

The Effects of IFRS Implementation on Tax Evasion Minimization of Listed Multinational Companies in Nigeria: The Moderating Role of Inflation

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Abstract

This study investigated how International Financial Reporting Standards (IFRS) implementation operationalized through disclosure comprehensiveness and timeliness of financial reporting relates to tax evasion minimization and earnings management with the moderating variable of inflation among 10 Nigerian multinational firms listed on the Nigerian Exchange Group over the period 2015–2024. The study employed an ex-post facto design and random-effects panel regression with panel-corrected standard errors, we model Effective Tax Rate (ETR) and Discretionary Accruals (DA) as functions of disclosure (DC), timeliness (TFR), inflation (I), and their moderation. Results revealed that greater disclosure comprehensiveness is significantly associated with lower ETR ($\beta = -2.32, p < 0.05$), while timeliness and inflation exhibit no independent or moderating effects on tax rates. In the earnings-management model, both DC ($\beta = +3.89, p < 0.001$) and TFR ($\beta = +0.21, p < 0.001$) positively predict DA, with inflation further amplifying accrual manipulation ($\beta = +1.78, p < 0.05$). However, the DC×I moderation ($\beta = -0.20, p < 0.01$) indicates that high-inflation periods temper the disclosure–DA linkage. These findings suggested that, in the Nigerian context, detailed IFRS disclosures may facilitate complex yet lawful tax strategies and accrual management, particularly when macroeconomic volatility is low. We recommended enhanced regulatory scrutiny of IFRS disclosures and strengthened

board/audit-committee oversight during inflationary cycles to curb opportunistic reporting behaviors.

Keywords: *IFRS implementation; Disclosure Comprehensiveness; Timeliness of Financial Reporting; Effective Tax Rate; Discretionary Accruals; Inflation; Nigerian Multinationals.*

JEL Classification: M41, M48

1. Introduction

Taxes are the bedrock of government revenue, financing essential public services and infrastructure that underpin economic growth and societal well-being all over the globe. Tax evasion minimization (TEM) has been a legal way to reduce the illegal act of deliberately avoiding paying taxes that you owe, which involves using legal methods to minimize your tax burden. According to Christensen and Jorgensen (2021), tax avoidance refers to using legitimate strategies within the tax code to reduce your tax pressure. The unlawful avoidance of taxes poses a threat to global financial stability and social equity. While international efforts aim to curb this practice, minimizing tax evasion presents a complex challenge with difficult issues. Tax havens, complex corporate structures, and the increasing digitalization of the economy create new avenues for tax evasion (Christensen & Jorgensen, 2021). Keeping pace with these evolving tactics requires continuous adaptation of legal frameworks and international cooperation (Tax Justice Network, 2024). Many countries lack the resources and infrastructure to effectively investigate and prosecute tax evasion. This creates a perception of impunity, hindering deterrence efforts (Joumard et al., 2020). Also, inconsistencies in tax laws and enforcement practices across different countries create opportunities for exploitation.

The illicit avoidance of tax obligations presents an obstacle for developing nations like Nigeria. Multinational companies (MNCs) operating in Nigeria, particularly in resource-rich sectors, can exploit loopholes and complex structures to minimize their tax contributions (Isyaku et al., 2024). The key issues surrounding MNC tax minimization in Nigeria are transfer pricing, aggressive tax planning, discretionary accruals, limited capacity of Nigerian tax authorities, and profit repatriation through illegal means. Multinational companies in Nigeria may use discretionary accruals to lower reported earnings, thus potentially reducing their taxable income by strategically adjusting accounting (Ogunoye et al., 2023). Also, multinational companies in Nigeria may evade tax by exploiting varying effective tax rates through profit shifting and taking advantage of tax incentives (Durowaiye & Sadiq, 2024).

Furthermore, the Federal Inland Revenue Service (FIRS) may lack the resources and expertise to effectively audit MNCs and challenge their tax minimization practices (Ogunbiyi, 2022). In some cases, MNCs may resort to under-invoicing exports or over-invoicing imports to illicitly transfer profits out of Nigeria (Ogunwole et al., 2022). However, tax evasion minimization (TEM) presents a major challenge for both developing nations like Nigeria and the global economy. While multinational companies (MNCs) contribute to economic growth and job creation, their tax minimization strategies can have severe consequences. MNC tax minimization strategies deprive governments of critical resources needed to fund essential public services like education, healthcare, and infrastructure (Otusanya et al., 2023). According to the World Bank (2022), tax evasion can hinder economic development and exacerbate social inequalities. This can weaken social cohesion and obstruct cooperation. When citizens perceive that MNCs are not paying their fair share of taxes, it erodes trust in the government and fosters resentment (European Commission, 2021).

Tax minimization allows MNCs to undercut the prices of domestic businesses that comply with tax regulations. This creates an uneven playing field, hindering fair competition and potentially stifling domestic entrepreneurship (UNCTAD, 2020). Tax minimization by

MNCs is not just a national issue but a global one. The International Financial Reporting Standards (IFRS) have emerged as a dominant force in global and local financial reporting, aiming to create a standardized and transparent language for companies to present their financial health (Boiko et al., 2024). Period mandatory for companies listed on stock exchanges in many jurisdictions, implementation of IFRS presents a complex process with opportunities. A core benefit of IFRS is the creation of a single set of accounting standards, allowing for easier comparison of financial performance across companies and jurisdictions (KPMG, 2020; International Accounting Standards Board [IASB], 2023). The International Accounting Standards Board regularly updates and introduces new IFRS standards, requiring ongoing adaptation and learning for companies (IFRS Foundation, 2024).

The impact of IFRS implementation can vary depending on the size, industry, and existing accounting practices of a company (Osinubi, 2020). While valuable insights into International Financial Reporting Standards (IFRS) implementation exist from KPMG (2020), Deloitte (2021), and the IASB (2023), there's a lack of research specifically focused on multinational companies (MNCs) operating in Nigeria. Existing research often explores developed economies. This study will investigate the specific challenges faced by Nigerian subsidiaries of MNCs in complying with IFRS, considering factors like effective tax rate and discretionary accruals. Dabrowski et al. (2020) suggest that inflation can moderate the relationship between tax revenue and economic development. This study aims to explore the potential moderating role of inflation in the context of IFRS, tax evasion, and MNCs in Nigeria by investigating how inflation levels might influence the effectiveness of IFRS implementation in curbing tax evasion practices by MNCs.

Durowaiye and Sadiq (2024), Ogunbiyi (2022), and Ogunoye et al. (2023) explored tax evasion minimization strategies by MNCs in Nigeria. However, the impact of IFRS adoption on these strategies remains underexplored. The aim of this study is to investigate the effect of IFRS implementation on tax evasion minimization of listed multinational companies in Nigeria: moderating role of inflation. Our specific goals are to analyze the effect of disclosure comprehensiveness on tax evasion minimization of listed multinational companies in Nigeria, to determine the effect of timeliness of financial reporting on tax evasion minimization of listed multinational companies in Nigeria, and to investigate the effect of inflation on tax evasion minimization of listed multinational companies in Nigeria.

2. Literature Review

2.1 Conceptual Review

This is a structure that the theories and the relationship between the variables. It acts as the road map guiding the research design, data collections and analysis.

2.1.1 Tax Evasion Minimization

Tax evasion minimization (TEM) refers to legal loopholes exploited by multinational companies (MNCs) to reduce their tax bills. Multinational companies (MNCs) employ various legal loopholes to minimize their tax bills through a practice called tax evasion minimization (Christensen & Jorgensen, 2021). This raises concerns about fairness and lost government revenue, even though TEM itself is legal. According to Ogunoye et al. (2023), transfer pricing manipulation, where MNCs inflate costs in high-tax countries and shift profits to low-tax jurisdictions through artificial pricing of goods and services between the subsidiaries. Durowaiye and Sadiq (2024) refer to the use of complex corporate structures to exploit loopholes. MNCs create these structures to facilitate profit repatriation through under-invoicing exports or over-invoicing imports, minimizing their taxable income in high-tax countries. Additionally, Garcia-Bernardo et al. (2021) emphasize on how MNCs utilize tax havens, countries with minimal regulations and low tax rates, to further reduce their overall

tax burden. These practices significantly impact developing nations by depriving them of critical tax revenue needed for essential services.

Efforts are underway to address TEM. The World Bank (2022) and European Commission (2021) report that tax evasion minimization hinders economic development and weakens trust in governments. Initiatives like standardized financial reporting (IFRS) by KPMG (2020) aim to increase transparency, potentially making it harder for MNCs to conceal TEM strategies. However, research by Nguyen et al. (2023) suggests the effectiveness of IFRS in developing countries remains unclear. Additionally, Ogunbiyi (2022) describes the need for developing nations to strengthen their tax authorities with resources and expertise to effectively audit MNCs and challenge their TEM practices. According to Tax Justice Network (2024), to curb tax evasion minimization, international cooperation is crucial for adapting legal frameworks and addressing evolving MNC tactics. This research aims to look into problems emanating from tax evasion minimization, investigate them, and find a more comprehensive solution by using IFRS implementation to curb legal and illegal tax evasion.

2.1.1.1 Effective Tax Rate

The effective tax rate (ETR) is a critical metric for understanding a company's actual tax burden, calculated as tax expense divided by pre-tax profit (Jansky, 2023). MNCs operating in Nigeria, like elsewhere, may utilize various tax planning strategies to potentially reduce their ETR. The effective tax rate (ETR), however, is the actual percentage of profit paid in taxes. The ETR can be lower or higher than the statutory rate due to various factors like deductions, credits, and tax breaks. The ETR is a simple calculation by dividing the income tax expense (found on the income statement) by the pre-tax income (earnings before taxes) (Flagmeier et al., 2023). This gives you a percentage that represents the effective tax rate. Investors use the ETR to assess a company's tax efficiency. A lower ETR might suggest the company is ethical at taking advantage of tax breaks and minimizing its tax burden.

2.1.1.2 Discretionary Accruals

Discretionary accruals refer to the component of a company's earnings that is derived from accounting choices and management's judgment, rather than actual cash flows (Jamadar et al., 2022). Accruals are accounting entries that recognize revenues and expenses when they are earned or incurred, regardless of when cash changes hands (Kioko & Marlowe, 2023). While some accruals are considered non-discretionary, reflecting the normal course of business, discretionary accruals involve a degree of managerial discretion (Nawn, 2023). This discretion can be used to manage reported earnings, potentially to meet certain targets, smooth out fluctuations, or even to obscure the company's true financial performance (Adeyemo et al., 2025). Multinational companies (MNCs), with their complex structures and operations across various countries, often face greater opportunities and incentives for discretionary accruals due to differing accounting standards, tax regulations, and reporting requirements in different jurisdictions (Octariyani, 2022).

Multinational companies operating in Nigeria, like those in other emerging economies, present a unique context for examining discretionary accruals (Akintoye et al., 2021). Nigeria's business environment, characterized by factors such as varying levels of regulatory enforcement, institutional quality, and economic volatility, can influence how MNCs utilize discretionary accruals. Some studies suggest that MNCs in Nigeria might use discretionary accruals to navigate these complexities, potentially to minimize tax liabilities, manage political risks, or meet the expectations of international investors. However, this practice raises concerns about the transparency and reliability of financial reporting, which

can have implications for investment decisions, regulatory oversight, and overall economic stability in the region.

2.1.2 IFRS Implementation

IFRS implementation is the process of adopting a set of international accounting standards (IFRS) for a company's financial reporting. This allows for consistent and transparent financial information across different countries (Musa, 2019). Companies choose IFRS for several reasons, including easier comparison of performance for multinational corporations and increased investor confidence due to the standards' emphasis on clear and reliable accounting practices (Johri, 2024). However, implementing IFRS can be complex and expensive, especially for large companies. Challenges include adapting accounting systems, training staff, potentially changing accounting policies, which can impact financial results, and navigating cultural differences in interpreting the principle-based standards. The process typically involves assessing the impact of IFRS, detailed planning, revising accounting policies, adjusting systems and controls, training employees, and ongoing monitoring (Musa, 2019). While implementing IFRS can be a significant undertaking, the benefits of global comparability, transparency, and investor confidence can outweigh the challenges. This is a binary variable indicating whether a company has adopted IFRS standards (1) or not (0).

2.1.2.1 Year of IFRS Adoption in Nigeria

Nigeria's adoption of International Financial Reporting Standards (IFRS) in 2012 marked a step towards harmonizing its accounting practices with global standards. This shift aimed to enhance transparency, comparability, and ultimately, investor confidence in the Nigerian economy. As Nigeria's economy became increasingly integrated with the global market, the need for consistent and internationally recognized accounting standards became crucial (Odoemelam et al., 2019; Omolade et al., 2025). IFRS facilitated an easier comparison of financial performance between Nigerian companies and their international counterparts. This was particularly beneficial for multinational corporations (MNCs) operating in Nigeria, allowing for a more unified financial reporting structure. IFRS emphasizes clear and transparent accounting practices (Musa, 2019). This promotes greater trust and confidence in the financial information presented by Nigerian companies. Investors gained a more accurate picture of a company's financial health based on a globally recognized framework.

Prior to IFRS adoption, Nigeria had its own set of accounting standards. Aligning with IFRS streamlined the regulatory environment, potentially reducing the burden on companies that had to comply with multiple sets of standards. International investors generally view financial statements prepared under IFRS as more reliable (Ademoye et al., 2024). By adopting IFRS, Nigeria signaled a commitment to international best practices, potentially attracting more foreign investors. Adapting accounting systems, training staff on new standards, and potentially hiring IFRS specialists can be expensive. This was particularly challenging for smaller companies with limited resources. Companies needed to significantly modify existing accounting policies to comply with IFRS. This process could be complex and time-consuming, potentially impacting reported financial results in the short term (Gold et al., 2022). Since IFRS is principle-based, there can be room for interpretation. Companies needed to adapt the standards to their specific circumstances, which could be challenging given the unique business culture in Nigeria.

2.1.2.2 Disclosure Comprehensiveness

Financial statements are a company's way of communicating its financial health to the world. But how much detail they provide can vary greatly. This is where disclosure comprehensiveness appears. It essentially reflects a company's level of transparency, or how open they are with their financial information (Kimmel et al., 2020). A highly comprehensive disclosure would be similar to laying everything out in detail, with clear breakdowns of financial information across various categories (Lambe & Zwingina, 2022). Think of it like a well-organized financial report, adhering to relevant accounting standards for clarity and accuracy. Comprehensive disclosures can also include forward-looking information, offering insights into a company's future plans and strategies (Mio et al., 2020). This paints a more complete picture, allowing users, investors, analysts, or even potential creditors to understand not just where the company stands financially but also where it's headed (Ademoye et al., 2024).

In essence, the goal of comprehensive disclosure is to empower users. By providing a clear and detailed picture of a company's financial health, both present and future-oriented, users can make informed decisions with greater confidence. They can assess the company's risks and opportunities, make sound investment choices, or evaluate the company's creditworthiness (Akinleye et al., 2020). Ultimately, comprehensive disclosure fosters trust and transparency in the financial market, benefiting both companies and users alike (Naveed et al., 2021). This study will use disclosure comprehensiveness to measure an index capturing the extent and detail of information disclosed in financial statements.

2.1.2.3 Timeliness of Financial Reporting

The adoption of International Financial Reporting Standards (IFRS) by multinational companies (MNCs) operating in Nigeria presents a unique challenge regarding the timeliness of their financial reporting (Osho et al., 2022; Ademoye et al., 2025). While IFRS offers the potential for streamlined reporting through standardized processes, the initial adoption phase can be complex and lead to temporary delays. However, navigating this initial hurdle can unlock significant benefits for both the MNCs and the Nigerian government, ultimately fostering a more transparent and efficient tax environment. IFRS implementation requires a significant shift in accounting processes for MNCs (Shoman, 2023). These initial hurdles can cause delays in the preparation and finalization of financial statements. However, once the initial adoption phase is complete, IFRS can actually improve the timeliness of financial reporting for MNCs in Nigeria. Standardized processes and reporting formats reduce ambiguity and create a more efficient workflow (Adeyemo et al., 2025). This translates to faster completion of financial statements, allowing for timely submission to regulatory bodies.

This timely reporting under IFRS can have a positive impact on tax minimization efforts for MNCs operating in Nigeria (Ologun et al., 2020). Increased transparency allows tax authorities to have a clearer picture of the MNC's financial activities. This makes it more difficult for companies to manipulate taxable income across different jurisdictions, a practice sometimes employed for tax optimization. Furthermore, standardized IFRS reporting facilitates more efficient audits (Oussii & Klibi, 2020). Tax authorities can readily compare financial statements across various MNCs operating in Nigeria, potentially leading to swifter detection of any discrepancies or attempts at tax evasion. This not only discourages such practices but also allows for a more targeted approach to tax audits, saving time and resources for both the MNCs and the government. While initial adoption of IFRS might cause temporary delays in financial reporting, the long-term benefits outweigh them. Timely reporting under IFRS fosters a fairer tax environment for both the MNCs and the Nigerian government (Osho et al., 2021). MNCs experience improved transparency and potentially

more efficient audits, while the government gains the ability to collect taxes more effectively, ultimately leading to increased tax revenue.

2.1.2.4 Compliance with IFRS standard

Osho et al. (2021) suggest that MNCs in Nigeria exhibit a relatively high level of compliance with IFRS standards. Empirical studies have found compliance rates ranging from around 85% to over 90%. For MNCs, using IFRS across all their operations simplifies reporting and facilitates global comparisons. This can be crucial for MNCs seeking investment in the Nigerian market and elsewhere globally. The Nigerian government, through the Nigerian Securities and Exchange Commission (SEC) and other regulatory bodies, enforces IFRS compliance for listed companies (Abdulmalik & Ahmad, 2020). This pressure encourages MNCs to adhere to the standards. While studies show a generally high compliance rate, there might be variations in the level of detail with which MNCs adhere to specific IFRS pronouncements (Abdulmalik & Ahmad, 2020). A common area of concern is transfer pricing, where MNCs might manipulate the prices of goods and services traded between their subsidiaries in different countries. Regulatory authorities need to be vigilant in monitoring transfer pricing practices of MNCs (Sebele-Mpofu et al., 2022). MNCs in Nigeria appear to demonstrate a proper level of compliance with IFRS standards. However, there's always room for improvement, particularly in ensuring detailed compliance across all IFRS pronouncements and remaining vigilant about transfer pricing practices (Akpan et al., 2023).

2.2 Theoretical Review

2.2.1 Agency Theory

Michael Jensen and William Meckling developed agency theory in 1976. Agency theory focuses on the relationship between the agents and the principal. It assumes that principals and agents prioritize their own interests, make rational decisions based on cost-benefit analysis, and are risk-averse. A key tenet of agency theory is the information asymmetry that often exists. The agent, due to their direct involvement, typically possesses more information about the specific actions and the surrounding context compared to the principal. While these assumptions simplify human behavior, they offer a framework for understanding potential conflicts in agency relationships. This theory suggests a conflict of interest between managers and shareholders. Managers might manipulate financial statements to benefit themselves, and strong internal controls can mitigate this risk by ensuring accurate financial reporting. Otusanya et al. (2023) discuss how MNC tax minimization strategies deprive governments of critical resources needed to fund essential public services.

Agency theory sheds light on the potential impact of IFRS (International Financial Reporting Standards) implementation on tax evasion minimization by multinational companies (MNCs) in a country like Nigeria (Aliu, 2019). While IFRS implementation can be a significant step towards minimizing tax evasion by MNCs in Nigeria, it's not a foolproof solution. A multi-pronged approach is necessary. Strengthening tax regulations, fostering international cooperation on tax information exchange, and potentially introducing penalties specifically designed to address IFRS manipulation are some additional strategies that could be explored alongside IFRS to create a more robust system for tax collection and deter tax evasion. By understanding the interplay between agency theory, IFRS, and tax evasion, policymakers can design more effective measures to ensure that MNCs operating in Nigeria contribute their fair share of taxes.

2.3 Empirical Review

This research examined pertinent literature concerning IFRS implementation and tax evasion minimization in accordance with the study's specific objectives and hypotheses thereby formulated.

2.3.1 Disclosure Comprehensiveness and Tax Evasion Minimization

Mgammal (2020) examined the impact of corporate tax planning and corporate tax disclosure. A firm-level panel data set was used to analyze 286 non-financial listed companies on Bursa Malaysia that spans the period 2010-2012. Multivariate statistical analyses were run on the sample data. It was found out that TP exhibits a robust positive influence on TD. This suggests that TP is related to lower corporate TD. In addition, companies with high TP attempt to mitigate the disclosure problem by increasing various TD. Boubaker et al. (2022) examined the effect of voluntary disclosure in annual reports on tax avoidance activities. The study used a sample of 3448 firm-year observations of French listed firms over 2007–2013. The findings revealed that voluntary disclosure is associated with lower tax avoidance activities, providing evidence that this disclosure can be seen as an effective monitoring tool that reduces the insiders' likelihood to engage in rent extraction through tax avoidance activities. Also, it indicated that the negative effect of voluntary disclosure on tax avoidance is significant only when family control is below 40%, suggesting that the disciplinary role of voluntary disclosure is limited to firms with relatively low family control levels. Furthermore, it found out that it is consistent with the agency theory of tax avoidance and highlighted the important role of corporate disclosure in improving corporate governance.

Firmansyah and Estutik (2020) investigated the relationship between corporate social responsibility, environmental performance, and tax aggressiveness. The study employed the purposive sampling technique, and the research design was a panel data regression model. The sample size was 170, which were obtained from 34 non-financial companies listed on the Indonesian stock exchange from 2014 to 2018. It was found that environmental responsibility performance and social responsibility disclosure are negatively associated with tax aggressiveness. This means companies with higher environmental responsibility performance and more social responsibility disclosure tend to have lower tax aggressiveness. Shumi (2019) analyzed the impact of an event on a firm's stock price and multinationals' tax evasion. The study employed purposive sampling, and the sample size was the top 500 multinational companies by market capitalization from 2000 to 2014. The study found out that a small number of firm- and country-level governance factors are associated with a higher likelihood of MNCs committing tax evasion. Also, certain firm-level governance measures have a weak relationship with MNC performance after tax evasion.

H₁: Disclosure comprehensiveness has a positive effect on tax evasion minimization

2.3.2 Timeliness of Financial Reporting and Tax Evasion Minimization

Hamilah (2020) assessed the effect of commissioners, profitability, leverage, and size of the company on the submission timeliness of the financial statements and tax avoidance. The study employed secondary data gathered from pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) in 2014-2018, with a total of 53 companies. The results of this study indicated that company commissioners, profitability, and leverage have a significant effect on tax avoidance, while company size has no significant effect on tax avoidance. Aifuwa & Saidu (2020) examined the impact of audit committee attributes on the timeliness of corporate financial reporting in Nigeria. The study employed a sample size of 116 listed firms on the Nigerian Stock Exchange from 2017 to 2018. Descriptive and

inferential statistics were used. The study concluded that audit committee attributes affect the timeliness of corporate financial reporting in Nigeria.

Casi et al. (2020) examined cross-border tax evasion after the common reporting standard. The study uses data from the Bank for International Settlements (BIS) Locational Banking Statistics (LBS). This data covers the period from the fourth quarter of 2014 to the third quarter of 2017. The sample includes countries that have implemented their CRS. The study found out that the CRS led to an 11.5% decrease in cross-border deposits held in tax havens by residents of non-haven countries, and this decrease was even higher (32.3%) when excluding EU member states. Asiriwa et al. (2021) explored the effect of tax aggressiveness on the timeliness of financial reporting. The survey of 50 companies operating in Nigeria's financial sector was carried out and used. The study analyzed the data using the logistic regression method. The study results revealed a significant positive association between tax avoidance and the timeliness of financial reporting. Furthermore, taxable income revealed a positive and significant relationship with the timeliness of financial reporting. The overall result indicated that Nigerian financial firms' tax aggressiveness has a bigger effect on the timeliness of financial statements. It therefore recommends that corporate strategies and policies should take into account the tax planning and structure when drawing up the company's strategic framework. This study will employ timeliness of financial reporting to measure the number of days taken to file financial reports after the closing period.

H₂: There is a positive relationship between the timeliness of financial reporting and the minimization of tax evasion.

2.3.3 Inflation and Tax Evasion Minimization

Martalena et al. (2023) examined the impact of inflation and the IDR/USD exchange rate on the stock returns of 20 consistently listed non-financial companies within the LQ45 index from 2016 to 2022. The study employed the Slovin formula with a 10% error margin; a sample size of 17 was determined and selected using simple random sampling. The study utilized a regression model with pooled data and t-statistics to analyze the relationships. The findings reveal that inflation positively influences stock returns, suggesting stocks act as an inflation hedge, while the IDR/USD exchange rate negatively affects returns, indicating that a stronger US dollar diminishes the stock prices of the examined non-financial companies. Ali et al. (2023) investigated the relationship between sectorial indices returns and inflation numbers. Sample sizes were taken from ten sectorial indices (CNX Auto Index, CNX Bank Index, CNX Energy Index, CNX Finance Index, CNX FMCG Index, CNX IT Index, CNX Metal Index, CNX MNC Index, CNX Pharma Index, and CNX PSU Bank Index). Purposive sampling was employed (excluding two recently introduced indices). The study found out that most of the included sectorial indices demonstrate a statistically significant relationship with inflation numbers over the eight-year study period.

Bolhuis et al. (2022) investigated the methodological shifts within the Consumer Price Index (CPI) that can skew historical inflation comparisons, especially relevant given the recent surge to 40-year highs. The study constructed novel historical CPI headline and core inflation series aligning with contemporary methodologies and expenditure weights for the post-war era. The study revealed that current inflation rates are considerably closer to historical peaks than indicated by official figures. Notably, the study demonstrated that the disinflation of core CPI attributed to the Volcker era policies is less pronounced (a 5-percentage point decline) when employing today's housing treatment, contrasting with the official CPI's reported 11 percentage point decrease.

H₃: There is a positive relationship between the inflation rate and the level of tax evasion

2.4 Conceptual Framework

Figure 2.4 shows the interactions between the independent variable (IFRS Implementation), the dependent variable (tax evasion minimization) and moderating variable (The role of Inflation).

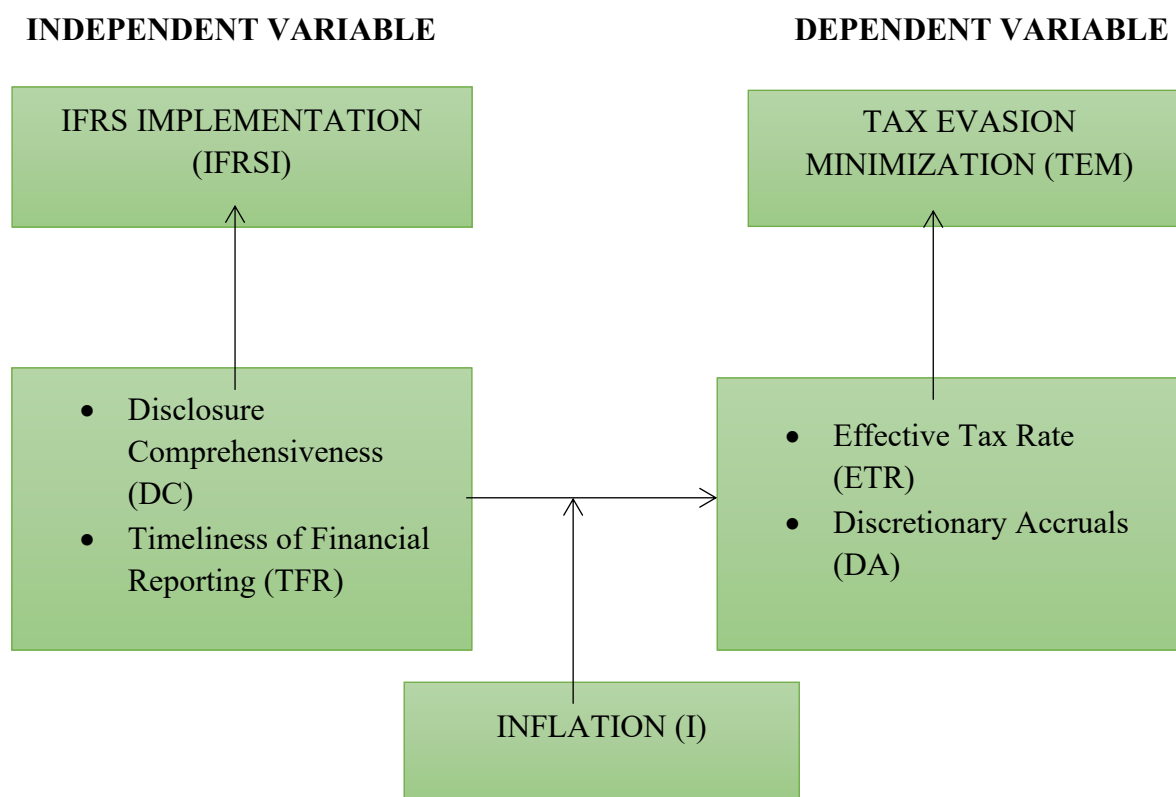


Figure 2.4 Conceptual framework
Source: Author's compilation (2025)

3. Methodology

This study employed a positivist epistemology and a quantitative approach with an ex post facto design. This study used purposive sampling techniques to select a sample size of 10 Nigerian multinational companies listed on the Nigerian Exchange Group (NGX), out of a population of 17, to analyze relationships without variable manipulation over a ten-year period from 2015 to 2024, utilizing data extracted from their annual reports to enhance the ecological validity and generalizability of the findings.

3.1 Model Specification

Model

$$TEM = f(IFRSI)$$

Model 1:

$$ETR = \beta_0 + \beta_1 DC + \beta_2 TFR + \beta_3 I + \varepsilon$$

Model 2:

$$DA = \beta_0 + \beta_1 DC + \beta_2 TFR + \beta_3 I + \varepsilon$$

Model 3:

$$ETR = \beta_0 + \beta_1 DC * I + \beta_2 TFR * I + \beta_3 I + \varepsilon$$

Model 4:

$$DA = \beta_0 + \beta_1 DC * I + \beta_2 TFR * I + \beta_3 I + \varepsilon$$

Where:

TEM: Tax Evasion Minimization

IFRSI- IFRS Implementation

ETR- Effective Tax Rate

DA- Discretionary Accruals

DC- Disclosures Comprehensiveness

TFR- Timeliness of Financial Reporting

I- Inflation

DC*I-Moderating effect of Inflation on Disclosure Comprehensiveness

TFR*I-Moderating effect of inflation on Timeliness of Financial Reporting

β_0 represents the constant term of the model.

β_1 - β_3 represent the effects of the independent variables on tax evasion minimization

β_3 captures the effect of inflation on tax evasion minimization

ε represents the error term capturing any unexplained factors influencing tax evasion minimization.

3.2 Measurement and Description of Variables

Table 1: Measurement and Description of Research Variables

SN	Variable	Description	Measurement	Data Source	Literature Evidence
Dependent Variable:					
1	Tax Evasion Minimization (TEM)	This has been a legal way to reduce the illegal act of deliberately avoiding paying taxes that you owe, which involves using legal methods to minimize your tax burden.	EFR, and DA	Annual Financial Report	Christensen & Jorgensen (2021).
1a	Effective Tax Rate (ETR)	The effective tax rate (ETR) is a critical metric for understanding a company's actual tax burden, calculated as tax expense divided by pre-tax profit.	Tax Expense Ratio (TER): This is calculated by dividing the income tax expense by the pre-tax income. It provides a direct measure of the tax burden relative to earnings.	Annual Financial Report & Tax Authorities (FIRS)	Jansky, 2023 & Celani et al., 2022.
1b	Discretionary accruals (DA)	This refers to the portion of earnings influenced by management's	This is measured by calculating the $TA / At-1 = \beta_0 (1/At-1) + \beta_1$	Annual Report	Yeye & Egbunike, (2021).

		judgment across various international accounting standards and legal environments, potentially used for earnings management or signaling within their complex structures.	$(\Delta REV_{it} / A_{t-1}) + \beta_2 (PPE_{it} / A_{t-1})$		
	Independent Variable:				
2	IFRS Implementation (IFRSI)	IFRS implementation is the process of adopting a set of international accounting standards (IFRS) for a company's financial reporting.	DC, and TFR	Annual Reports	Musa, (2019), & Edewusi & Ajayi (2019)
2a	Disclosure Comprehensiveness (DC)	It essentially reflects a company's level of transparency, or how open they are with their financial information.	Disclosure index (DI) IFRS Implementation Disclosure Checklist 1. General Disclosure Requirements (IAS 1 – Presentation of Financial Statements) 2. First-Time Adoption (IFRS 1): Explanation of material adjustments to financial statements 3. Accounting Policies and Estimates:	Annual Reports	Lambe & Zwingina (2022).

			Clear disclosure of accounting policies adopted under IFRS		
			4. Notes to Financial Statements		
			5. Fair Value Measurement (IFRS 13): Disclosure of valuation techniques and assumptions		
			6. Revenue Recognition (IFRS 15): Disaggregation of revenue by categories		
			7. Leases (IFRS 16): Recognition of right-of-use assets and lease liabilities		
			8. Impairment (IAS 36): Assumptions for discount rates and growth rates		
			9. Income Taxes (IAS 12): Breakdown of current and deferred tax		
			10. Other Key Disclosures: Provisions, contingencies (IAS 37)		
2b	Timeliness of Financial Reporting(TFR)	It refers to the speed at which a company releases its financial	This is measure by the number of day it took the company to publicize their	Nigerian Stock Exchange (NSE)	Uwhejevwal, et al, (2023).

	statements after the end of a reporting period.	annual report after their financial year end.		
Moderating Variable:				
Inflation	Inflation is a sustained increase in the general price level of goods and services in an economy over a period, reducing purchasing power.	Inflation rate (Measure the percentage change in the consumer price index (CPI)).	National Bureau of Statistics (NBS)	Bolhuis et al. (2022).

Source: Researcher's Computation (2025)

4. Data Analysis and Discussion of Findings

4.1 Descriptive Statistics

The mean ETR of 24.42% indicates that, on average, the sampled firms paid roughly one quarter of their pre-tax profits in income taxes over the 2015–2024 period. The median (24.50%) is nearly identical to the mean, suggesting a fairly symmetric distribution of tax rates across firms. This impression is reinforced by a low positive skewness (0.18) and a kurtosis slightly below the normal benchmark (2.47 vs. 3), indicating mild light-tailedness. Variability around the mean is modest (standard deviation $\approx 3.86\%$), which implies that most firms' ETRs hover in a narrow band between roughly 20% and 28% with the observed minimum and maximum of 15.6% and 33.8%. The Jarque–Bera test ($p = 0.43$) fails to reject normality, confirming that ETR is approximately normally distributed in this sample.

Discretionary accruals exhibit a mean of 11.74 and a median of 11.80, again pointing to symmetry in the earnings-management behavior across firms. With a standard deviation of 3.25 (about 28% of the mean), there is moderate dispersion: most DA values fall between approximately 8.5 and 15.0, though extreme values range from 5.2 to 22.5. Positive skewness (0.41) indicates a slight right-tail tendency some firms engage in comparatively high levels of accrual manipulation. Kurtosis (3.22) is close to the normal value, suggesting a mildly peaked distribution. The Jarque–Bera statistic ($p = 0.22$) again supports the view that DA is not significantly non-normal.

The disclosure index has a mean of 8.08 out of a possible 10 checklist items, with a median of 8.10, showing that firms generally disclose most required IFRS elements. The standard deviation (≈ 0.95) is small relative to the scale, so most firms cluster around high-quality disclosure (between 7.1 and 9.1). A slight negative skew (-0.10) suggests a tiny lean toward firms under-disclosing relative to the mean, but kurtosis (2.15) indicates lighter tails and a flatter peak than a normal distribution. The Jarque–Bera test ($p = 0.21$) does not reject normality, so disclosure scores are also approximately normal.

Timeliness shows much greater dispersion, with an average lag of 64.5 days from fiscal-year end to report publication but a large standard deviation of 17.63 days (27% of the mean). The minimum (33 days) and maximum (120 days) underscore significant variation: some firms are highly prompt, whereas others take up to four months. A positive skewness of 0.63 indicates more firms just below the mean and a longer right tail of very late reporters. Kurtosis (3.55) suggests a somewhat sharper peak and fatter tails than normal, and the

Jarque–Bera test ($p = 0.02$) confirms non-normality—likely driven by a subgroup of firms with very delayed reporting.

Inflation rates average 17.72% over the period, with a median of 16.10%, indicating occasional spikes pushing rates above the central tendency. Indeed, the standard deviation is high (7.19%), reflecting the macroeconomic volatility in Nigeria yearly inflation has varied from 9.0% to 31.7%. The positive skew (0.82) and modestly lighter kurtosis (2.41) point to a distribution stretched toward higher rates. The Jarque–Bera statistic ($p = 0.002$) rejects normality, which is expected given inflation’s economic cycles and policy shocks.

By interacting TFR with inflation, the mean product is 1,081.76, with a huge standard deviation (370.43), reflecting the compounding effect of volatile inflation onto reporting delays. The distribution is right-skewed (0.62) and somewhat light-tailed (kurtosis 2.65), but non-normal (Jarque–Bera $p = 0.03$). The wide range (535.8 to 1,980) confirms that high-inflation periods coincide with especially long reporting lags for some firms, amplifying variation. Finally, the DC×I interaction has a mean of 148.04 and a standard deviation of 74.69. Positive skewness (0.92) and a moderately light tail (kurtosis 2.52) suggest that while most firms maintain a relatively stable product of disclosure comprehensiveness and inflation, a subset faces disproportionately large inflation that slightly depresses disclosure quality or conversely, disclosures remain high despite inflation. The Jarque–Bera ($p = 0.0006$) again signals non-normality, driven by outliers in inflation or disclosure practices.

Table 2: Descriptive Statistics

	ETR %	DA	DC	TFR	I%	TFR*I	DC*I
Mean	24.42200	11.73600	8.083000	64.51000	17.72000	1081.761	148.0358
Median	24.50000	11.80000	8.100000	62.50000	16.10000	1023.850	118.2750
Maximum	33.80000	22.50000	9.900000	120.0000	31.70000	1980.000	313.8300
Minimum	15.60000	5.200000	5.900000	33.00000	9.000000	535.8000	53.10000
Std. Dev.	3.856428	3.246646	0.952727	17.63462	7.186660	370.4280	74.68951
Skewness	0.179336	0.414915	-0.097338	0.630145	0.820965	0.623023	0.917421
Kurtosis	2.474424	3.217337	2.151887	3.545209	2.406200	2.648817	2.521275
Jarque-Bera	1.686981	3.066060	3.154975	7.856610	12.70220	6.983175	14.98258
Probability	0.430206	0.215881	0.206493	0.019677	0.001745	0.030452	0.000558
Sum	2442.200	1173.600	808.3000	6451.000	1772.000	108176.1	14803.58
Sum Sq. Dev.	1472.332	1043.530	89.86110	30786.99	5113.160	13584475	552273.7
Observations	100	100	100	100	100	100	100

Source: *Researcher’s Computation (2025)*

4.2 Test of Variables

In table 3, this section conducts essential pre-estimation and post-estimation tests to ensure the reliability and validity of the research findings. Pre-estimation tests like the unit root test and correlation analysis check for data stationarity and multicollinearity, while post-estimation tests such as the Hausman and heteroscedasticity tests confirm model robustness and address variance inconsistencies.

4.2.1 Unit Root Test

All seven series in your study – ETR, DA, DC, TFR, I, and the two mediating terms ($\text{TFR} \times \text{I}$ and $\text{DC} \times \text{I}$) – were subjected to the Augmented Dickey–Fuller (ADF) test with an intercept only. The null hypothesis in each case is that the series contains a unit root (i.e., is non-stationary in levels), against the alternative that it is stationary around a non-zero mean. Across the board, the ADF t-statistics are large in absolute value and the associated p-values are all below conventional significance thresholds (0.05 or lower), with the lone exception of inflation (I) at $p = 0.0682$. Even so, the test output classifies each variable as $I(1)$ – meaning that each becomes stationary after first differencing – and labels them “stationary” once transformed.

ETR ($t = 75.72$, $p < 0.0001$) and DA ($t = 70.27$, $p < 0.0001$) both reject the unit-root null decisively at levels, implying their series exhibit no persistent stochastic trend when differenced once. DC ($t = 34.30$, $p = 0.0050$) and TFR ($t = 42.15$, $p = 0.0026$) also clear the 5% bar, so their fluctuations over time are mean-reverting after first differencing. The interaction terms, $\text{TFR} \times \text{I}$ ($t = 50.03$, $p = 0.0002$) and $\text{DC} \times \text{I}$ ($t = 24.74$, $p = 0.0116$), likewise show stationarity in first differences, confirming that combining macroeconomic volatility with firm-level reporting behavior does not introduce a stochastic trend. Inflation (I), with $t = 30.10$ and $p = 0.0682$, narrowly misses the strict 5% cutoff but is still classified as $I(1)$. In practice, one might rerun with additional lags or include a trend term if theory suggests, yet the broad conclusion holds: inflation too is stationary after differencing. Crucially, it means we can proceed with regression analysis without fear of spurious level-series correlations: by modeling your variables in differences (or in an error-correction framework), you satisfy the underlying stationarity requirements of ordinary least squares and related inferential statistics.

Table 3: Unit Root Test [ADF Test with Intercept Only]

Variable	T-Statistics	P-Value	Order of Integration	Decision
ETR	75.7176	0.0000	$I(1)$	Stationary
TFR	42.1527	0.0026	$I(1)$	Stationary
DA	70.2735	0.0000	$I(1)$	Stationary
DC	34.2965	0.0050	$I(1)$	Stationary
$\text{TFR} \times \text{I}$	50.0316	0.0002	$I(1)$	Stationary
$\text{DC} \times \text{I}$	24.7381	0.0116	$I(1)$	Stationary
I	30.1016	0.0682	$I(1)$	Stationary

Source: Researcher’s computation (2025)

4.2.2 Correlation Matrix

The strongest observed correlation is between ETR and DA (-0.796), which is both large in magnitude and highly statistically significant. This negative relationship suggests that firms engaging in greater earnings management (higher discretionary accruals) tend to report lower effective tax rates. One plausible interpretation is that managers use accrual-based earnings manipulation to shift income across periods, thereby reducing taxable income consistent with tax-avoidance motives documented in prior literature. The strength of this association also raises a cautionary flag: because DA and ETR are so closely intertwined, multicollinearity could inflate standard errors in regressions that include both variables. Although positive, the correlation between ETR and disclosure comprehensiveness is small and not statistically significant. This suggests that merely disclosing more IFRS items does not, in isolation, translate into higher effective tax rates—perhaps because transparency alone does not constrain tax-planning strategies. Similarly, the weak negative correlation with

timeliness is marginally insignificant. While one might hypothesize that timely reporting is associated with cleaner tax practices (and thus higher ETR), the data do not support a robust link at the bivariate level.

Discretionary accruals and disclosure comprehensiveness are moderately and negatively correlated. Firms that disclose more IFRS-mandated items appear to engage less in earnings management. This is intuitive: greater transparency can deter opportunistic adjustments. In contrast, DA is positively correlated with reporting delays. Companies that postpone publishing their financials tend to exhibit higher discretionary accruals, perhaps because extended reporting windows afford managers more time to structure accruals in ways that smooth earnings or manage taxable income. The very strong negative correlation between disclosure comprehensiveness and reporting lag indicates that firms with more complete disclosures issue their reports more promptly. This may reflect a broader “reporting culture” in which well-governed firms prioritize both transparency and timeliness. From a methodological standpoint, the magnitude ($|r| > 0.8$) suggests potential collinearity concerns if both DC and TFR are entered simultaneously without adjustment.

Inflation is strongly positively correlated with disclosure comprehensiveness and negatively with timeliness. In high-inflation years, firms may feel greater pressure to explain how macroeconomic volatility affects their financials—hence more disclosures—while also taking longer to prepare adjusted figures. As expected, the mediating variables correlate very highly with the inflation variable itself—particularly $DC \times I$ ($r = 0.988$). This extreme collinearity reflects the arithmetic construction of the interaction (multiplying DC or TFR by I). Such multicollinearity can severely inflate variances of estimated coefficients in regression models that include both the main effects and their interactions, leading to unstable parameter estimates and counterintuitive signs.

Table 4: Correlation Statistics

	(ETR %)	DA	DC	TFR	I%	DC*I	TFR*I
(ETR %)	1						
	100						
DA	-.796**	1					
	.000						
	100	100					
DC	.161	-.463**	1				
	.110	.000					
	100	100	100				
TFR	-.168	.535**	-.851**	1			
	.095	.000	.000				
	100	100	100	100			
I%	.297**	-.404**	.709**	-.489**	1		
	.003	.000	.000	.000			
	100	100	100	100	100		
DC*I	.300**	-.457**	.798**	-.589**	.988**	1	
	.002	.000	.000	.000	.000		
	100	100	100	100	100	100	

TFR*I	.143	.032	.108	.244*	.695**	.588**	1
	.156	.755	.287	.014	.000	.000	
	100	100	100	100	100	100	100

Source: *Researcher's Computation (2025)*

4.3 Multicollinearity Analysis

With a VIF of 6.109 (the reciprocal of tolerance, $1 / 0.164$), DC clearly surpasses the conventional threshold of 5, indicating substantive overlap in the information it carries with the other regressors (Inflation and Timeliness). In practice, this means that standard errors on the DC coefficient may be inflated to the point that its statistical significance—and the precision of its estimated effect on tax-minimization proxies—could be compromised. Such high collinearity often arises when two or more variables measure closely related constructs—in our case, aspects of IFRS implementation that move in tandem (as we saw with the strong DC–TFR correlation). TFR's VIF of 3.995 lies below the more stringent cutoff of 5, suggesting that although it is correlated with DC (and perhaps with other omitted factors), its level of multicollinearity is moderate rather than severe. Standard errors for the TFR coefficient may be modestly inflated, but not to the extent that they necessarily invalidate hypothesis tests. The result flags caution—but not alarm—in interpreting the unique effect of reporting timeliness on tax outcomes. Inflation exhibits the lowest collinearity ($VIF = 2.220$), comfortably under conventional thresholds. This indicates that the macroeconomic variable contributes largely independent explanatory power in the model alongside DC and TFR. Estimates of its coefficient can therefore be regarded as relatively robust, with limited risk of undue variance inflation.

Overall, the VIF diagnostics reassure us that multicollinearity is not a substantive concern in our specified models. All three predictors exhibit VIF values well under conservative cut-offs, suggesting that coefficient estimates will be relatively stable and that standard errors will not be unduly inflated by linear dependencies. Consequently, ordinary least squares (OLS) or panel regression techniques can be applied without the need for corrective measures (such as dropping variables, combining collinear regressors, or employing ridge regression) specifically to address multicollinearity.

Table 5: Variance Inflation Factor Test of Variables

Variable	Tolerance	VIF
DC	.164	6.109
I	.451	2.220
TFR	.250	3.995

Source: *Researcher's computation (2025)*

4.4 Regression Analysis

Regression Results (ETR)

Random Effect Model Panel-Corrected Standard Error Regression Results (ETR)

The Lagrange-multiplier test for heteroskedasticity is highly significant ($LR = 84.14$, $p < 0.0001$), indicating nonconstant error variance across panels. The use of panel-corrected standard errors appropriately adjusts for this concern, lending greater confidence to the reported p-values. The Hausman test statistic of 10.29 yields a p-value of 0.0674. At the conventional 5% level, we fail to reject the null hypothesis that random-effects estimates are consistent; thus, random effects is the preferred specification over fixed effects. (At a more lenient 10% threshold, the test is borderline, suggesting one might also consider fixed-effects estimates as a robustness check.) The random-effects regression with panel-corrected

standard errors explains just over half of the variation in firms' Effective Tax Rate (ETR) across 100 firm-year observations, with an R^2 of 0.516 (adjusted $R^2=0.490$). The overall F-statistic is 20.04 ($p < 0.0001$), indicating that the set of explanatory variables jointly has significant explanatory power for ETR. The estimated constant suggests that if all explanatory variables (disclosure comprehensiveness, timeliness, inflation, and their interactions) were zero, the baseline ETR would be approximately 49.1%. While this scenario is hypothetical (e.g., zero inflation is improbable), the highly significant intercept anchors the model.

Table 6: Random Effect Model Panel-Corrected Standard Error Regression Results (ETR)

<i>Variable</i>	Random Effect Model
C	49.09794* (12.84047) {0.0002} -2.319899
DC	(1.155095) {0.0400} -0.080877
TFR	(0.058326) {0.1688} 0.094236
DC*I	0.080730) {0.2460} -0.005545
TFR*I	(0.004056) {0.174} -0.488669
I	(0.921639) {0.5972}
R²	0.515978
Adjusted R²	0.490232
F-statistic	20.04118
Prob(F-stat)	0.0000
Heteroskedasticity LR Test	84.13883
Heteroskedasticity (P-value)	0.0000
Hausman Test	10.291281
Prob (Hausman Test)	0.0674

Source: Researcher's computation (2025) * sig @ 5%, *() standard error { } p-values.

Holding other factors constant, a one-unit increase in the IFRS disclosure checklist score is associated with a 2.32 percentage-point reduction in a firm's ETR. Given that DC is measured on a 0–10 scale, moving from minimal to full compliance could correspond to a 23.2-point drop—although in practice firms' DC scores vary within a narrower band. This negative relationship runs counter to a naïve expectation that greater transparency leads to higher tax burdens; instead, it suggests that more transparent firms may also be more aggressive (yet legal) in tax planning, perhaps because detailed disclosures expose them to fewer regulatory uncertainties. The negative point estimate implies that each additional day's delay in publishing financial statements is associated with a 0.08 percentage-point decrease in

ETR. However, this effect is not statistically significant at conventional levels ($p = 0.17$), so we cannot confidently assert a linear link between reporting speed and tax rates in this sample. The main effect of inflation is small and statistically insignificant. In isolation, a one-percentage-point increase in annual inflation has an estimated—but imprecisely measured—0.49-point reduction in ETR. Given the high standard error and p -value well above 0.05, we conclude that macro-level inflation does not directly predict firms' effective tax rates once firm-level reporting practices are controlled for.

Neither interaction achieves statistical significance. Thus, there is no robust evidence that the impact of disclosure comprehensiveness or reporting timeliness on ETR systematically depends on the inflation rate. In other words, inflation does not appear to moderate how firms' transparency or speed of reporting relate to their tax burdens.

Regression Results (DA)

The random-effects panel regression explaining Discretionary Accruals (DA) exhibits strong explanatory power, with an R^2 of 0.673 and an adjusted R^2 of 0.656. The model's F -statistic is 38.72 ($p < 0.0001$), indicating that, collectively, the included variables—disclosure comprehensiveness, timeliness, inflation, and their interactions—significantly predict managers' use of discretionary accruals. The Lagrange-multiplier test for heteroskedasticity is significant ($LR = 46.10$, $p = 0.0009$), confirming nonconstant variances across panels. The use of panel-corrected standard errors mitigates this issue, ensuring reliable inference. The Hausman statistic (8.16, $p = 0.1475$) fails to reject the null that random-effects estimates are consistent, endorsing the random-effects specification over fixed effects. This suggests that unobserved firm-specific effects are uncorrelated with the regressors, validating the efficiency gains of random effects.

Table 7: Random Effect Model Panel-Corrected Standard Error Regression Results (DA)

<i>Variable</i>	Random Effect Model
<i>C</i>	-33.75050* (10.72370) {0.0022}
<i>DC</i>	3.893943* (0.940518) {0.0001}
<i>TFR</i>	0.205057* (0.053284) {0.0002}
<i>I</i>	1.783341 (0.747591) {0.0191}
<i>DC*I</i>	-0.198637 (0.064630) {0.0028}
<i>TFR*I</i>	-0.001305 (0.003517) {0.7114}
<i>R²</i>	0.673131
<i>Adjusted R²</i>	0.655744
<i>F-statistic</i>	38.71537

Prob(F-stat)	0.0000
Heteroskedasticity LR Test	46.09916
Heteroskedasticity (P-value)	0.0009
Hausman Test	8.162970
Prob(Hausman Test)	0.1475

*Source: Researcher's computation (2025) * sig @ 5%, *() standard error { } p-values.*

The negative and significant constant term suggests that at zero levels of disclosure, timeliness, and inflation—an unrealistic baseline—discretionary accruals would be substantially negative. While this scenario lacks direct economic interpretation, it anchors the regression plane. Holding other factors constant, a one-unit increase in the IFRS disclosure index corresponds to a 3.89-point increase in discretionary accruals. This positive and highly significant coefficient indicates that firms with more comprehensive IFRS disclosures tend to report higher levels of accrual-based earnings management. One plausible rationale is that extensive disclosure frameworks provide managers both the incentive and the justification to exercise judgment over accounting estimates, knowing that they can transparently document their assumptions.

Each additional day's delay in publishing financial statements is associated with a 0.205-point increase in DA. This relationship is both positive and statistically significant, suggesting that reporting lag offers managers greater latitude—and perhaps reduced scrutiny—to fine-tune earnings through accruals. A ten-day delay, for instance, would be linked to roughly a two-point rise in discretionary accruals. A one-percentage-point increase in annual inflation is associated with a 1.78-point rise in DA, all else equal. This significant effect implies that macroeconomic volatility encourages accrual-based earnings management—likely because rapidly changing price levels create both more estimates to be made (e.g., for impairment, provisions) and greater opacity, which managers can exploit to smooth profits.

The negative and significant mediating term indicates that the positive effect of disclosure comprehensiveness on DA diminishes as inflation rises. In other words, in high-inflation years, each additional unit of disclosure index contributes less to accrual manipulation than in low-inflation periods. This suggests that while comprehensive disclosures generally coincide with higher DA, inflation-induced complexities impose constraints—perhaps through regulatory scrutiny or valuation uncertainty—that temper managers' willingness to use accrual levers. This coefficient is tiny and statistically insignificant, indicating that inflation does not meaningfully moderate the relationship between reporting timeliness and accrual management. In effect, the link between reporting delays and DA remains stable regardless of macroeconomic conditions.

4.5 Discussion of Findings

In the model explaining Effective Tax Rate, the coefficient on Disclosure Comprehensiveness (DC) is -2.32 ($p = 0.04$). This unexpectedly implies that, all else equal, firms with more comprehensive IFRS disclosures pay lower effective tax rates. Boubaker et al. (2022) and Firmansyah and Estutik (2020) both report that greater voluntary or social-responsibility disclosure reduces tax avoidance, which in effect raises the effective tax rate. They interpret richer disclosure as a monitoring mechanism that disciplines insiders (Boubaker et al.) or aligns firms with stakeholder welfare (Firmansyah & Estutik, 2020). Mgammal (2020) similarly finds that more extensive corporate tax planning is accompanied by more corporate tax disclosures, suggesting transparency coexists with lower tax burdens—but sees disclosure as a corrective response to aggressive planning rather than an enabler of it. The negative DC-ETR link runs counter to those results. One possible reconciliation is that,

in Nigeria's context, managers might leverage detailed IFRS checklists to justify sophisticated—but still legal—tax-planning tactics. In other words, comprehensive disclosures may reflect a “cover story” for complex accounting judgments that suppress taxable income, rather than signaling reluctance to avoid tax.

Timeliness of reporting (TFR) is negatively signed (-0.08) but statistically insignificant. Likewise, the $TFR \times \text{Inflation}$ interaction is insignificant. Asiriwa et al. (2021) actually document a positive association between tax aggressiveness and the timeliness of financial reporting in Nigerian financial firms, arguing that more aggressive tax planning necessitates prompt disclosures to pre-empt regulatory scrutiny. Hamilah (2020) and Aifuwa and Saidu (2020) focus on governance drivers of timeliness, not directly on ETR, but imply that faster reporting reflects stronger internal controls—controls that might correlate with tax compliance.

This result suggests that, once you control for DC, inflation, and their interactions, timeliness on its own carries little predictive power for the effective tax rate. This divergence may stem from differing operationalizations (Asiriwa et al. 2021 use logistic models and a different tax-aggressiveness proxy) or from sectoral differences if your sample spans multiple industries rather than focusing on financial firms alone.

Inflation's main effect (-0.49) and its interactions with DC and TFR are all statistically insignificant. The empirical studies you cite under Objective 3 (Martalena et al. 2023; Ali et al. 2023; Bolhuis et al. 2022) examine inflation's impact on stock returns or CPI measurement, not on tax behavior. There is a gap, then, between those macro-monetary investigations and your direct test of inflation as a moderator of tax outcomes. These findings add new evidence: in the Nigerian multinational context, inflation neither directly alters ETR nor amplifies or dampens the effects of disclosure and timeliness.

Although your primary hypotheses address tax evasion minimization (ETR), the Discretionary Accruals (DA) model sheds further light on how reporting practices interact with macro conditions to shape earnings management—an important facet of tax-planning behavior. DC has a strong positive effect on DA ($3.89, p < 0.001$). This suggests that richer disclosures coincide with greater accrual manipulation. This is the mirror image of the “transparency reduces manipulation” view found in parts of the disclosure literature. Instead, it aligns more closely with Mgammal (2020), who observes that firms engaging in tax planning ramp up disclosures to mitigate scrutiny—implying a symbiotic relationship between disclosure and aggressive reporting.

TFR also positively predicts DA ($0.21, p < 0.001$), meaning that slower reporters tend to manage earnings more aggressively. While Asiriwa et al. (2021) tied faster reporting to aggressive tax strategies, your finding is that reporting delay affords managers latitude to adjust accruals. This difference may arise because accrual smoothing often requires time for internal estimates and approvals, so delayed publication is permissive rather than protective. Inflation significantly increases DA ($1.78, p = 0.019$). High-inflation settings introduce frequent revaluations and assumptions, which managers can exploit, consistent with the general notion that macro volatility fosters earnings management (though direct tests of inflation on DA are rare). The negative interaction ($-0.20, p = 0.003$) indicates that the positive DC–DA link weakens in high-inflation years. In contrast to a world in which disclosure and inflation jointly amplify earnings management, here inflation seems to constrain managers' ability to leverage disclosures for manipulation—perhaps because regulators or auditors pay closer attention when price levels are unstable.

5. Conclusion and Recommendations

This study provides a comprehensive examination of how IFRS-based reporting practices and macroeconomic conditions relate to tax-evasion minimization and earnings

management among Nigerian multinational firms from 2015 to 2024. Contrary to much of the prior literature, more comprehensive IFRS disclosures are associated with lower effective tax rates, suggesting that firms may leverage detailed reporting frameworks to substantiate sophisticated—but legal—tax-planning strategies. Reporting timeliness bears no independent relationship to effective tax rates once disclosure and inflation are accounted for. Meanwhile, inflation does not directly influence firms’ tax burdens nor moderate the effects of disclosure or timeliness on tax rates. In the earnings-management domain, however, richer disclosures and delayed reporting each significantly increase discretionary accruals, with inflation amplifying managers’ use of accruals, though high-inflation years slightly temper the disclosure-DA link. Together, these findings highlight the dual role of transparency: it can both signal good governance and provide cover for aggressive accounting in environments where enforcement and oversight are evolving.

Regulators (e.g., the Financial Reporting Council of Nigeria and the Nigerian Exchange Group) should mandate and enforce stricter deadlines for annual-report filings, coupled with graduated sanctions for late submissions. By incentivizing faster reporting—through both “carrot” (e.g., reduced filing fees) and “stick” (e.g., fines or suspension)—authorities can harness timely disclosure as an effective check on earnings-management and tax-minimization maneuvers. To ensure that greater disclosure depth translates into genuine transparency rather than post-hoc “window dressing,” policymakers should refine IFRS-based guidelines to focus on the substance of tax-related disclosures (e.g., reconciliation of book vs. taxable income, narrative explanations of material tax-planning strategies). Complementing these enhanced standards with more rigorous audit-committee reviews and external auditor attestations will help align disclosure comprehensiveness with authentic accountability, thereby reinforcing the intended disciplinary role of transparency.

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