



Research Paper

Adoption of International Financial Reporting Standards and Corporate Performance of Deposit Money Banks in Nigeria

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ABSTRACT

The notion that banks have incentives to withhold or manipulate information in certain situations so as to manage their earnings is a major discourse in the literature, this is because the publication of such information imposes both direct and indirect cost on the disclosing firm. Besides, the cost of collating, processing, communicating, and auditing the information to be published, the position of the disclosing firm may be damaged when such information is used by competitors, government agencies, trade unions, clients, or suppliers. It is on this premise that the study examined the effect of IFRS adoption on corporate performance of listed selected banks on Nigeria Stock Exchange using pre and post-performance indices.

This study adopted *ex post facto* research design. The data were obtained from the financial statements of nine listed firms for the period 2006-2019. The documents were already exposed to the scrutiny of the appropriate regulatory agencies and the data were analyzed using descriptive and inferential statistics employing the Panel data regression.

The findings discovered that IFRS adoption has significant effect on liquidity of selected Deposit Money Banks in Nigeria ($R^2 = 0.40$, $F(3, 122) = 73.37$, $p = 0.000 < 0.050$). The study also found that the IFRS adoption has any significant effect on return on asset of selected deposit money banks in Nigeria ($R^2 = 0.94$, $F(3, 122) = 1927.01$, $p = 0.000 < 0.050$). In addition, there is evidence that the IFRS adoption has significant effect on capital adequacy of selected Deposit Money Banks in Nigeria ($R^2 = 0.20$, $F(3, 122) = 17.15$, $p = 0.000 < 0.050$). The study also revealed that IFRS adoption has significant effect on earnings per share of selected deposit money banks in Nigeria ($R^2 = 0.59$, $F(3, 122) = 131.18$, $p = 0.000 < 0.050$).

This study concluded that IFRS adoption has significant effect on the performance of selected deposit money banks in Nigeria. The study recommended that there should be enlightenment campaigns on the potential effects of IFRS implantation by the regulatory authorities, professional bodies and government so that companies would harness the potential opportunity presented by the adoption of IFRS to improve their business processes in all ramifications.

KEYWORDS: Capital adequacy, Earnings Per share, International Financial Reporting Standards, Liquidity, Performance, Return on Asset.

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I. INTRODUCTION

The fact that the whole world has become a global village, without any hindrance resulting from differences in financial interpretation from one country to another, has led to increased demand for quality financial reporting by discerning investors. Quality financial reporting can only be possible when all material facts are contained in a firm's annual report. According to Popova et al. (2013), disclosure is one of the tools used by a firm's management to communicate information to investors and all other stakeholder.

Akintoye (2016) classified the functions of financial management into five decisions: investment, financing, profit, dividend and retention, and liquidity. For Akintoye, investment decision takes the center stage as it involves commitment of resources towards the acquisition of assets for a longer period. One of the criteria on which an investor bases his investment is access to information on that investment. Non-availability of vital information is tantamount to information asymmetry which may result in serious agency problems and wrong investment decisions.

The quality of information provided in financial reports determines the usefulness and reliance of such reports to users. The characteristics by which quality can be measured are relevance, understandability and comparability. In view of the strategic importance of the banking sector to economic development in Nigeria, and the fact that banking sector was the first among the listed public entities in Nigeria to fully adopt IFRS, a study on the effect of IFRS adoption on financial performance of money depositing banks in Nigeria becomes imperative. The use of different accounting frameworks in different countries creates confusion for users of financial statements resulting into inefficiency in capital markets across the world (Vinayagamoorthy, & Sankar, (2012).

In the case of Nigeria, National, foreign, and local financial experts have called for the adoption of the globally accepted standard; the International Financial Reporting Standard (IFRS). The process of adoption of IFRS poses difficulties which can be overcome by concerted efforts in training and information dissemination about the new standards. Literature reveals that the level of reliable and adequate information by listed companies in developing countries lags behind that in developed ones and government regulatory forces are less effective in driving the enforcement of existing accounting standards (Barth, Landsman & Land, 2012).

This research examined whether the mandatory introduction of International Financial Reporting Standards (IFRS) enhances financial statement comparability before adoption of IFRS and post-adoption. In light of this therefore, this study focused on the effect that IFRS has on selected indicators of corporate performance of Listed Banks in Nigeria. That is, in what way has the compliance to IFRS helps to improve Earning quality and timely loss recognition in terms of increase or decrease in Liquidity, return on assets, Capital adequacy and Earnings per share which are the main reasons for any organization being in existence

1.1 STATEMENT OF THE PROBLEM

Extant literature is replete of studies that seek to examine the mandatory adoption of IFRS in Banks (Akpan-Essien, 2011; Garba, 2013; Enang & Umoren 2015; Dania, Yahaya & Yusuf 2015). However, most of these studies focused on IFRS adoption and value relevance of quality of financial statement, with IFRS adoption and its effect on changes in earnings and changes in loan loss recognition receiving less research attention. In addition, the few existing studies on IFRS and Bank performance failed to capture performance indicators like Liquidity, return on assets, Capital adequacy and Earnings per share of which this present study incorporated in its investigation. More so, this present research addressed this problem by studying the effect of the mandatory adoption of IFRS on the financial performance of Deposit Money Banks in Nigeria. The problem is that banks have incentives to withhold or manipulate information in certain situations (poor performance). This is because the publication of such information imposes both direct and indirect cost on the disclosing firm (Mutai, 2014). Besides the cost of collating, processing, communicating, and auditing the information to be published, the position of the disclosing firm may be damaged when such information is used by competitors, government agencies, trade unions, clients, or suppliers.

Considering this therefore, this study focused on the performance of selected banks under Statement of Accounting Standard (SAS) before 2012 as against disclosure requirements and its effect on banks performances under IFRS in Nigeria. The study was set to determine if bank performance has improved since the adoption of IFRS in 2012

1.2 OBJECTIVE OF THE STUDY

The main objective of this study was to investigate the effect of IFRS adoption on corporate performance of listed selected banks on Nigeria Stock Exchange using pre- and post-performance indices. The specific objectives were to:

1. examine the effect of IFRS adoption on liquidity of selected Deposit Money Banks in Nigeria
2. ascertain the effect of IFRS adoption on Return on Assets of selected Deposit Money Banks in Nigeria.
3. determine the effect of IFRS adoption on Capital adequacy of selected Deposit Money Banks in Nigeria.
4. assess the effect of IFRS adoption on Earning Per share of selected Deposit Money Banks in Nigeria.

1.3. JUSTIFICATION OF THE STUDY

The story of the tower of Babel signified that anything can be achieved when there is uniformity in language. In this same vein, the evolution of accounting (seen as the language of business) strives towards “a uniform language” which is the adoption of International Financial Reporting Standards in many countries of the world. Regulation of accounting information is aimed at ensuring that users of financial statement receive a minimum amount of information that will enable them to make meaningful decisions regarding their interest in a reporting entity (Olumide & Ajibade, 2016).

1.4 SCOPE OF THE STUDY

The study examined the effect of international financial reporting standards on the financial performance of the Nigerian banking industry from 2006-2011 (pre-adoption period) and 2012-2019 (post-adoption period). The

selection of this time frame was informed by the fact that the period was underscored by a massive transformation through a guided process of recapitalization and consolidation program anchored by the Central Bank of Nigeria CBN.

Money Deposit Banks are grouped into 4(four) categories. The first Category of 8 (eight) banks have international authorization, second category of 11 (eleven) banks have National authorization, the third category of 3 (three) banks have regional authorization while the last category of 2(two) banks **hasnon-Interest** authorization. Out of these numbers,14(fourteen) banks are listed on the Nigeria Stock Exchange hence, population; for the purpose of this research is limited to the listed ones.

II. REVIEW OF LITERATURE

The chapter considers three perspectives, the conceptual review, theoretical review, and the empirical review.

2.1 CONCEPTUAL REVIEW

2.1.1 Corporate performance

The word ‘performance’ connotes “the performing of an activity, keeping, in view the achievement made by it”. It thus implies “the role played by an arrangement keeping in view the achievement made by it”. Albans (1978) describes performance as the efforts extended to achieve the targets efficiently and effectively. Whereas the achievement of targets involves the integrated use of human, financial and natural resources.

Corporate performance is an important concept which relates to the ways and manners in which the resources (human, machine, finance) of an institution are effectively used to achieve the overall corporate objective of an organization (Adegbemi, Donald & Ismail, 2012). What keeps banks in business is simply its ability to judiciously use its available resources and make sure that the providers of economic resources and its managers mutually benefit from the use of the resources. Financial performance is the process of measuring the results of banks policies and operations in terms of monetary value. These results are reflected in the firm's profitability, liquidity or leverage. Evaluating the financial performance of a deposit money bank business allows decision-makers to judge the results of business strategies and activities in objective monetary terms. Normally, financial ratios are used to determine the financial performance of banks. A well designed and implemented financial management is expected to contribute positively to the creation of a firm's value (Padachi, 2006). The ultimate goal of profitability of a firm can be achieved by efficient use of resources towards maximization of shareholders wealth (Panwala, 2009).

2.1.2 International Financial Reporting Standards (IFRS) in Nigeria

A special study was conducted by the World Bank Group between November 2003 and March 2004 on the observance of standards and codes for Nigeria. As part of the aims of the project, they examined the degree of compliance with national accounting standards and determine the comparability of national accounting standards with International Accounting Standards (IASs). In their study they observed that the SASs had not been reviewed or updated in line with the current IFRSs (World Bank, 2004). The Federal Government of Nigeria on 2nd September 2010 officially declares IFRS adoption in Nigeria and initiated the guidelines to be followed for its accomplishment. The consent to IFRS adoption by the Federal Government of Nigeria made the country become an enlisted member of those countries that have adopted IFRS across the globe

2.2. THEORETICAL REVIEW

The underpinning theories of this study are information asymmetry theory and signaling theory. These theories were chosen based on their relevance and direct connection to dependent and independent variables of the study **including suitability** and relevance to the ideology of the study.

2.2.1 Signaling theory is useful for describing behavior when two parties (individuals or banks) have access to different information. Typically, one party, the sender, must choose whether and how to communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal. For example, voluntary IFRSs disclosure may signify the intention of firms to distinguish themselves and give positive signals to market participants about their managerial ability and performance.

2.2.2. Information asymmetry theory focus on the bank/borrower and the bank/lender relation in particular. In bank lending one can basically distinguish transactions-based lending, financial statement lending, asset-based lending, credit scoring, and data gathered over the course of the relationship with the borrower is used. In the former class; information that is relatively easily available at the time of loan origination is used. But, the adoption of IFRSs would ensure that managers give and disclose relevant and reliable accounting information and reports to the stake holders thus, reducing agency problems and ensuring information symmetry. However, each and every theory reviewed were chosen because of their suitability and relevance to the ideology of the study.

2.3.EMPIRICAL REVIEW

Empirically, in comparing domestic standards to IFRS, some studies have shown that there are no significant differences in accounting results with the implication that the adoption of IFRS does not result in better accounting quality. Studies in Germany by Tendeloo and Vanstraelen (2005) and Hung and Subramanyam (2007) did find similarities in earnings management and

Mehdi et al. (2014) examined the factors influencing the capital adequacy ratio of foreign banks' subsidiaries. They use data from 340 subsidiaries of 123 multinational banks and test whether the subsidiaries' capital ratio depends on the parent banks' fundamentals. They also study the role of the economic conditions and regulatory environment in the bank's home country while determining the CAQ of its foreign subsidiaries. Their results provide strong evidence that the CAQ of subsidiaries operating in developing and developed countries do not depend on the same set of explanatory factors. They also find that the regulatory framework of a parent bank's home country affects the capitalization of its foreign subsidiaries in the host countries.

Akinkunmi (2017) studied the determinants of banks' profitability in Nigeria by using a panel dataset from 2001 to 2015. Regression analysis Ordinary Least Squares (OLS) and Generalized Method of Moment techniques were adopted as statistical tools. Findings indicate that efficiency and credit risk have a statistically significant relationship with bank profitability.

2.4.GAPS IN LITERATURE REVIEW.

Nadia and Mohamed (2014) carried out research on value relevance of accounting information for the banks listed in the Dubai Financial Market but less attention was placed on IFRS adoption. Yetunde (2015) examined the impact of IFRS on the performance of banks in Nigeria but failed to capture Market value as one of important performance indicators

Sani and Umar (2014) examined the extent to which the Nigerian Banking Industry complied with those requirements as captured in IFRS but only focused on compliance.

Adeyemi, Adeleke and Ibitoye (2015) worked on the influence of IFRS adoption on financial reporting quality with reference to selected deposit money banks in Nigeria but, the study was limited to post adoption era.

Shehu (2015) carried out research on adoption of international financial reporting standards and earnings quality in listed deposit money banks in Nigeria but did not mention changes in liquidity in pre and post IFRS period

Eneje, Obidike and Chukwujekwu (2016) examined the effect of IFRS adoption on the mechanics of loan loss provisioning for Nigerian Banks but, the study did not consider profitability as one of the performance indicators

Akinkunmi (2017) studied the determinants of banks' profitability in Nigeria. This study did not take into account macro-economic variables as applicable to Nigeria setting.

Akpan, Ekeria and Umoren, (2018) Carried out Value relevance of book-value and earnings on the market price of shares before and after the adoption of IFRS but, variables relationship are not statistically significant to pre and post IFRS adoption,

Chukwu, Damiebi and Okoye (2019) examined how firm-specific attributes affect the value relevance of earnings and book-value of equity in Nigeria (2008-2013). However, the period for the study is considered inadequate as only six years [three years each for the pre- and post-adoption periods].

Onalot et al. (2014) examined the impact of IFRS on the quality of Nigerian banks' financial statements but, the study did not focus on the Asset Quality Ratio which is the overall measure of wellness of loans and advances in banks' balance sheet.

Most empirical studies lack a theoretical framework that explain and predict the accounting choice of firm managers under certain conditions. Some studies do not provide a theoretical framework while other studies use conceptual and theoretical frameworks that do not make testable predictions (or hypotheses) about the accounting choice that managers might use to influence reported earnings under explicit contracts, such as, bonus plans, proximity to debt-covenant violations, etc. An accounting (or economic) theory in empirical accounting research must provide some testable predictions or hypotheses about some phenomena that can be supported or refuted with evidence using real-world data (Watts and Zimmermann, 1986. Future empirical studies on earnings quality should provide theoretical frameworks or theories that provide testable hypothesis for empirical investigation to earnings quality.

Among these researchers, those who covered the pre and post effect of International Financial Reporting Standards (IFRS) on the performance of selected banks in Nigeria in terms of changes in Earnings and Time loss recognition did not use adequate parameters in terms of time series and independent variables. A gap which this research work intends to cover. Following from the above literatures reviewed, this study focused on a comparative analysis of Bank Performance in Nigeria through comparing ratios computed from IFRS and

Nigerian GAAP based financial statements of Nine (9) banks for the period between 2006 – 2019 using descriptive statistics and multiple regression.

III. METHODOLOGY

This study employed *ex-post facto* research design using secondary data. This was adopted because the investigation started after the fact has occurred without interference from the researcher. The required data were sourced from annual report of the selected banks in Nigeria from 2006-2011(pre-adoption period) and 2012-2019 (post-adoption period). This period range allowed for a more reliable findings and establishment of a trend analysis of long-term relationship prediction of the interactions between the independent variable and dependent variable. The time frame also made it possible to reflect the effect of international financial reporting standards on the financial performance of the Nigerian banking industry. Data were collected in areas such as liquidity, return on capital, capital adequacy and earnings per share of banks listed in Nigeria Stock Exchange for the period under review.

The population of this study consisted of twenty-four (24) banks following the merger of two of the banks. The banking licenses of fourteen (14) banks were revoked while others were involved in massive mergers and acquisitions. Money Deposit Banks are grouped into 4(four) categories. The first Category of 8 (eight) banks have international authorization, second category of 11 (eleven) banks have National authorization, the third category of 3 (three) banks have regional authorization while the last category of 2(two) banks have Non Interest authorization. Out of these numbers, 14 (fourteen) banks are listed on the Nigeria Stock Exchange hence, population; for the purpose of this research is limited to the listed ones.

A judgmental sampling technique was used to select 9 (nine) banks that are listed on Nigeria Stock Exchange. The use of 9 (nine) banks is a suitable and fair sample since a sample of 0.05 proportion of the population is believed to be satisfactory in making inferences [Amadi, 2005]. The study employed a sample of 0.64 of the total population of 14 banks. It is therefore a representative sample. This study settled for only liquidity, return on assets, capital adequacy and earnings per share.

Model specification and measurement of variables.

3.1 Functional Relationship

$LIQ_{it} = f(\text{CLLR}_{it}, \text{CEQ}_{it}, \text{DUMMY}_{it})$	equation 1
$ROA_{it} = f(\text{CLLR}_{it}, \text{CEQ}_{it}, \text{DUMMY}_{it})$	equation 2
$CAQ_{it} = f(\text{CLLR}_{it}, \text{CEQ}_{it}, \text{DUMMY}_{it})$	equation 3
$EPS_{it} = f(\text{CLLR}_{it}, \text{CEQ}_{it}, \text{DUMMY}_{it})$	equation 4

3.2 Model Specification

$LIQ_{it} = \alpha_0 + \alpha_1 \text{CLLR}_{it} + \alpha_2 \text{CEQ}_{it} + \alpha_3 \text{DUMMY}_{it} + \epsilon_{it}$	(Model 1)
$ROA_{it} = \alpha_0 + \alpha_1 \text{CLLR}_{it} + \alpha_2 \text{CEQ}_{it} + \alpha_3 \text{DUMMY}_{it} + \epsilon_{it}$	(Model 2)
$CAQ_{it} = \alpha_0 + \alpha_1 \text{CLLR}_{it} + \alpha_2 \text{CEQ}_{it} + \alpha_3 \text{DUMMY}_{it} + \epsilon_{it}$	(Model 3)
$EPS_{it} = \alpha_0 + \alpha_1 \text{CLLR}_{it} + \alpha_2 \text{CEQ}_{it} + \alpha_3 \text{DUMMY}_{it} + \epsilon_{it}$	(Model 4)

Where:

α_0 = Intercept

α_i = Coefficients

μ_{it} = error term

Liquidity (LIQ) Return on Asset (ROA) Capital Adequacy (CAQ) Earnings Per Share (EPS)

Change in Quality of Earnings (CEQ) Change in Loan Loss Recognition (CLLR) Dummy variable to account for pre and post IFRS adoption (DUMMY)

IV. DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS

This chapter discussed the panel data regression results used to assess the impact of the adoption of International Financial Reporting Standards and Corporate Performance of deposit money banks in Nigeria for the period 2006-2019. The chapter is structured as follows: Sections 4.1 and 4.2 discussed the descriptive statistics and the degree of association between the dependent and the independent variables. Section 4.3 is devoted to panel data regressions of Pooled OLS, random effects models and fixed effects models and the discussion of findings.

4.1 ADOPTION OF IFRS AND COPORATE PERFORMANCE

4.1.1 Descriptive Statistics

The study consists of yearly data for the period 2006-2019 for nine deposit money banks in Nigeria. The descriptive presented in table 4.1 are the mean, maximum, minimum and standard deviations, and the numbers of observations for each of the dependent and independent variables. The dependent variables are Liquidity (LIQ), Return on Asset (ROA), Capital Adequacy (CAPA) and Earnings per Share (EPS). The

explanatory variables are Change in Quality of Earnings (CEQ), Change in Loan Loss Recognition (CLLR) and a dummy variable to capture the pre and post adoption of IFRS.

Table 4.1: Descriptive Statistics of Adoption of IFRS and Corporate Performance

Variables	Mean	Maximum	Minimum	Std. Dev.	Obs
LIQ	69.198	143.361	3.753	19.107	126
ROA	1.976	9.536	-7.827	1.720	126
CAPA	13.229	52.890	8.560	29.409	126
EPS	1.694	8.300	2.660	2.221	126
CEQ	8.300	48.091	-19.446	8.192	126
CLLR	0.010	0.075	0.000	0.015	126
DUMMY	0.571	1.000	0.000	0.497	126

Source: Researcher`s computation (2021)

Interpretation

The mean value for the data set of this variable is 69.19 while its standard deviation is 19.11. This suggests that there exists some level of fluctuations in the data and that the banks sampled over the periods sampled for the study defer in the rate at which their current asset is sufficient to meet their current obligations. The difference between the minimum value 3.753 and the maximum value 143.36 also shows the extent to which the banks vary from each other in this regard. The mean value of this data set for the sampled companies is 1.98 while the standard deviation is 1.72. This shows that the ROA fluctuates per bank in the sampled period. The minimum value of -7.83 shows that there are some of the banks that made losses during the sampled period hence had a negative return on asset. The maximum value of 9.54 shows the highest return on asset by any of the banks during the study period. The mean value of 13.23 and a standard deviation value of 29.41. The difference between the mean and standard deviation of the data set suggests that there is greater amount of disparity in the data set. There is difference between the minimum value 8.56 and the maximum value 52.89 for the capital adequacy ratio, since capital adequacy refers to the ratio of a bank's capital in relation to its risk weighted assets and current liabilities, this suggests that the deposit money banks CAR differs across banks. The mean value for the data set of this variable is 1.69 while its standard deviation is 2.221. This suggests that there exists some level of fluctuations in the data and that the banks sampled over the periods sampled for the study defer in the earnings per share over time. The difference between the minimum value -2.660 and the maximum value 8.30 also shows the extent to which the banks vary from each other in this regard, while some banks declared profits and some losses. The mean value for the data set of this variable is 8.30 while its standard deviation is 8.192. This suggests that there are little fluctuations in the data and that the banks sampled over the periods sampled for the study defer in the quality of earnings over time. The difference between the minimum value -19.45 and the maximum value 48.09 also shows the extent to which the banks vary from each other in this regard. The mean value for the data set of this variable is 0.010 while its standard deviation is 0.015. This suggests that there are little fluctuations in the data and that the banks sampled over the periods sampled for the study defer in their loan loss provision over time. The difference between the minimum value 0.000 and the maximum value 0.075 also shows the extent to which the banks vary from each other in this regard. Dummy variable is included to account for the effect of the pre and post adoption of the International Financial Reporting Standards in deposit money banks in Nigeria. The mean value is 0.571 and the standard deviation is 0.497. The maximum value is 1.00 and the minimum value is 0.00.

4.1.2 Correlation

Table 4.2 presents the correlation coefficient of dependent variables Liquidity (LIQ), Return on Asset (ROA), Capital Adequacy (CAPA) and Earnings per Share (EPS) on the explanatory variables of Change in Quality of Earnings (CEQ), Change in Loan Loss Recognition (CLLR) and a dummy variable to capture the pre and post adoption of IFRS.

Table 4.2: Correlation Matrix of Adoption of IFRS and Corporate Performance

Variables	LIQ	ROA	CAPA	EPS	CEQ	CLLR	DUMMY	VIF
LIQ	1.000							N/A
ROA	0.014	1.000						N/A
CAPA	0.272	0.059	1.000					N/A

EPS	0.048	0.888	0.073	1.000				N/A
CEQ	-0.006	0.633	0.103	0.518	1.000			1.360
CLLR	-0.016	-0.469	-0.084	-0.424	-0.377	1.000		2.150
DUMMY	0.067	0.159	-0.083	0.305	-0.002	-0.139	1.000	2.640

Source: Researcher`s computation (2021)

Interpretation

In an attempt to make sure that the estimated parameters are not biased and inefficient, the study examined the possibility of multicollinearity among the explanatory variables, using the variance inflation factor for each of the explanatory variables, the results of the VIFs less than 10 for all the variables, the VIF are 2.64, 2.15 and 1.30 the dummy variable, change in loan loss recognition and change in quality of earnings respectively.

From Table 4.2, the results show that change in quality of earnings and change in loan loss recognition have negative association with the liquidity of the selected deposit money banks with correlation values of -0.006 and, -0.016 respectively. This implies that increases in change in quality of earnings and change in loan loss recognition will lead to a fall in liquidity of the banks. Conversely, the dummy variable has positive association with the liquidity with a correlation value of 0.067, thus increases in the dummy variable will lead to increase in liquidity of the banks.

In addition, there is evidence that change in quality of earnings and dummy variable have positive association with the return on asset of the selected deposit money banks with correlation values of 0.633 and 0.159 respectively. This implies that increases in change in quality of earnings and the dummy variable will lead to an increase in return on asset of the banks. Conversely, the change in loan loss recognition has negative association with the return on asset with a correlation value of -0.469, thus increases in the change in loan loss recognition will lead to decrease in return on asset of the banks. Also, there is evidence that change in loan loss recognition and dummy variable have negative association with the capital adequacy of the selected deposit money banks with correlation values of -0.084 and 0.083 respectively. This implies that increases in change in loan loss recognition and the dummy variable will lead to a decrease in the capital adequacy of the banks. Conversely, the change in quality of earnings has positive association with the capital adequacy with a correlation value of 0.103, thus increases in the change in quality of earnings will lead to increase in capital adequacy of the banks.

Furthermore, there is evidence that change in quality of earnings and dummy variable have positive association with the earnings per share of the selected deposit money banks with correlation values of 0.518 and 0.305 respectively. This implies that increases in change in quality of earnings and the dummy variable will lead to an increase in earnings per share of the banks. Conversely, the change in loan loss recognition has negative association with the earnings per share with a correlation value of -0.424, thus increases in the change in loan loss recognition will lead to decrease in earnings per share of the banks.

4.1.3 Presentation, Hypothesis Testing of Regression Results

This section presents and discusses the regression results based on pooled OLS, fixed effect models and random effect models presented in tables 4.3. The result in Table 4.3, is in support of the random effect model, this is because the Hausman test is not significant, thus the use of the random effect and more importantly, the Bresuch-Pagan random effect model test significance. However, with the presence of serial correlation and heteroscedasticity, the study used the robust option to correct for serial correlation and heteroscedasticity in the random effect model.

Hypothesis One

Research Objective One: Examine the effect of IFRS adoption on liquidity of selected Deposit Money Banks in Nigeria

Research Question One: How has IFRS adoption affected liquidity of selected Deposit Money Banks in Nigeria?

Research Hypothesis One: IFRS adoption does not have any significant effect on liquidity of selected Deposit Money Banks in Nigeria

Table 4.3 IFRS Adoption and Liquidity**Dependent Variable: LIQ**

Variables	Coeff	Robust S.E	Z-test	Prob
CLLR	0.168**	0.082	2.052	0.040
CEQ	0.029	0.094	0.304	0.761
DUMMY	0.244***	0.079	3.098	0.002
Constant	0.007	0.017	0.431	0.667
<i>Adjusted R²</i>	0.402			
Wald Test	73.37 (0.000)			
Hausman Test	0.10 (0.991)			
Bresuch-Pagan RE Test	9.26 (0.001)			
Heteroscedasticity Test	43.85 (0.000)			
Serial Correlation Test	23.36 (0.000)			
Pesaran CSI	-0.11 (0.915)			
Observations	126			

Source: Researcher`s computation (2021)

Interpretation of Diagnostic Test

From Table 4.3, the diagnostic test reported are the Hausman test, the Breusch and Pagan Lagrangian multiplier test, the heteroskedasticity, the Wooldridge test for autocorrelation and the Pesaran's test of cross-sectional independence, these tests were carried out so as to determine the appropriateness of the estimation technique for the specified model. First, the Hausman test was used to determine the appropriateness between the fixed effect and the random effect model. The null hypothesis of the Hausman specification test is that there is no correlation between the random effect and fixed effect model, thus the random effect estimates are efficient and consistent, and that the fixed effect estimates are inefficient. The Hausman statistic of 0.10 with a probability value of 0.99 is greater than the 5% level of significance hence, the non-rejection of the null hypothesis. This implies that the random effect model is efficient and appropriate. To determine the appropriateness of the random effect model, the Breusch Pagan Lagrangian test was conducted; the result showed that the statistic of 9.26 with a probability value of 0.001 is less than the 5% level of significance. This result shows that the random effect is appropriate.

To determine the cross-sectional dependence between the selected deposit money banks in Nigeria, the Pesaran CD test was used. The statistic of -0.11 and with a probability value of 0.92 is not statistically significant at 5% level of significance. This implies that the selected deposit money banks are cross sectional independence. The Breusch-Pagan / Cook-Weisberg test for heteroscedasticity was carried out to determine if the variance of the residual is constant. The null hypothesis of homoscedasticity was rejected and the alternative hypothesis of heteroscedasticity was accepted. This was because the test statistic of 43.85 is statistically significant at 1 per cent level. In testing for autocorrelation in the panel data, the Wooldridge test was used. The null hypothesis that the successive error terms are not correlated was rejected in favour of the alternative hypothesis that the successive error terms are serial correlated because the statistic of 23.36 with a probability value of 0.000 which is less than the 5% level of significance. However, with the presence of autocorrelation and heteroscedasticity, the study used the robust option for the random effect model.

Model 1:

$$LIQ_{it} = \alpha_1 + \beta_1 CLLR_{it} + \beta_2 CEQ_{it} + \beta_3 DUMMY_{it} + \mu_1$$

$$LIQ_{it} = 0.007 + 0.168CLLR + 0.029CEQ + 0.244DUMMY$$

$$Z\text{-test} \quad 0.431 \quad 2.052 \quad 0.304 \quad 3.098$$

4.1,4 Discussion of Findings

Table 4.3 shows the results of regression analysis of the effects of IFRS adoption on liquidity of selected deposit money banks in Nigeria. The results show that the change in the loan loss recognition, change in quality of earnings and the dummy variable have positive relationship with liquidity of the selected money banks in Nigeria. In addition, there is evidence that the change in loan loss provision and the dummy variable have significant relationship with the liquidity ratio of the selected deposit money banks in Nigeria (CLLR= 0.168, Z-test= 2.052, $p < 0.05$ and DUMMY = 0.244, Z-test= 3.098, $p < 0.05$) respectively. This implies that

change in loan loss provision and the dummy variable are significant factors influencing changes in the liquidity ratio of the selected deposit money banks in Nigeria.

Conversely, there is evidence that change in quality of earnings do not have significant relationship with the liquidity ratio of the selected deposit money banks in Nigeria (CEQ= 0.029, Z-test= 0.437, $p > 0.05$). This also implies that change in quality of earnings is not a significant factor influencing changes in the liquidity ratio of the selected deposit money banks in Nigeria. This result is in conformity with the work of Kargi (2011) who evaluated the impact of credit risk on the profitability of Nigerian banks and found that credit risk management has a significant impact on the profitability of Nigerian banks. Ahmad and Ariff (2007) examined the key determinants of credit risk of commercial banks on emerging economy banking systems compared with the developed economies. The study found that regulation is important for banking systems that offer multi-products and services; management quality is critical in the cases of loan-dominant banks in emerging economies. The study of Athanasoglu et. al. (2006) examined the impact of both internal and external determinants of credit institutions over the 1998-2002 periods. The study used unbalanced panel dataset of seven SEE countries (Bulgaria, Croatia, Albania, Bosnia-Herzegovina, FYROM, Serbia-Montenegro and Romania) and random effect model (REM) regression to test the analysis. It was discovered that inflation has a strong impact on bank profitability in these countries.

Concerning the magnitude of the estimated parameters for the coefficients of the regression analysis, a unit increase in the change in loan loss recognition, change in quality of earnings and the dummy variable will lead to 0.168, 0.029 and 0.244 increases in the liquidity ratio of the selected deposit money banks in Nigeria, respectively.

The Adjusted R^2 which measure the proportion of the changes in the liquidity ratio of the selected deposit money banks in Nigeria as a result of changes in change in loan loss recognition, change in quality of earnings and the dummy variable explains about 40 per cent changes in liquidity ratio of the selected deposit money banks in Nigeria, while the remaining 60 per cent were other factors explaining changes in liquidity ratio of the selected deposit money banks in Nigeria but where not captured in the model.

The Wald Test of 73.37 is statistically significant with $p < 0.05$ indicating that on the overall; the statistical significance of the model showed that the null hypothesis that IFRS adoption does not have any significant effect on liquidity of selected Deposit Money Banks in Nigeria was rejected. Thus, the alternative hypothesis that IFRS adoption has significant effect on liquidity of selected Deposit Money Banks in Nigeria was accepted.

4.1.5 Decision:

At a level of significance of 0.05, the F-statistic (Wald test) is 7.37 while the p -value of the Wald test is 0.000 which is less than 0.005 level of significance adopted therefore, the study rejected the Null hypothesis which means that IFRS adoption has significant effect on Liquidity of deposit money banks in Nigeria

V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the study

The chapter one of this study starts by providing background understanding on the adoption of international financial reporting standards (IFRSs) and corporate performance of deposit money banks in Nigeria. It further explains that the increasing need for information as an important tool in investment decision guidance which creates close tie between information and investment decisions making process; hence, information is vital when it comes to investment decisions. The quality of information provided in financial reports determines the usefulness and reliance of such reports to users while the characteristics by which quality can be measured are relevance, understandability and comparability.

The conceptualization of the study was anchored on signaling theory, information asymmetry theory and anticipated income theory. These theories were chosen based on their relevance and direct connection to dependent and independent variables of the study. Also, the chapter delivered empirical discussion on prior studies of adoption of international financial reporting standards (IFRSs) and corporate performance from developed and developing countries with no exception to empirical literature of Nigeria.

The population of this study is 14 (fourteen) banks that are listed on the Nigeria Stock Exchange for the period of 2006-2019 and the sample of the study represent nine (9) banks listed on the Nigeria Stock Exchange from 2006-2011 (pre-adoption period) and 2012-2019 (post-adoption period).

Data collected from annual report of the selected banks in Nigeria were analyzed and interpreted using the pooled OLS, random effect and fixed effect panel estimators. The study examined the descriptive characteristics of the data, this is followed by the correlation which examined the degree of association between the dependent and independent variables. The study also made use of the Variance Inflation Factor (VIF) to access the level of collinearity among the regressors.

5.2 Summary of Findings

The Wald Test estimate indicates that on the overall; the statistical significance of the model showed that the null hypothesis that IFRS adoption does not have any significant effect on liquidity of selected Deposit Money Banks in Nigeria was rejected. Thus, the alternative hypothesis that IFRS adoption has significant effect on liquidity of selected Deposit Money Banks in **Nigeria** was accepted.

Secondly, there is evidence that change in the loan loss recognition do not have significant relationship with the return on asset of the selected deposit money banks in Nigeria. The *F*- Test indicate that on the overall; the statistical significance of the model showed that the null hypothesis that IFRS adoption does not have any significant effect on return on asset of selected deposit money banks in Nigeria was rejected. Thus, the alternative hypothesis that IFRS adoption has any significant effect on return on asset of selected deposit money banks in Nigeria was accepted.

Thirdly, the appropriate random effect estimator shows that the change in the loan loss recognition and change in quality of earnings have positive relationship with the capital adequacy of the selected money banks in Nigeria, while and the dummy variable has a negative relationship with capital adequacy of the selected money banks in Nigeria. The Wald Test indicates that on the overall; the statistical significance of the model showed that the null hypothesis that IFRS adoption does not have any significant effect on capital adequacy of selected deposit money banks in Nigeria was rejected. Thus, the alternative hypothesis that IFRS adoption has significant effect on capital adequacy of selected Deposit Money Banks in Nigeria was accepted.

Finally, there was an evidence that the change in loan loss provision and the dummy variable have significant relationship with the earnings per share of the selected deposit money banks in Nigeria, while on the other hand there is evidence that change in quality of earnings do not have significant relationship with the earnings per share of the selected deposit money banks in Nigeria. The Wald Test indicates that on the overall; the statistical significance of the model showed that the null hypothesis that IFRS adoption does not have any significant effect on earnings per share of selected deposit money banks in Nigeria was rejected. Thus, the alternative hypothesis that IFRS adoption has significant effect on earnings per share of selected deposit money banks in Nigeria was accepted.

5.3 Conclusion

Following the findings of this study, IFRS adoption impact on Banks's performance differs in terms of the measures of IFRS adoption as well as the relationship that co-exist between them. On the overall, this study concluded that the adoption of IFRS implementation through measures such as change in the loan loss recognition, change in quality of earnings and the dummy variable for pre- and post-IFRS adoption have significant influence on the liquidity, return on assets, capital adequacy and earnings per share of the listed deposit money banks in the Nigerian Stock Exchange.

5.4 Recommendations

This study recommended that there should be enlightenment campaigns on the potential effects of IFRS implantation by the regulatory authorities, professional bodies and government so that Banks would harness the potential opportunity presented by the adoption of IFRS to improve their business processes in all ramifications. Conversely, the adoption of IFRS does not automatically leads to improved corporate performance; as such management of Deposit money banks should ensure effective and efficient management of resources at their disposal in order to maximize shareholders' wealth.

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