generalised to all Nigerian listed companies or to the full population of financial reporting stakeholders and should be read as exploratory evidence from an accessible, senior-staff-weighted respondent pool.

Second, and related to the sampling strategy, the study relies substantially on self-reported perceptions from a respondent pool heavily weighted toward senior staff, which raises a genuine risk of social desirability or acquiescence bias, discussed in Section 5.3.1.

Third, the study is cross-sectional and cannot establish long-term causal relationships. Its perception-based measures cannot establish that creative accounting has objectively declined, only that stakeholders believe it has.

Fourth, formal reliability and validity testing of the survey instrument was not conducted on this dataset, and the underlying item-level data required to conduct it retrospectively is no longer available. That same gap in the data also ruled out an earlier chi-square analysis that appeared in a prior version of this study, since the values available were percentage-based rather than raw respondent counts; what is reported here instead is descriptive percentage distributions. Readers should weigh these descriptive findings with the understanding that the instrument's internal consistency and construct validity have not been statistically confirmed, and that no inferential test of H1, H2 or H3 has been conducted.

Future Research

Future research should move beyond stakeholder perceptions and combine survey evidence with objective measures of creative accounting.

1. Researchers should employ discretionary accrual measures such as the Modified Jones Model and real earnings management measures using panel data from Nigerian Exchange listed companies.
2. Future studies should examine whether regulatory enforcement moderates the relationship between IFRS adoption and earnings management.
3. Comparative research involving Nigeria, Ghana, Kenya and South Africa could determine whether the Nigerian experience reflects a broader African institutional pattern.
4. Future studies should examine how artificial intelligence, continuous auditing, data analytics and blockchain influence the detection of accounting manipulation.

5. Longitudinal research could compare regulatory enforcement before and after major regulatory reforms.
6. Future survey waves should deliberately sample non-senior and external stakeholders to test whether the strongly positive perceptions reported here hold across respondent types.

CONCLUSION

This paper set out to examine how stakeholders perceive the effectiveness of Nigeria's regulatory framework in curbing creative accounting, with a focus on regulatory effectiveness, IFRS adoption and enforcement challenges.

The findings indicate that stakeholders generally perceive Nigeria's regulatory framework and IFRS adoption as important mechanisms for improving financial reporting and constraining creative accounting. At the same time, the persistence of enforcement challenges demonstrates that formal standards alone cannot guarantee reporting integrity, in stakeholders' own assessment. Because the underlying sample is a purposive sample of accessible senior stakeholders rather than a probability sample, and because formal reliability and validity testing of the survey instrument was not conducted, these conclusions should be read as descriptive, exploratory evidence rather than nationally representative, statistically tested, or fully instrument-validated findings.

The broader significance extends beyond Nigeria. Emerging economies increasingly adopt global accounting and disclosure standards, but the effectiveness of those standards depends on domestic institutional capacity, a pattern consistent with international evidence on both IFRS specifically (Barth, Landsman & Lang, 2008; Christensen, Lee, Walker & Zeng, 2015) and legal enforcement more generally (La Porta et al., 1998). Nigeria illustrates a broader Global South lesson: global convergence in accounting standards must be matched by local capacity for monitoring, enforcement, governance and professional accountability.

The effectiveness of financial reporting regulation is determined not merely by the sophistication of accounting standards but by the credibility of the institutions responsible for implementing them. Strengthening enforcement capacity, governance mechanisms and sanctions is therefore essential if IFRS and related reporting standards are to produce sustained reductions in creative accounting.

Data Availability Statement

The item-level questionnaire responses behind this study were not kept beyond the original analysis, so they cannot now be verified, reanalysed, or used for reliability and validity testing. The same is true of the population estimate in Section 3.3, the sampling frame it came from, and any role-level breakdown of respondents beyond the senior or junior staff split reported there: none of this survived in the authors' records. Fieldwork dates, locations, the recruitment procedure, and any ethics review or informed-consent documentation were likewise never recorded in a form that outlasts the authors' own recollection, so they are not reported here. Readers should weigh the descriptive findings in this study with that in mind, as exploratory evidence rather than independently auditable research, and the authors are not in a position to supply the underlying dataset on request.

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