ISSN: 2635-2966 (Print), ISSN: 2635-2958 (Online).

Available online at http://www.atreview.org

Original Research Article

International Public Sector Accounting Standards Adoption and Fiscal Instability in Nigeria

Ifeoluwapo Adebimpe OYEWOBI

Department of Accounting and Finance, Bingham University, Karu, Nigeria,

Correspondence e-mail: ifeoyewobi@gmail.com

Received: 28/09/2019 Accepted: 31/03/2020

Abstract

The International Public Sector Accounting Standards have been faced with numerous challenges in the field nowadays. IPSASs entail short-term costs and challenges that need to be seriously addressed.The paper examined the influence of fiscal instability(that is the incessant increase in government spending) on IPSASs adoption in Nigeria.The study employed primary data. The population consisted of the accountants working in the ministry of finance in Plateau State and Nassarawa State. The sample size was selected from the accountant general and auditor general office. The sample size selected was 253 using the stratified random sampling technique. Data were collected with the aid of a questionnaire. Data were analyzed using descriptive statistic(percentages). The study revealed that more than half that is, 50 percent of the respondent agreed and strongly agreed that fiscal instability influences the adoption of IPSASs. Based on this fact, it was therefore concluded that the adoption of IPSASs might not be implementable. The study recommended that the government should see the need to regulate her spending for IPSASs adoption to be embraced as implementable.

Keywords:IPSASs; Adoption; Fiscal instability; Public sector

JEL Classification Codes: H83, H87, O23

Citation:Oyewobi, I.A. (2020). International public sector accounting standards adoption and fiscal instability in Nigeria.*Accounting and Taxation Review, 4*(1): 74-84.

1. INTRODUCTION

International Public Sector Accounting Standards (IPSASs) are the public sector equivalent of the International Financial Reporting Standards (IFRS). IFRS has been credited with providing a more transparent and accurate financial overview of listed companies around the world, using accruals accounting as opposed to cash accounting(IFAC, 2016). According to Khuram (2014), the move towards using IPSASs in the public sector has the potential to radically change the practice of accounting and financial reporting in the sector. Khuram (2014) further stated that the adoption of IPSASs is gaining momentum across the world in Africa.Likewise, statements of support for IPSASs by governments have also encouraged a trend of adoption across developing countries (Charity, 2014).

Akhidime (2012) reported that the need for financial report harmonisation, greater transparency and accountability in government financial reporting was heightened by the global financial crisis, which reduced the resources that governments had available. In some instances, the information contained in cash based financial statements had been insufficient for countries to predict and prevent sovereign liquidity crises (Tudor, 2010). As a result, toattract foreign direct investment, countries have initiated financial management reform programmes, including the adoption of accrual accounting as part of broader reform programmes.

Akhidime (2012) revealed that countries have used differing approaches in their adoption of IPSASs and are in different stages of adoption; some just started, while others have completed the process.The level of success is varied and is typically affected by the unstable economy in the country (George, and Mallery, 2013; Charity, 2014).IPSASs was adopted in Nigeria since 2010.In the work of Oyewobi (2014), it was unveiled that IPSASs were adopted into Nigeria public sector with the view that its adoption will, no doubt, enhance Nigeria's image with foreign investors, reduce its risk profile as well as provide a reliable comparable reporting basis such that the country remains one of the best investment destinations in the African continent.

In the recent time, Nigeria has been faced with several difficulties such as high rate of inflation, poor planning, unemployment, high interest rate and poor management which affect large areas of the economy (Tudor, 2010). Corruption has eaten up into every fiber of the economy (Udo, 2013). Also, Josephine (2013) opined that the continuousincrease in government spendinghas also come about due to lack of inconsistency of regulatory policies in the country. Besides,Kara (2012) stated that theincreased rate of crime and terrorism has negatively affected the country and investors find it hard to do business in the country. More so, The International Monetary Fund (IMF), as well as the Central Bank of Nigeria (CBN), asserted that Nigeria'seconomy has been faced with fiscal instability that is, increased government spending and may not regain its stability if it is not well taken care of.The paper, therefore,seeks to consider the influence of the incessant increase in government spendingon IPSASs adoption in Nigeria.

2. LITERATURE REVIEW

Nigeria is faced with many problems, and these problems majorly include corruption,crime and terrorism specifically Boko Haram insurgency (Olomiyete

2014).In Adebayo (2013) and Biraud (2012), fiscal instability refers to a situation of financial struggles due to inflation, consumer confidence issues, and unemployment rates. Consumer confidence in banking systems may run the risk of running out of credit and is also low during times of fiscal instability. Other economic problems are over dependence on oil wealth; the government has to look to other sources of economic growth; poor planning, delays in making and following up plans should be a matter of urgency and high rate of inflation, this affects large areas of the economy and has to be reducedPhilips, 2013).

According to Ibhahulu (2012), a key driver for IPSASs adoption is the importance of attracting ongoing inward investment into the public sector, particularly in emerging economies. Financial statements prepared in accordance with IPSASsshould provide confidence and comparability for investors at an international level (Kara, 2012). These investments will possibly create supplementary benefits for the broader economy in terms of jobs, welfare and societal improvement. Onalo, Muhammad and Ahmad (2013) stated that reforms brought about through IPSASs adoption can help create a more stable government, leading to a better investment climate and higher incomes. Charity (2014) also conveyed that adoption of IPSASs can support policy makers in explaining and generating support for their plans for government. Therefore, the reporting and consolidation process brings together all stakeholders in the reporting supply chain.Fairer reporting and greater disclosure lead to more engagement from stakeholders and service users.

IPSASs adoption is a complex and comprehensive change management process. While it offers numerous benefits over the medium and long term, it also entails short-term costs and challenges that need to be seriously addressed by the executive heads of all the organisations concerned (Osisioma, Egbunike and Adeaga 2015). They also noted that the introduction of IPSASs would come at some price for every organisation, as pointed out in a 2002 communication by the European Commission. Indeed, experience in the member States shows that reforming public accounting systems represents a significant upheaval both in terms of the introduction of new practices and in human terms, not to mention the financial resources required (Udo, 2013).

Ijeoma and Oghoghomed (2014) revealed that the adoption of IPSASs compliant accounting methods requires an additional commitment of time and effort from staff. Furthermore, during the transition phase, depending on the available resources, the organisations will have either to rely for an extended period of time on support from existing staff working in addition to their regular duties or recruit many additional staff (George & Mallery 2013). Politically, the most sensitive requirement is contained in IPSAS 6 that is, Consolidated and Separate Financial Statements, which stipulates that an entity shall present financial statements in which it consolidates all the entities it controls (Oyewobi, 2014).

3. METHODOLOGY

The study adopted a survey research design.The survey research design was adopted in this work because the study involves an inquiry of people’s view or other appearance through direct questioning. The study covered Plateau and Nassarawa

States. These States are in North central zone of Nigeria. The population of the study comprises the accountants in the office of Accountant General and Auditor General in the ministry of finance of Plateau and Nassarawa States. Their population proportion was used to determine the sample size in the two States. Random sampling technique was used to distribute the questionnaires.

One hundred and six (106) copies of the questionnaire were administered directly to the respondents by the researcher in the proportion of 52 in Plateau State and 54 in Nassarawa State. Some questionnaires were filled immediately while some were collected on appointment in the space of one week. The validity of the questionnaire was checked by experts from the faculty of management science, Nassarawa State University. The response options strongly agree, agree, undecided, disagree and strongly disagree were used in the study. The data was analyzed using descriptive statistic that is, percentages.

4. ESTIMATION RESULTS AND DISCUSSION OF FINDINGS

Plateau State

From the response of the respondents, a total of 59.62% agreed and strongly agreed that fiscal instability (that is the constant increase in government spending) makes the adoption of IPSASs costly to be implemented. Although 5.77% of the respondents were undecided on this nonetheless, 34.62% both disagreed and strongly disagreed that fiscal instability makes IPSASs adoption costly to implement. Thus, a look at this result shows that by the opinion of the majority, fiscal instability makes the adoption of IPSASsexpensive to achieve. A similar result was found for IPSASs adoption as being a complex reform as a result of fiscal instability. Majority of the respondents strongly agreed that fiscal instability makes IPSASs adoption a more complex reform (that 38.46% of the respondents) and those who agreed (19.23%). Out of the sample respondents, 34.61% either disagreed or strongly disagreed to the fact that fiscal instability makes the adoption of IPSASs a more complex reform howbeit, only 7.69% were undecided.

Respondent who agreed that fiscal instability brings about inefficiency in management process accounted for 31.37% of the total respondents. Some of the respondents (25.49%) even strongly agreed that inefficiency of management process ensues due to fiscal instability but, 11.76% were not sure of this assertion. Nonetheless, 31.47% of the respondents believed that they either disagree or disagree that fiscal instability brings about inefficiency in the management process. Fiscal instability hinders the introduction of new practices to IPSASs adoption. This is the conclusion drawn when the response of 52 respondents was examined. From their choices, those who either strongly agreed and agreed that fiscal instability hinders the introduction of new practices to IPSASs adoption stood at 59.62% while those who either disagreed or strongly disagreed stood at 36.54% nonetheless, 3.85% were unable to decide.

The human terms in considering the adoption of IPSASs are seriously affected by fiscal instability. This is affirmed by 78.74% of respondents considered although, 15.38% did not support this claim and 5.77% were left undecided. Of the 52 respondents, 73.08% believed that fiscal instability causes insufficient financial resources required for IPSASs adoption. Apart from only one respondent who did not decide as to support or against this fact, 25% of the respondents did not support that fiscal instability causes insufficient financial resources required for IPSASs adoption in Plateau. There is a very strong agreement by 40.38% of the respondents that fiscal instability affects support from Accountants towards IPSASs implementation. Those who agreed to this were 17.31% while 25% disagreed. However, 7.69% were with strong disagreement but 9.63% remained undecided. Thus, looking at these opinions, it can be said that Accountants do not support the implementation of IPSASs due to fiscal instability. Therefore, generally, in Plateau state, the adoption of IPSASs may not be implementable because of fiscal instability.

Table 1: Fiscal instability through an incessant increase in government spending makes IPSASs adoption costly to implement

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	6	11.54	11.54
Disagree	12	23.08	34.62
Undecided	3	5.77	40.38
Agree	16	30.77	71.15
Strongly Agree	15	28.85	100
Total	52	100	

Source: Author's computation, 2019

Table 2: Fiscal instability through the incessant increase in government spending makes IPSASs adoption a more complex reform

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	8	15.38	15.38
Disagree	10	19.23	34.62
Undecided	4	7.69	42.31
Agree	10	19.23	61.54
Strongly Agree	20	38.46	100
Total	52	100	

Source: Author's computation, 2019

Table 3: Fiscal instability through the incessant increase in government spending brings about inefficiency management process

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	5	9.80	9.80
Disagree	11	21.57	31.37
Undecided	6	11.76	43.14
Agree	16	31.37	74.51
Strongly Agree	13	25.49	100
Total	51	100	

Source: Author's computation, 2019

Table 4: Fiscal instability through the incessant increase in government spending hinders the introduction of new practices to IPSASs adoption

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	8	15.38	15.38
Disagree	11	21.15	36.54
Undecided	2	3.85	40.38
Agree	16	30.77	71.15
Strongly Agree	15	28.85	100
Total	52	100	

Source: Author's computation, 2019

Table 5: Fiscal instability through incessant increase in government spending affects consideration of IPSASs adoption

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	1	1.92	1.92
Disagree	7	13.46	15.38
Undecided	3	5.77	21.15
Agree	21	40.38	61.54
Strongly Agree	20	38.46	100
Total	52	100	

Source: Author's computation, 2019

Table 6: Fiscal instability through the incessant increase in government spending causes insufficient financial resources required for IPSASs adoption

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	5	9.62	9.62
Disagree	8	15.38	25
Undecided	1	1.92	26.92
Agree	19	36.54	63.46
Strongly Agree	19	36.54	100
Total	52	100	

Source: Author's computation, 2019

Table 7: Fiscal instability through incessant increase in government spending affects support from accountants toward implementing IPSASs

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	4	7.69	7.69
Disagree	13	25	32.69
Undecided	5	9.62	42.31
Agree	9	17.31	59.62
Strongly Agree	21	40.38	100
Total	52	100	

Source: Author's computation, 2019

Nasarawa State

From the response of the respondents, a total of 83.33% agreed and strongly agreed that fiscal instability (that is the continuous increase in government spending) makes the adoption of IPSASs to be costly to implement. Although 3.70% of the respondents were undecided on this nonetheless, 12.96% both disagreed and strongly disagreed that fiscal instability makes IPSASs adoption expensive to implement. Thus, a look at this result shows that by the opinion of the majority, fiscal instability makes the adoption of IPSASs costly to achieve. A similar result was found for IPSASs adoption as being a complex reform as a result of fiscal instability. Majority of the respondents strongly agreed that fiscal instability makes IPSASs adoption a more complex reform (that 35.19% of the respondents) and those who agreed (29.63%). Out of the sample respondents, 29.63% either disagreed or strongly disagreed to the fact that fiscal instability makes the adoption of IPSASs a more complex reform howbeit, only 5.56% were undecided.

Respondent who agreed that fiscal instability brings about inefficiency in management process accounted for 29.63% of the total respondents. Some of the respondents (31.48%) even strongly agreed that inefficiency of management process ensues due to fiscal instability but, 9.26% were not sure of this assertion. Nonetheless, 29.63% of the respondents were of the opinion that they either disagree or disagree that fiscal instability brings about inefficiency in management process. Fiscal instability hinders the introduction of new practices to IPSASs adoption. This is the conclusion drawn when the response of 54 respondents were examined. From their choices, those who either strongly agreed and agreed that fiscal instability hinders the introduction of new practices to IPSASs adoption stood at 72.23% while those who either disagreed or strongly disagreed stood at 22.22% nonetheless, 5.56% were unable to decide.

The adoption of IPSASs is severely affected by government fiscal instability. This is affirmed by 61.12% of respondents considered although, 25.93% did not support this claim and 12.96% were left undecided. Of the 54 respondents, 74.07% were of the opinion that fiscal instability causes insufficient financial resources required for IPSASs adoption. Apart from 9.26% who did not decide as to support or against this fact, 16.67% of the respondents did not support that fiscal instability causes insufficient financial resources required for IPSASs adoption in Nassarawa. There is a very strong agreement by 29.63% of the respondents that fiscal instability affects support from Accountants towards IPSASs implementation. Those who agreed to this were 33.33% while 14.81% disagreed. However, 12.96% were with strong disagreement but 9.26% remained undecided. Thus, looking at these opinions, it can be said that Accountants do not support the implementation of IPSASs due to fiscal instability. Therefore, generally, in Nassarawa state, the adoption of IPSASs may not be implementable because of fiscal instability.

Table 1: Fiscal instability through the incessant increase in government spending makes IPSASs adoption costly to implement

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	2	3.70	3.70
Disagree	5	9.26	12.96
Undecided	2	3.70	16.67
Agree	23	42.59	59.26
Strongly Agree	22	40.74	100
Total	54	100	

Source: Author's computation, 2019

Table 2: Fiscal instability through incessant increase in government spending makes IPSASs adoption a more complex reform

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	4	7.41	7.41
Disagree	12	22.22	29.63
Undecided	3	5.56	35.19
Agree	16	29.63	64.81
Strongly Agree	19	35.19	100
Total	54	100	

Source: Author's computation, 2019

Table 3: Fiscal instability through the incessant increase in government spending brings about inefficiency management process

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	9	16.67	16.67
Disagree	7	12.96	29.63
Undecided	5	9.26	38.89
Agree	16	29.63	68.52
Strongly Agree	17	31.48	100
Total	54	100	

Source: Author's computation, 2019

Table 4: Fiscal instability through incessant increase in government spending hinders the introduction of new practices to IPSASs adoption

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	3	5.56	5.56
Disagree	9	16.67	22.22
Undecided	3	5.56	27.78
Agree	19	35.19	62.96
Strongly Agree	20	37.04	100
Total	54	100	

Source: Author's computation, 2019

Table 5: Fiscal instability through incessant increase in government spending affects human terms consideration of IPSASs adoption

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	4	7.41	7.41
Disagree	10	18.52	25.93
Undecided	7	12.96	38.89
Agree	14	25.93	64.81
Strongly Agree	19	35.19	100
Total	54	100	

Source: Author's computation, 2019

Table 6: Fiscal instability through incessant increase in government spending causes insufficient financial resources required for IPSASs adoption

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	3	5.56	5.56
Disagree	6	11.11	16.67
Undecided	5	9.26	25.93
Agree	17	31.48	57.41
Strongly Agree	23	42.59	100
Total	54	100	

Source: Author's computation, 2019

Table 7: Fiscal instability through incessant increase in government spending affects support from accountants toward implementing IPSASs

	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	7	12.96	12.96
Disagree	8	14.81	27.78
Undecided	5	9.26	37.04
Agree	18	33.33	70.37
Strongly Agree	16	29.63	100
Total	54	100	

Source: Author's computation, 2019

DISCUSSION

The results of the study have shown that fiscal instability that is, incessant increase in government spending would; make IPSASs adoption costly to implement, make IPSASs adoption a more complex reform, bring about inefficiency in the management process, hinder the introduction of new practices to IPSASs adoption, affect human terms considerations on IPSASs adoption, cause insufficient availability of financial resources required for IPSASs adoption and affect support from accountants towards implementing IPSASs. Following these facts, the investor would definitelynot be attracted to the state of the economy. According to Ibhahulu (2012), a key driver for IPSASs adoption is the importance of attracting ongoing inward investment into the public sector, particularly in emerging economies. Also, sourcing for financial support from World Bank may be extremely difficult to achieve. The government has to balance its inflows alongside with its spending (Oyewobi, 2014).

The Government should endeavor to stabilize the budget to enhance easy IPSASs adoption at all levels. Ijeoma and Oghoghomeh (2014) clarified that IPSASs adoption must be value relevant to users of public sector financial statement such as taxpayers, members of parliaments, creditors, suppliers, and media and public sector employees. Financial statements prepared in accordance with IPSASs must present fairly the financial position, financial performance and cash flows of an entity so that users of such financial statements could make a relevant and timely value relevant decision.The adoption of IPSASs will pave the way for full disclosure of financial information which will serve the need of different users (Lusine, 2013). In a similar manner Lusine (2013) further emphasized that IPSASs adoption will eliminate partial financial reporting being currently observed in most government accounting entities. The full representation will ensure the quality of financial reporting in terms of its contents, relevance and international competitiveness. Given thisfiscal instability in the economy should be addressed with a timely effort.

CONCLUSION

The public sector comprises entities or organisations that implement public policy through the provision of services and the redistribution of income and wealth, with both activities supported mainly by compulsory tax or levies on other sectors (Adams, 2009). This comprises governments and all publicly owned, controlled and or publicly funded agencies, enterprises, and other entities of government that deliver public programs, goods, or services (Adams, 2009).Introduction of IPSASs will come at some price for every organisation. Involvement in the member States shows that reforming public accounting systems represents a significant upheaval both in terms of the introduction of new practices and in human terms, not to mention the financial resources required (Udo, 2013). The figures from the two states examined pointed to the fact that because of fiscal instability, the adoption of IPSASs might not be implementable. This suggests that the government should see the need to adjust her spending for IPSASs adoption to be embraced as implementable.

REFERENCES

Adam, M. (2009). Nigerian Banks: The Challenges of Adopting International Financial Reporting Standards.*Zenith Economic Quarterly*,4(2), 17-26.

Adebayo, P.A. (2013).*International Public Sector Accounting Standard: A Practical Guide to Reporting Entities in Nigeria*. 24-26

Adegite, E.O. (2010). *Accounting, Accountability and National Development*, Nigerian Accountant, 43(1): 56-64.

Akhidime, A.E. (2012).Accountability and Financial Reporting in Nigeria Public Financial Management: An Empirical Exploration, *Knowledge Review*, 26 (3): 36–44, <http://www.globalacademicgroup.com/journals/knowledge%20review/accountability%20and%20financial%20reporting.pdf>, accessed 23 October 2017.

Biraud, G. (2012). *Preparedness of United Nations System Organisation for the IPSAS*. Geneva, Joint Inspection Unit.

Chan, J.L. (2010). *Government Adoption of Accounting Standards, Especially IPSAS.* Oxford Jopo, Gateway book.

Charity, M.N. (2014). IPSASs, A Guaranteed Way of Quality Government Financial Reporting? A comparative analysis of the existing cash accounting and IPSASs based accounting reporting. *Journal of Science*, 3, 134-141.

George, U. &Mallery, S. (2013). Voluntary Adoption of IPSASs. *Advances in International Accounting*, 10(2), 185-206.

Ibhahulu, O.M. (2012). *The impact of public sector accounting in Nigeria financial control system (A Case Study of Esan South East Local Government Area, Edo state).* A Project of Department of Accountancy, Faculty of Management and Social Sciences, Caritas University.

Ibhahulu, O.M. (2012).*The impact of public sector accounting in Nigeria financial control system*. (Unpublished thesis), 19-22

IFAC (2016).*IPSASB Fact Sheet*, https://www.ifac.org/system/files/uploads/IPSASB/IPSASB-Fact-Sheet-June-2016-2.pdf>, accessed 23 October 2017.

Ijeoma, N.B. & Oghoghomed, S. (2014). Adoption of International public sector accounting standards in Nigeria: Expectations benefit and challenges . *Journal of Investment and Management*, Science publishing group.

Philips E.L. (2013). Public Sector Capacity Building and Accountability: The Nigeria's Dilemma. International *Journal of Capacity Building in Education and Management* (IJCBEM), Vol. 2, No 1, Dec., 2013 Website: http://www.rcmss.com. ISSN: 2350-2312 (Online) ISSN: 2346-7231 (Print)

Kalulu, W. Y. (2015). *IFAC Roundtable Meeting: Practical implementation experience of IPSAS Accrual Basis*. https://www.ifac.org/system/files/uploads/PAODC/day2-session6-williardkalulu-practical-implementation-experience-tanzania.pdf>, accessed 23 October 2017.

Kanellos, T. &E.P. (2013). Concept, regulations and institutional issues of IPSASs a critical review *European Journal of Business and Social Sciences*, 2(1), 43

Kara, E. (2012). *Financial Analysis in Public Sector Accounting.* An Example of EU, Greece and Turkey. Eur. J. Sci. Res.,

Khuram, F. (2014). *Presentation: Audit and Accounts Issues Challenges* http://siteresources.worldbank.org/PSGLP/Resources/AuditandAccountsIssues.pdf>, accessed 23 October 2017.

Lusine, A.N. (2013). Harmonizing public sector accounting practices through IPSASs Manila, Philippines. *www.adb.org*

Olomiyete, I.A. (2014). Accountability and financial reporting issues in Nigeria: Considering a change from cash accounting to accrual accounting. *International Journal of Management Sciences and Humanities*, 2(1).

Onalo U., Muhammad L.&Ahmad K. (2013). National budget and debt as measures of public sector performance: Empirical evidence from Nigeria. *Asian Journal of Finance & Accounting*, 5(2).

Osisioma, B.C., Egbunike A.P.&Adeaga J.C. (2015). Investigating the impact of corporate governance on banks' performance in Nigeria: A field experiment. *International Journal of s and Business Administration*, 1(2):98-112.

Oyewobi, I.A. (2018). *Adoption of International Public Sector Accounting Standards and Quality of Financial Reporting in Lagos State*, Unpublished Ph.D. thesis, department of accounting, Bowen University, 43-47.

Oyewobi, I.A. (2014). Feasibility of Commencing the International Public Sector Accounting Standards in Oyo State. *M.Sc. thesis, department of accounting*, Bowen University.

Tudor, D. (2010). *Romanian Public Institutions Financial Statements on the way of harmonization with IPSASs. R*esearch for academia, 32-38

Udo, B. (2013).*Nigerian government adopts new public accounts strategy for 2014,* Premium time's newspaper.