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IPSAS ADOPTION AND FINANCIAL REPORTING QUALITY IN PUBLIC SECTOR OF THE SOUTH WESTERN NIGERIA: ASSESSMENT OF THE MEDIATING ROLE OF CONTINGENCY FACTORS.

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ABSTRACT: The study investigated the mediating/moderating role of contingency factors in the relationship between IPSAS adoption and financial reporting quality in the South Western Nigeria. The public service in the six states of the south western Nigeria is the focus of the study. A total of 400 respondents are covered in the survey and professional staff like auditors and accountants in the public service form the nucleus of the respondents. Well-structured questionnaire was constructed and administered. The data harvested was anlysed using Structural Equation Modelling. the influence of IPSASs adoption on financial reporting quality is determined by contingency factors in the sample States. It is therefore recommended that states should take into cognisance the peculiar contingency factors in the State. This study showed that contingency factors mediate the association between IPSASs adoption and financial reporting quality.

Key Words: *IPSAS Adoption, Financial Reporting Quality, Contingency Factors, Mediating/Moderating Factors*

I. INTRODUCTION

The cornerstone of the reform is the financial reporting system of the public sector, which refer to the New Public Financial Management (NPFM). The reforms focus on the major quality and relevant reporting system that reflects accountability, and comparable financial reporting. The need for the reforms is predicated on the fact that public sectors in most developing economies are characterized with negative events including corruption, information asymmetry, and accountability issues that have brought to the fore discussions on the urgent need to address the poor financial reporting quality in the public sector.

The desire for high quality financial report, which is appropriately referred to as "Financial Reporting Quality (FRQ)" has been a major issue in public sector accounting (Rakhman &Wijayana, 2019). The focus on FRQ in public sector may be connected with the documented systemic corruption that have pervaded public sector in developing economies Nigeria inclusive. In order to legitimize their government, political leaders in developing economies are making concerted efforts to achieve high FRQ that is complete, transparent, relevant, reliable, comparable, and understandable.However, part of the efforts to stem the gross ineptitude and corruption, and the issues of poor-quality reporting, is the introduction of International Public Sector Accounting Standards (IPSAS) which is a set of standards issued by IPSASBoard for use by public sectors entities around the world in the preparation and presentation of financial statement. It is hoped that the problems which are public indifference, bureaucratic ineptitude, and corporate incompetence would be resolved and that achieving FRQ will assist policymakers to minimise misuse of power, corruption and safeguarding public assets and properties (Cicatiello, De Simone, & Gaeta, 2017).

Despite the widespread and acclaimed success of IPSAS, there is still an ongoing controversy about the merits of its application and direction of its relationship with financial reporting quality. While some studies argue that the adoption of IPSAS is mostly suitable to developing economies who are struggling for credibility with multilateral and development agencies, other studies hypothesize that IPSASs is applicable to all jurisdictions. In addition, and most importantly some authors have argued that some factors may play significant role in the rate at which IPSAs adoption influences financial reporting quality. This has been an ongoing debate as well. According to Rakhman&Wijayana, (2019) the relationship may also be influenced by a third intermediary variable, thereby necessitating an indirect effect. In line with previous literature, contingency factors may play a role in the relationship between IPSASs adoption and FRQ. This study will therefore assess the role of contingency factors as a mediator in the relationship between IPSASs adoption and FRQ.

The rest of the paper is divided into the literature review, methodology, results and discussion, conclusion and recommendations.

II. LITERATURE REVIEW

The bulk of studies on the extent of IPSASs adoption have been carried out economies that are fully developed. Few studies have been conducted on IPSASs adoption in developing economies. Emerging evidences in empirical literature (e.g., Abdulkarim, Umlai, Al-Saudi, 2020; Ademola, Ben-Caleb, Madugba, Adegboyegun, &Eluyela, 2020) show that the implementation of IPSASs in developing economies have not been fully successful and a variety of reasons have been adduced for the failure. For example, Mnif and Gafsi (2020) argues that the institutional factors existing in developing economies are different from the developed economies and the non-consideration of this factor may hamper the successful implementation of IPSASs.

However, other studies ultimately investigated the effect of adoption of IPSAS on financial reporting quality. Some of these studies include; Opanyi (2016) who investigated the impact of IPSAS implementation on the quality of financial information meeting the reporting decision criteria in Kenya. The research project was a descriptive research project that focused on 19 national ministries in Kenya. Secondary data was used in the study and analysed using descriptive statistics and t-test differences. The study showed that the quality of comparability, timeliness, relevance and reliability improved with the introduction of IPSAS, while the quality of understandability decreased. The study also concluded that the adoption of IPSAS has a moderate impact on the quality of financial reporting in Kenya's public sector on a five-point Likert scale. The study also concluded that there was no significant difference between transparency and accountability, which suggests that the goal of the government reform to increase accountability and transparency may not be fully achieved. The study concluded that, based on the samples, there is a statistically significant difference in the implementation of decisions between existing financial reports and IPSAS-based financial reports.

Alshujairi (2014) investigated whether a developing country like Iraq should use IPSASs as a means of improving the government's accounting system. The work looked at a qualitative methodology to obtain the necessary data using questionnaires, and the results of the survey showed that a large number of respondents believe that the accounting system of the Iraqi government needs to be revised and that corruption is the main reason. The conclusions underscored the necessity for enhancing the quality, transparency, and accountability of the public accounting system. Against this background, the document recommends reforming the Iraqi government's accounting system by adopting IPSASs, as accrual accounting provides better financial integrity than cash or accrual accounting.

Trang (2012) examined whether IPSAS standards should be used in Vietnamese government accounting and described how they can be applied in Vietnam in the current framework. He assessed the feasibility and usefulness of IPSAS in Vietnam’s government accounting and financial reporting, arguing that the transition of accounting systems from cash to accrual basis is part of a broader set of reforms that will increase the changes in delegation. they are responsible for providing the service to citizens instead of following fixed rules, and make the public sector has more transparency in reporting and measuring performance.

Christianen et al. (2013) examined the extent to which European governments accept IPSAS accrual accounting and how different levels of implementation can be explained by a survey of relevant experts. They point out that there is no uniform approach to the IPSAS implementation process and accrual accounting, and that some governments still use cash accounting and IPSASs adoption is lower. Most local and state governments apply accrual accounting without regard to IPSASs, which explains the need for transparency and efficiency. Research has shown that the main argument for using IPSASs is that they are unique and provide specific expertise, and that the success of IPSASs largely depends on defining its strengths and focusing on its essential characteristics.

III. METHODOLOGY

Research Design

The particular study adopted survey research design. The quantitative research involved the analysis of data. The survey research design captures data through the viewpoints, demographic details, perceptions, and motivations of the respondents. This method was considered appropriate because it allowed quantitative analysis to gain direct and deeper insight into the research questions. The method was recognized as valuable because it allowed direct access to critical data valuable for the research.

Area of the Study

The area of study for this research was South-western Nigeria. The South-western region consisted of Lagos, Ekiti, Ondo, Ogun, Oyo, and Osun States. The study area was chosen because all the South-western States had directed the migration to IPSASs for the preparation of financial statements. The South-western region was one of the four regions of the country, and is reputed as the economic nerve centre of the country. Studies had shown that two States in the South-western Nigeria, that is, Lagos and Ogun States, had very high internally generated revenues and a huge number of businesses domiciled in the States.

Population, Sample Size and Sampling Technique

The study population comprised 1, 492 respondents comprised all accountants and auditors from grade level 12 and above in the Southwest States. These set of respondents had adequate experience and knowledge to give appropriate responses to the study's research questions. The sample size was determined using Yamane formula. Table 1 showed the distribution of the population and the sample size for each State in the South-western Nigeria. Simple random sampling was applied as basis for the distribution of the sample among the States.

Table 1: List of Population, Sample Size and Sampling Techniques

		POPULATION	Sample size by Yamane formula	Margin of error	Final sample
SN	**States**	**TOTAL**			
1	LAGOS	378	80	21	101
2	OGUN	327	69	19	88
3	OYO	265	56	15	71
4	OSUN	176	37	10	47
5	ONDO	192	41	11	52
6	EKITI	154	32	9	41
	TOTAL	**1,492**	**315**	**85**	**400**

Source: Field Study, 2023

The Taro Yamane formula is as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where "n" represented sample size; "N" represented the population of the study; and "e" represented the margin error of 5%

$$n = \frac{1,492}{1 + 1,492(0.05)^2}$$

$$n = \frac{1,492}{4.73}$$

$$= 315$$

Data and Sources of Data

The study used both secondary and primary sources of data. The primary data were extracted from the administration of questionnaire on relevant respondents (accountants and auditors on grade level 12 and above in all South-western States)..

Research Instrument

The administration of a structured questionnaire was adopted in eliciting information from the targeted respondents. The questionnaire design was achieved through the combination of deductive and inductive approaches (Tharenou, Donohue, & Cooper, 2007). The deductive approach involved an extensive literature review of pre-existing scale while the inductive approach involved opinions gathered from relevant respondents The instrument will be assessed using a 5-point agreement scale, with scores ranging from 0 to 4.

The purpose of scaling is to facilitate the conceptualisation and management of a construct and to produce quantitative metrics that are used to test hypotheses (Neuman, 2006). The scaling system is in line with literature that standard estimations performed well with indicators measured on 5 or more categories. Indicators measured with fewer categories may result in non-trivially attenuated covariances and inflated fit statistics (Joreskog, 1994; Muthen, 1984; Hoyle, 2000). Responses to each item in the questionnaire were constructed in such a way that higher scores will indicate a more favourable agreement. The survey instrument was pre-tested on 20 accountants and auditors in Kwara public sector in order to ascertain face and content validity of the instrument. Comments made at the level of pre-test were incorporated in the instrument. The instrument was divided into 3 sections.

Section A comprised information about the demographic characteristics of the respondents to validate the suitability of the respondents. Section B elicited information about financial reporting quality, while Section C detailed information about the extent of IPSASs adoption in South-western Nigeria and D focused on the contingency factors affecting th effectiveness of adoption of IPSAS in financial reporting quality.

Reliability and Validity of Research Instrument

Pre-administration Tests

Content validity was adopted as a pre-administration test to determine the suitability of the contents of the questionnaire. According to Rubio (2005), content validity "relies on people's judgement of the extent to which the item and/or measure is valid". Two methods for assessing content validity are face and logical validity. This study adopted the face validity measure by administering the questionnaire on 6 experts on IPSASs adoption both in academia and the public sector.

Post-administration Test

The study conducted reliability and validity tests on the research instrument after it was administered to the respondents. The reliability of the instrument was determined by Cronbach's alpha (with benchmark to 0.7). The validity of the research instrument was determined by discriminant validity tests.

Model Specification

This objective analysed the role of contingency factors in the relationship between IPSASs and FRQ in South-western Nigeria. This objective was anchored on the theoretical framework of contingency theory propounded by Luder (1992). Within the context of this study, contingency factor is an intervening variable and was analysed as both moderator and mediator.

Where contingency factor was treated as a moderating factor, the model was constructed as follows:

$$frq_i = \beta_0 + \beta_1 ipsas_{1\,i} + \beta_2 cont_{2\,i} + \beta_3 ipsas * cont_{3\,i} + \varepsilon_{it} \qquad Eqn.\,3.3$$

Where "cont" represented contingency factor, and "ipsas*cont" represented the interaction of IPSASs adoption and contingency factor.

Where contingency factor is treated as a mediating variable, the model was constructed as follows in line with previous studies (Baron and Kenny, 1986; Judd and Kenny, 1981; Kenny, Kashy, & Bolger, 1998; MacKinnon and Dwyer, 1993):

$$frq_{it} = \beta_0 + \beta_1 C'ipsas_{it} + e_{it} \qquad Eqn.\,3.4$$

$$cont_{it} = \beta_0 + \beta_1 a'ipsas_{it} + e_{it} \qquad Eqn.\ 3.5$$

$$frq_{it} = \beta_0 + \beta_1 c'ipsas_{it} + \beta_2 b'cont_{it} + e_{it} \qquad Eqn.\ 3.6$$

As outlined in Baron and Kenny's influential work on mediation analysis (1986), four key criteria must be satisfied to demonstrate complete mediation: (i) X must exhibit a significant relationship with Y; (ii) X must have a significant relationship with M; (iii) M must be significantly associated with Y while accounting for X; and (iv) the connection between X and Y should decrease to zero when M is included as a predictor in the model. In this scenario, path c' must be equal to zero, indicating that the magnitude of path c' becomes negligible after considering the mediator. Where the four steps are met, complete mediation exist, however, if the first three steps are met but the step 4 is not met, partial mediation exist (Mehmetoglu, 2018). The Baron and Kenny (1986) model on mediation is usually accompanied by the Sobel's (1986) z test.

SEM is preferred to traditional regression in mediation analysis because of its capacity to assess diverse relations at the same time (Blanco-Oliver, Irimia-Dieguez, and Reguera-Alvarado, 2016; Iacobucci *et al*. 2007). SEM models are based on maximum likelihood estimation, an iterative estimation procedure that maximizes the fit between the predicted and observed variation matrix. However, variance-based SEM, that is, Partial Least Square- Structural Equation Modelling (henceforth referred to as PLS-SEM) was adopted in preference to covariance-based SEM because of the additional advantages associated with the use of PLS-SEM such as: (i) it does not necessarily require data to be normal (Garson, 2016; Wahab and Tyasari, 2019); (ii) it accounts for measurement errors and offer a more accurate assessment of mediation (Chin, 1998; Little, Card, Bovaird, Preacher, and Crandall, 2007); and (iii) it realizes the required level of statistical power with smaller sample sizes (Reinartz, Haenlein, and Henseler, 2009). With PLS-SEM, equations 3.4-4.6 were fitted simultaneously as one model.

IV. RESULTS AND DISCUSSION

This section of the paper runs the analysis, presents the results, interpret the results and discusses the empirical findings from the result. It begins with the response rates.

Response Rate

An initial sample of 315 respondents was determined using the Taro Yamane formula, and an additional 85 respondents were added to compensate for the margin of error. Therefore, a sample of 400 respondents was considered as the final sample. 389 separate copies of the questionnaire were returned, while 13 copies of the questionnaire were discarded because of deliberate omission by the respondent to avoid some of the questions. Therefore, 376 validly filled copies of the questionnaire, which amounted to 94%, were used for the study.

Table 2: Response Rate statistics

Total copies of Questionnaire Administered	Total copies of questionnaire retrieved	Total copies of questionnaire correctly filled	Total copies of Questionnaire Discarded
400	389	376	13

Source: Field Survey, 2023

Demographic Analysis

Table 3 displayed the findings related to the demographic characteristics of the respondents.. The respondents were asked to indicate their State of residence, post occupied, gender, age group, marital status, highest academic degree acquired, professional qualification, position in office, work experience, number of trainings attended, place of training, and training sponsor. With regard to the respondents' State of residence, the results showed that 93 (24.7%) of the respondents resided in Lagos, 63 (16.8%) resided in Oyo, 50 (13.3%) resided in Ondo, 39 (10.4%) in Osun, 43 (11.4%) in Ekiti, and 88 (23.4%) resided in Ogun State. Table 3 also showed that 237 (63%) respondents were accountants and 139 (37%) were auditors. In relation to gender, 191 (50.8%) were male, while 185 (49.2%) were female. Furthermore, the respondents were required to indicate their age group; the results showed that 26 (6.9%) respondents were between the ages of 18-30 years, 206 (54.8%) were between the ages of 31.45 years, and 144 (38.3%) were between the ages of 46-60 years.

With regards to the respondents' marital status, Table 3 showed that 36 (9.6%) were single, 338 (89.9%) constituting the larger proportion of respondents were married, while 2 (0.5%) were divorced. In addition, 15 (4.0%) respondents had only SSCE, 278(73.9%) had B.Sc./HND, 78 (20.7%) had M.Sc., while 5 (1.3%) respondents had a PhD. The results also showed that 247 (65.7%) respondents were associate members of relevant and recognised professional bodies, while 86 (22.9%) respondents were fellows of the professional bodies, while 43 (11.4%) indicated other qualifications.

Respondents were also requested to specify their office positions. As shown in Table 3 284 (75.5%) respondents were on grade level 12-14, 59 (15.7%) were on grade level 15 while 33 (8.8%) were on the management cadre. For work experience, 26 (6.9%) had less than 5 years' work experience, 102 (27.1%) had between 5 and 10 years, 107 (28.5%) had between 10- and 15-years' experience, 79 (21%) had between 15- and 20-years' experience, while 62 (16.5%) had above 20 years' experience. Table 4.2 also showed that 66 (17.6%) respondents had not attended any training, while 226 (60.1%) had attended between 1-5 trainings, 54 (14.4%) had attended training between 6-10 times, while 30 (8%) had attended training more than 10. Furthermore, the results showed that 334 (88.8%) respondents had local training while 42 (11.2%) attended the oversea trainings. Table 3 also showed 282 (75%) respondents had their trainings sponsored by the government, 82 (21.8%) self-sponsored their training, while 12 (3.2%) respondents were sponsored by private organisations.

Table 3 Demographic analysis:

Variables	Items/Options	Freq	%
Respondents' State of residence	Lagos	93	24.7
	Oyo	63	16.8
	Ondo	50	13.3
	Osun	39	10.4
	Ekiti	43	11.4
	Ogun	88	23.4
	Total	**376**	**100.0**
Post Occupied	Accountant	237	63
	Auditor	139	37
	Total	**376**	**100.0**
Sex	Male	191	50.8
	Female	185	49.2
	Total	**376**	**100.0**
Age group	18-30 years	26	6.9
	31-45 years	206	54.8
	46-60 years	144	38.3
	Total	376	100.0
Marital Status	Single	36	9.6
	Married	338	89.9

	Divorced	2	0.5
	Total	**376**	**100.0**
Highest Educational Qualification	SSCE	15	4.0
	B.Sc./HND	278	73.9
	M.Sc.	78	20.7
	PhD	5	1.3
	Total	**376**	**100.0**
Professional qualification	ACA/CAN	247	65.7
	FCA/FCNA	86	22.9
	Others	43	11.4
	Total	**376**	**100.0**
Position in office	Grade level 12-14	284	75.5
	Grade levels 15	59	15.7
	Management	33	8.8
	Total	**376**	**100.0**
Work experience	Less than 5 years	26	6.9
	From 5 to less than 10	102	27.1
	From 10 to les than15	107	28.5
	From 15 years to less than 20	79	21.0
	From 20 years and above	62	16.5
	Total	**376**	**100.0**
Number of trainings attended	None	66	17.6
	1-5 times	226	60.1
	6-10 times	54	14.4
	Above 10 times	30	8.0
	Total	376	100.0
Place of training	Local	334	88.8
	Overseas	42	11.2
	Total	**376**	**100.0**
Training sponsor	Government	282	75
	Self	82	21.8
	Private Organisation	12	3.2
	Total	**376**	**100.0**

Source: Data Collected from Field Survey in 2023

Analysis of the Mediating role of contingency factors

The analysis begins with the descriptive statistics of the contingency factors followed by other presentation test as it concerns Structural Equation Modelling.

Descriptive Statistics

The contingency factors were measured using six variables: Size, structure, strategy, culture (power distance, masculinity, collectivism, uncertainty avoidance), environment, and firm performance. Size was measured using four items, structure was measured using three items, strategy was measured using three items, culture (power distance was measured using five items, uncertainty avoidance two items, collectivism, six items, masculinity, three items. Four items were employed to gauge environmental factors, while firm performance was assessed using a single item. A five-point Likert Scale was utilized for rating these items, spanning from 1 (indicating strong disagreement) to 5 (indicating strong agreement). The responses were coded, with 'undecided' being assigned a code of zero (0) and 'strongly agree' receiving a code of four (4).

The descriptive statistics for ‘size’ as shown in Table 4 showed a mean of 2.53 (SD=0.85). These responses suggest a slight inclination towards agreement. which low variation in responses. The latent variable ‘Structure’ had a mean of 2.64 (SD=.078); which was greater than the mean value for ‘Size’. This reflected how the State’s structure exerts influence on the adoption of IPSAS. The descriptive statistics for latent variable ‘strategy’ exhibited a mean of 3.38 (SD=.057). Specifically, adoption of IPSASs is more influenced given the consideration that it is a good strategy for efficiency and effectiveness (Mean=3.52, SD=0.67).

The descriptive statistics for latent variable 'culture' (power distance) revealed a mean of 2.07 (SD=0.8). The results indicated that culture in terms of power distance was not a strong contingency factor in the public sector. The descriptive statistics for culture (uncertainty avoidance) indicated a mean of 3.25 (SD=.069). This showed that the responses tilted more towards agreement. By implication, uncertainty avoidance is a stronger cultural factor than power distance. The descriptive statistics of culture (collectivism) revealed a mean of 2.71 (SD=0.74); this indicated that the responses tilted towards agreement with mild variations in responses.
The descriptive statistics of culture (masculinity) revealed a mean score of 2.78(SD=0.6). The result indicated that the opinion of the respondents tended towards agreement with low variation in responses.

Table 4: Descriptive Statistics of Survey Items (Other Contingency Factors)

Code	Items	N	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
							Statistic	Std. Error	Statistic	Std. Error
SZ 1	Influence of geographical size	376	0	4	2.47	1.06	-0.503	0.126	0.05	0.251
SZ 2	Share of public sector employment in the State	376	0	4	2.55	0.995	-0.548	0.126	0.263	0.251
SZ 3	Share of public expenditure	376	0	4	2.53	0.94	-0.633	0.126	0.703	0.251
SZ 4	Share of total taxes to State's GDP	376	0	4	2.56	1.067	-0.591	0.126	0.046	0.251
Size		**376**			**2.53**	**0.854**	**-0.73**	**0.126**	**0.596**	**0.251**
ST 1	Structure of the State	376	0	4	2.76	0.882	-0.605	0.126	0.513	0.251
ST 2	The multi-tier system of the State	376	0	4	2.57	1.004	-0.699	0.126	0.316	0.251
ST 3	The growing population	376	0	4	2.59	0.945	-0.328	0.126	-0.064	0.251
Structure		**376**			**2.64**	**0.78**	**-0.509**	**0.126**	**0.181**	**0.251**
SR 1	Adoption as a good strategy for efficiency and effectiveness	376	0	4	3.52	0.673	-1.598	0.126	3.772	0.251
SR 2	Adoption aids policy goals achievement	376	0	4	3.34	0.734	-1.438	0.126	3.735	0.251
SR 3	Aids achievement of new public sector management strategy	376	0	4	3.28	0.685	-1.128	0.126	3.269	0.251
Strategy		**376**			**3.38**	**0.57**	**-1.624**	**0.126**	**5.776**	**0.251**
PD 1	Decision making without consulting citizens	376	0	4	2.01	0.963	0.151	0.126	-0.309	0.251
PD 2	Not seeking public opinion	376	0	4	2.03	1.069	0.418	0.126	-0.427	0.251
PD 3	Avoid social interaction with public	376	0	4	1.97	0.983	0.442	0.126	-0.316	0.251
PD 4	Citizens should not disagree with State's decision	376	0	4	2.17	1.095	0.13	0.126	-0.741	0.251
PD 5	The State should not delegate important tasks to the citizen	376	0	4	2.22	0.972	0.252	0.126	-0.536	0.251
Culture (power distance)		**376**			2.079	0.8	0.401	0.126	-0.506	0.251

UA 1	The State should spell out rules and regulations to inform citizens of what is expected of them	376	0	4	3.24	0.811	-1.732	0.126	4.702	0.251
UA 2	Citizens should follow instructions and procedures of the State	376	0	4	3.28	0.769	-1.197	0.126	1.812	0.251
Culture (Uncertainty avoidance		**376**			**3.259**	**0.69**	**-1.684**	**0.126**	**4.472**	**0.251**
CO 1	Citizen should sacrifice self-interest for the State	376	0	4	3	0.829	-0.648	0.126	0.17	0.251
CO2	Citizen should stick with the State even through difficulties	376	0	4	2.66	0.93	-0.832	0.126	0.586	0.251
CO 3	State's welfare is more important than individual rewards	376	0	4	2.79	0.99	-0.651	0.126	0.177	0.251
CO 4	The State success is more important than individual success	376	0	4	2.67	1.192	-0.695	0.126	-0.398	0.251
CO 5	Citizen should only pursue their goals after considering the welfare of the State	376	0	4	2.66	1.096	-0.626	0.126	-0.212	0.251
CO 6	The State loyalty should be encouraged even if the citizen goals suffer	376	0	4	2.51	1.143	-0.418	0.126	-0.566	0.251
Culture (Collectivism)		**376**			**2.715**	**0.74**	**-0.17**	**0.126**	**-0.634**	**0.251**
M A1	Solving the State problems require the active forcible approach which is typical of men	376	0	4	2.62	1.013	-0.755	0.126	0.446	0.251
M A2	The adoption of IPSASs improved the performance and work goal of the State	376	1	4	3.27	0.718	-0.661	0.126	-0.037	0.251
M A3	Solving the State problems did NOT require yielding to social influence	376	0	4	2.47	1.014	-0.297	0.126	-0.085	0.251
Culture (Masculinity)		**376**			**2.78**	**0.60**	**-0.327**	**0.126**	**0.344**	**0.251**
EV 1	The economic environment of the State	376	0	4	2.91	0.984	-0.858	0.126	0.563	0.251
EV 2	External environmental pressures and constraints	376	0	4	2.95	0.894	-0.642	0.126	0.166	0.251
EV	The State's low	376	0	4	2.56	0.999	-0.661	0.126	0.333	0.251

3	competitive advantage and a low resistance to external pressure and constraints									
EV 4	The State inability to cope with environmental uncertainty	376	0	4	2.49	1.022	-0.468	0.126	-0.002	0.251
Environment		**376**			**2.7**	**0.75**	**-0.525**	**0.126**	**0.337**	**0.251**
FP 1	Poor financial performance	376	0	4	2.62	1.049	-0.606	0.126	0.014	0.251
Firm performance		376	0	4	2.62	1.049	-0.606	0.126	0.014	0.251

Source: Field Survey, 2023

Specific indicators show that the respondents had a stronger perception that "the adoption of IPSASs improved the performance and work goal of the State" based on the mean score of 3.27 (SD=0.78). This also speaks to the perception of IPSASs adoption as good for the state not only in the area of improving efficiency and effectiveness as earlier noted, but also in terms of performance and goal achievement.

The descriptive statistics of latent variable 'environment' revealed a mean score of 2.7 (SD=0.75). This indicated that the responses tended more towards agreement that the environment was a significant contingency factor influencing the adoption of IPSASs by States in Southwest, Nigeria. Firm performance was measured using one item that showed a mean of 2.62 (SD=1.04) which indicated that the poor performance also contributed to the adoption of IPSASs.

Indicator Loadings

This is an important presestimation for SEM.Contingency factors considered in this study were size, structure, strategy, culture (collectivism, uncertainty, avoidance, power distance, and masculinity), environment, and firm performance. Size was measured using four items (SZ1-SZ4), Structure was measured using three items (ST1-ST3). Strategy was measured using three items (SR1-SR3). Power distance was measured using five items (PD1-PD5). Uncertainty avoidance was measured using two items (UA1-UA2). Collectivism was measured using six items (CO1-CO6) and masculinity was measured using three items (MA1-MA3).

Table 5: Indicator Loadings

Contingency Factors				
Size	4(SZ1-SZ4)	-	SZ1	0.436
			SZ2	0.577
			SZ3	0.576
			SZ4	0.603
Structure	3(ST1-ST3)		ST1	0.601
			ST2	0.630
			ST3	0.504
Strategy	3(SR1-SR3)		SR1	0.313
			SR2	0.5
			SR3	0.434
Culture (Power Distance)	5(PD1-PD5)		PD1	0.293
			PD2	0.321
			PD3	0.336
			PD4	0.295
			PD5	0.274
Culture (Uncertainty Avoidance)	2(UA1-UA2)		UA1	0.349
			UA2	0.378
Culture (Collectivism)			CO1	0.512
			CO2	0.525
			CO3	0.434
			CO4	0.546
			CO5	0.5

			CO6	0.543
Culture (Masculinity)	3(MA1-MA3)		MA1	0.541
			MA2	0.335
			MA3	0.421
Environment	4(EV1-EV4)		EV1	0.632
			EV2	0.536
			EV3	0.631
			EV4	0.6
Financial Performance	1(FP1)	-	FP1	1.000

Source: Field Survey, 2023

During the evaluation of the measurement model, it was essential to scrutinize the loadings of the constructs. Indicators with loadings of ≥0.5 were retained, while those falling below 0.5 were considered for removal. Hulland (1999) indicated that loadings above > 0.5 are generally acceptable, although Hair et al. (2019) suggested a more stringent criterion of loadings above 0.708, with a lower limit of 0.4 for exploratory research.

Multicollinearity test

This is an important precondition for the SEM multiple regression. To assess the collinearity of the indicators using the variance inflation factor (VIF), a VIF value of 5 or higher is indicative of collinearity issues. The VIF values of the indicators, as presented in Table 4.10, indicated that all the indicators exhibited satisfactory collinearity, with values below 3. Therefore, there was no issue of multi-collinearity in the model.

Table 7: Variance inflation factor test for collinearity

Contingency Factors	Indicators	Variance Inflation Factors
Size	SZ1	2.749
	SZ2	2.863
	SZ3	2.214
	SZ4	2.628
Structure	ST1	1.547
	ST2	2.434
	ST3	2.969
Strategy	SR1	1.792
	SR2	2.023
	SR3	1.851
Culture (Power Distance)	PD1	1.450
	PD2	2.853
	PD3	3.131
	PD4	2.081
	PD5	2.073
Culture (Uncertainty Avoidance)	UA1	1.373
	UA2	1.878
Culture (Collectivism)	CO1	1.880
	CO2	1.760
	CO3	1.785
	CO4	2.676
	CO5	2.605
	CO6	2.206
Culture (Masculinity)	MA1	1.974
	MA2	1.477
	MA3	1.808
Environment	EV1	1.657

	EV2	1.845
	EV3	2.659
	EV4	2.612
Financial Performance	FP1	1.000

Source: Field Survey, 2023

Structural Equation Modelling of IPSAS Adoption and Financial Reporting Quality; Assessment of Contingency Factor Roles

In this section, the findings regarding the impact of contingency factors on the relationship between IPSASs adoption and financial reporting quality in South-western Nigeria were

In evaluating the structural model of the role of contingency factors on the effect of IPSAS adoption on financial reporting quality using PLS-SEM on SmartPLS 4 (Ringle et al., 2015), the study determined the coefficient of determination (R^2), statistical significance, path coefficient, and model's out-of-sample predictive power (Hair et al., 2019).

Model fit

This was assessed using standardized Root Mean Square Residual (SRMR) and Normal Fit Index (NFI). As indicated in Table 8, the SRMR was 0.074, which falls below the recommended threshold of <0.085, indicating that the model fit was satisfactory. The R2 value was 0.537, surpassing the established threshold. This suggests that the impact of contingency factors on the influence of IPSAS adoption explained approximately 35% of the variation in financial reporting quality.

Table 8: Model Fit for IPSAS Adoption and Financial Reporting Quality: Role of Contingency Factors

Model fit/ predictive relevance indicators	Value
SRMR	0.074
NFI (Bentler-Bonett index)	n/a
R^2	0.537
Rms_Theta	0.150

Source: Data Collected from Field Survey in 2023

PLS Predict Statistics

Using the PLSpredict ($Q^2_{predict}$) as shown in Table 9, the results showed that all the Q^2 values outperformed most naïve benchmark which indicated that the model had sufficient predictive power. Furthermore, the results of the RMSE showed that the model demonstrated high predictive power because the majority of indicators for RMSE values were higher or equalled the LM benchmark (Table 9).

Table 9 $PLS_{predict}$ Statistics for IPSAS Adoption and Financial Reporting Quality: Role of Contingency Factors

		PLS_Statistics	LM Benchmark
Variables	Q²_predict	PLSstatistics_RMSE	LM_RMSE
FC2	0.068	0.721	0.728
FC6	0.066	0.849	0.847
FC4	0.024	0.701	0.696
FC3	0.002	0.801	0.797
FC1	0.018	0.698	0.698
FC5	0.063	0.808	0.808
SZ1	0.047	1.037	1.037
SZ2	0.073	0.959	0.945
SZ3	0.095	0.896	0.881
SZ4	0.073	1.029	1.005
ST1	0.102	0.836	0.821
ST2	0.049	0.981	0.985
ST3	0.027	0.933	0.93
SR1	0.002	0.673	0.67
SR2	0.051	0.717	0.717
SR3	0.023	0.679	0.674

PD1	0.021	0.954	0.959
PD2	0.016	1.062	1.067
PD3	0.034	0.968	0.96
PD4	0.029	1.08	1.072
PD5	0.009	0.969	0.96
UA1	0.004	0.811	0.806
UA2	0.001	0.77	0.775
CO1	0.035	0.816	0.823
CO2	-0.007	0.935	0.935
CO3	0.008	0.987	0.973
CO4	0.086	1.141	1.135
CO5	0.032	1.08	1.087
CO6	0.064	1.107	1.116
MA1	0.036	0.996	0.984
MA2	0.03	0.709	0.702
MA3	0.042	0.994	1.003
EV1	0.063	0.955	0.945
EV2	0.072	0.863	0.851
EV3	0.089	0.955	0.953
EV4	0.064	0.991	0.982
FP1	0.053	1.022	0.986
FR2	-0.001	0.831	0.838
FC6	0.066	0.849	0.847
FT1	0.032	1.057	1.06
FU4	0.05	0.761	0.754
FC2	0.068	0.721	0.728
FR4	-0.027	0.781	0.769
FU3	-0.003	0.992	0.986
FC4	0.025	0.701	0.696
FF2	0.089	0.793	0.791
FU1	0.011	0.688	0.679
FU2	0.003	0.665	0.664
FC1	0.019	0.698	0.698
FR1	0.014	0.711	0.717
FF4	0.085	0.868	0.846
FC3	0.001	0.801	0.797
FR3	0.135	0.865	0.848
FF3	0.049	0.723	0.721
FF1	0.043	0.759	0.766
FC5	0.063	0.808	0.808
FF3	0.049	0.723	0.721
FF2	0.087	0.793	0.791
FF4	0.088	0.866	0.846
FF1	0.043	0.759	0.766
FR2	-0.001	0.831	0.838
FR1	0.015	0.711	0.717
FR4	-0.032	0.783	0.769
FR3	0.133	0.866	0.848
FT1	0.032	1.057	1.06
FU2	-0.003	0.667	0.664
FU3	-0.004	0.993	0.986
FU4	0.049	0.761	0.754
FU1	0.012	0.688	0.679

Source: Field Survey, 2023

SEM Regression Results

The main hypothesis posited that contingency factors did not exert a significant impact on the association between IPSASs adoption and Financial Reporting Quality in South-western Nigeria. This hypothesis tested for both mediation and moderation effects to assess which role contingency factors played in the interaction of IPSASs adoption and financial reporting quality.

Mediation Effect

The mediation effects were reported in items (i-iv) in Table 10. In item (i), IPSASs adoption had a direct and significant effect on financial reporting quality (t = 5.118, p < 0.05). In item (ii), IPSASs adoption also had a significant and direct effect on contingency factors (t = 11.421, p < 0.05). In item (iii), Contingency factors exhibited a statistically significant positive influence on financial reporting quality (t = 5.17, p < 0.05). Finally, in item (iv), the results showed that contingency factors mediated the relationship between IPSASs adoption and financial reporting quality (t = 7.441, p < 0.05). The effect of IPSASs adoption on financial reporting quality is observed to be stronger through contingency factors.

The confidence interval serves as an additional method for confirming the presence of a significant relationship between variables. It encompasses a range of reliable estimates of the population parameter. Both the lower-bound values (2.50%) and the upper-bound values (97.50%) for all the interactions further corroborated the existence of a significant relationship. Based on the results, the null hypothesis stating Contingency factors had no significant effect on the relationship between IPSASs adoption and Financial Reporting Quality in South-western Nigeria was rejected. Specifically, contingency factors played a positive and significant mediating role in the relationship between IPSASs adoption and financial reporting quality.

Moderating effect

The hypothesis also checked for moderation and the findings were shown in item (v) of the Table 10. The results showed that contigency factors did not moderate the interaction of IPSAS adoption and financial reporting quality (t = 1.110, p >0.05). The confidence interval also provided evidence that did not support the role of contingency factors as a moderator of the relationship between IPSASs adoption and financial reporting quality. Hence, the moderating role of contingency factor was not supported.

Table 10: Path Coefficient for IPSAS Adoption, Contingency Financial Reporting Quality

Structural estimates (hypothesis testing)					Confidence intervals		Decision
	β	***T*-Value**	***P*-value**	f^2	**2.50%**	**97.50%**	
(i) IPSAS_adoption→FRQ	.239	5.118	0.000	0.068	.024	.132	
(ii)IPSAS_adoption→contingency	.451	11.421	0.000	0.256	.174	.403	
(iii)Contingency factors→FRQ	.462	8.517	0.000	0.433	.138	.453	
(iv)IPSAS_adoption→contingency factors→FRQ	.208	7.441	0.000	-	.165	.274	Not Supported
(v)IPSAS X Contingency →FRQ	.042	1.110	0.267	0.003	-.030	.121	Supported

Note: be *informed that a P-value less than 0.05 indicates a significant influence, and the acceptable threshold for the critical t-value is greater than 1.96.*

(i) – (iv) - Mediation

(v) Moderation

Source: Field Survey, 2023

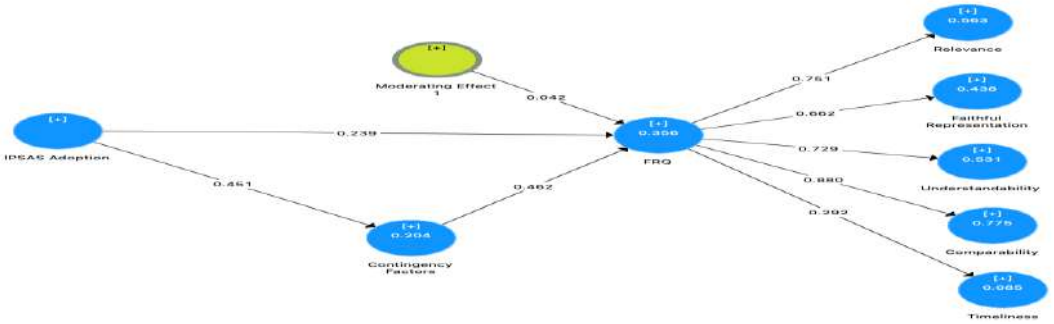
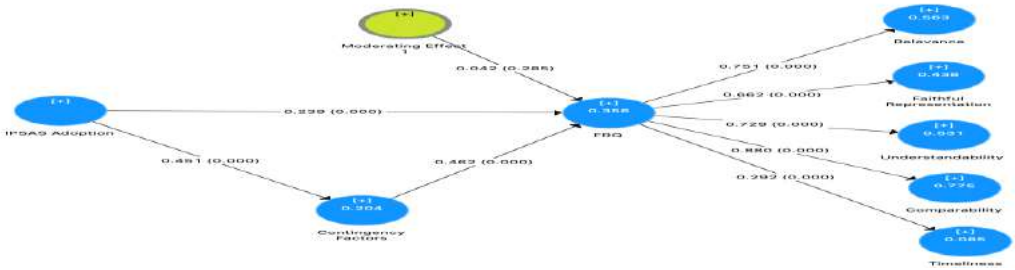


Figure 1 PLS-SEM Path model showing the mediating and moderating effect of contingency factors on the interaction of IPSAS adoption and financial reporting Quality

Source: Field Survey, 2023



Source: SmartPLS 4 (Field Survey, 2023)

Figure 2: Bootstrap result showing the mediating and moderating effects of contingency factors on the interaction of IPSAS adoption and financial reporting quality

V. CONCLUSION AND RECOMMENDATIONS

The mediation effects showed that IPSAS adoption had a direct and high level of effect on financial reporting quality (β = 0.239, t = 5.118, p < 0.05, f^2 = 0.068). IPSAS adoption also had a significant and direct effect on contingency factors (β = 0.451, t = 11.421, p < 0.05, f^2 = 0.256). Contingency factors exhibited a positive and significant impact on financial reporting in terms of quality (β = 0.462, t = 5.17, p < 0.05, f2 = 0.433). The results showed that contingency factors mediate the effect of IPSAS adoption on financial reporting quality (β = 0.208, t = 7.441, p < 0.05). The effect of IPSAS adoption on financial reporting quality was observed to be stronger through contingency factors.

Abimbola et al. (2020) assessed the link between IPSASs deployment and financial information quality (FRQ) in South-western Nigeria. They showed that factors like staff implementation, implementation costs, knowledge of IPSASs, technology factor, and availability of knowledge and skills had significant effects on the implementation of IPSASs. In addition, the results also showed that cultural, institutional, sociological, political, legal, and environmental factors did not significantly affect the implementation of IPSASs. The results showed that contigency factors did not moderate the interaction of IPSASs adoption and financial reporting quality (β = 0.042, t = 1.110, p >0.05, f^2 = 0.003).

In conclusion, the influence of IPSASs adoption on financial reporting quality is determined by contingency factors in the sample States. It is therefore recommended that states should take into cognisance the peculiar contingency factors in the State. This study showed that contingency factors mediate the association between IPSASs adoption and financial reporting quality.

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