

IFRS ADOPTION AND PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA (STUDY OF UNITED BANK OF AFRICA)

Fatoki Olawale J. & Adekunle Kikelomo J.

Department of Accountancy, The Federal Polytechnic, Ilaro, Ogun State
Wallyfat2002@yahoo.com, kikelomo.adekunle@federalpolyilaro.edu.ng

Abstract

This study investigated the significance of IFRS adoption on the performance of Deposit Money Banks (DMBs) in Nigeria. This study employed secondary source of data and time series and the variables were earning per share (EPS), statement of financial position (SFP) and return on assets (ROA) (independent) and net profit margin (NPM) of company growth proxy (dependent). The data were gotten from annual report of the selected deposit money banks covering the period of ten (10) years spanning from 2011 to 2020. Data was analyzed using Ordinary Least Square (OLS) techniques with the aid of E-views version 09. The various analyses that were used are unit root and regression. The findings revealed that earning per share (EPS), statement of financial position and return on assets (ROA) has significant impact on net profit margin of a Nigerian Banks while lending rate has insignificant impact on net profit margin (NPM) of Nigerian banks. The study concluded that IFRS adoption has effect on the performance of Deposit Money Banks in Nigeria. It was recommended that companies should adopt full set of IFRS in the preparation of their financial statement as it makes the financial statement to be readily available on time. Since timeliness is one of the key information qualities

Keywords: *Earning Per Share (EPS), IFRS Adoption, Net Profit Margin (NPM), Return on Assets (ROA)*

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Introduction

International Accounting Standard Board (IASB) developed International Financial Reporting Standards (IFRS) for organizations providing monetary and non-monetary documentation users of financial statements make economic choices (Villiers, Venter & Hsiao, 2016). Increased worldwide economic interdependence capital market, integrating International Financial Reporting Standards (IFRS) increasingly crucial. The norms have been accepted by several countries across the globe, including Nigeria, within the compilation of their financial statements. The guidelines attempted to establish a global standard for daily business activities that would increase transparency improve quality

financial data existing and prospective participants (Nwaubani, 2020). The overarching goal was to make annual report in the global financial markets clear, distinct, up to date, and trustworthy. Improved reporting, openness, understandability, and quality account reporting for clients, resulting in a reduction in asymmetric form and increased investor readiness to invest, are some of the positive outcomes of IFRS implementation (Donnelly, 2016). Across the past, Nigerian financial institutions were reported to have bad financial report transparency, budget overruns, undercapitalization, and a poor management approach, all of which limit their efficiencies and make it very hard to discover problems. The quality and quality of

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auditing standards in the Nigeria banking industry does not appear to be up to par with those of more industrialized countries (Akinleye, 2016). Most institutions were forced to merge as a result of this. IFRS is intended improving adverse selection other qualitative aspects of financial statements in the country. Account statements used by stakeholders all across the world to make choices, and different nations use various financial processes and disclosure patterns for just that emerging crisis. As a result, users will undoubtedly be perplexed when evaluating financial statements.

Despite the fact that IFRS seems to have the ability to strengthen merge standardization, increase publishing accountability, lower investment fees, reduce asymmetry of information, and thus increase market liquidity, contest, and reliability discovered pose barriers this direction. The implementation of IFRS, particularly in areas with weak governance and law enforcers, is a big concern. Most bank managements do not consider the requirements of IFRS when making financial reporting decisions. There is essential knowledge gap from January 1st, 2012. This study intended to address a research vacuum by psychometrically analysing implementing IFRS on worth deposit money banks in order to get an insight into the impacts of the move from local GAAP.

Adoption of IFRS in Nigeria

Because high-profile corporate crisis in the United States, search for IFRS began. Nigeria, like the rest of the world, has begun to desire for authority aims boosting investor confidence by surplus of government accounting oversight, inspecting certain financial reporting sectors (Ofoegbu&Okaro, 2018). Companies and Allied Matters Act of 1990, Securities and Exchange Commission Act, Banks and Other Financial Institutions Act, Insurance Act of 2003 formed majority of Nigeria's regulatory framework in 2012. Statement of Accounting Standards (SAS) produced accounting board serve basis preparation of financial statements in Nigeria (NASB). According to the local GAAP, it complies however, fewer number of IAS at time. Furthermore, the norms did comply with requirements.

Adopting IFRS began 2009 with introducing a bill in the National Assembly to create Financial Reporting Council of Nigeria. Federal Government append bills 2015 to encourage integrating international financial reporting standards (IFRS). Established NASB, charge issuing accounting standards familiar with Statements of Accounting Standards. NASB renamed Financial Reporting Council of Nigeria result of new legislation. Because IFRS intended provide single set accounting standard ensuring transition from regional standard to IFRS torment companies, particularly registered on Nigerian stock market. Accounting systems and reporting must be diligent in order to generate transparent financial statements aiding local and international investors in making economic decisions. According to Ofoegbu and Odoemelam (2018), investing entails fund outlay formed global commodity, and investors want account information credibility, relevancy, and understandability across borders in ordering assess risks rewards of investment prospects (Omobolanle, 2017).

IFRS and Accountability

Essential monetary feature accounting requirements provided settlement approximately critical business transactions implemented (Ball, 2017). High-satisfactory economic facts likewise obligatory decreasing facts asymmetry and fixing employer hassle in company zone. IFRS used enhance responsibility managers with the aid of using right property and income control, decrease value of capital, and excessive forecasting functionality with the aid of using the buyers approximately firm's destiny income. In a growing economy, we will discern out the subsequent possibilities which can accrue with the aid of using the adoption of IFRS:

Research Hypotheses

This study test the following hypotheses, which were generated regarding the theoretical appraisal of the particular topic of the topic under study, in order to shore up the research questions listed above.

H₀₁: There is no significant relationship between earning per share (EPS) and the company's growth.

H₀₂: Return on assets (ROA) have no significant effect

on the overall company’s growth.

Research Design

Research design used in this study involved ex-post facto. Analyst does not mean to manage data; ex-post facto research approach was used. As result, the study's population comprised of all deposit money banks in Nigeria, but was limited to United Bank for Africa's, Ilaro Branch, earnings (EPS) and assets ratio (ROA). Sample is set of results acquired and/or selected from data set according to a set of rules. As result, earnings per share (EPS), asset ratio (ROA), and report of Financial Circumstances (SFP) estimated. Data collection is a way of obtaining and measuring information about certain various subsystems pertinent enquiries can addressed implications. Outer data is collected for inquiry using magazines, articles, and Central Bank of Nigeria's (CBN) facts journal for decades 2011-2020.

Method/Instruments of Data Analysis

Analytics is examining data with objective methods in order to uncover meaningful data outcome with aiding E-view version 9, data acquired from the annual report of the bank reviewed using Ordinary Least Square (OLS) prediction models. This methodology was chosen for its virtues diminishing mistake sums of

slices, expediency, comprehensibility and clarification.

Model Specification

IFRS integration (independent variable) and book value per share, assets ratio, and financial report (SFP) among factors analyzed in this paper (SFP)

The model for the study is given below,

Mathematically,

$$Y = f(X_1, X_2, X_3, \dots, X_n)$$

Where Y denotes independent variable and X₁, X₂ and X₃ represent explanatory variables

$$NPM = f(\text{EPS}, \text{ROA}, \text{SFP})$$

In econometric term

$$NPM = \beta_0 + \beta_1 \text{EPS}_1 + \beta_2 \text{ROA}_2 + \beta_3 \text{SFP}_3 + \mu$$

Where,

NPM= Net Profit Margin

EPS = Earnings Per Share

ROA = Return on Assets

SFP = Statement of Financial Position

β_0 = Constant term

$\beta_1 - \beta_4$ = coefficient of dependent variables

μ = Error term

Dividend, asset ratio, statement of financial status are observed having significant impact with profitability ratio in Deposit money banks, according to study findings. β_1, β_2 and $\beta_3 > 0$

Results and Discussions

Unit Root Test at Level

Group unit root test: Summary

Series: EPS, ROA, SFP, NPM

Date: 21/02/22 Time: 18:51

Exogenous variables: Individual effects

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	1.15998	0.8770	5	144
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	1.33236	0.9086	5	144
ADF - Fisher Chi-square	9.25029	0.5085	5	144
PP - Fisher Chi-square	10.6245	0.3875	5	145

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

The table one above presents the group unit root test, using ADF as the criteria for decision. It was found that all variables in the model were nonstationary at levels which is not statistically qualified for further estimation because it might bring spurious estimates. However, the unit root result at level above however shows that there

is presence of trends in the independent and dependent variables under study i.e., Earnings Per Share (EPS), Return on Assets (ROA), Statement of Financial Position (SFP) and Net Profit Margin (NPM), hence null hypotheses is rejected since the probability is lower than 5%, thus necessitating differencing.

OLS Regression

Dependent Variable: MCAP

Method: Least Squares

Date: 21/02/22 Time: 19:01

Sample: 2011 2020

Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4788.238	3381.211	1.416131	0.1691
EPS	0.088104	0.102053	0.863313	0.0022
ROA	-146.1122	44.48740	3.284350	0.0030
SFP	50.62197	9.354395	5.411571	0.0000

R-squared	0.885616	Mean dependent var	7257.412
Adjusted R-squared	0.867314	S.D. dependent var	8297.162
S.E. of regression	3022.331	Akaike info criterion	19.01646
Sum squared resid	2.28E+08	Schwarz criterion	19.24999
Log likelihood	-280.2468	Hannan-Quinn critter.	19.09117
F-statistic	48.39031	Durbin-Watson stat	1.350805
Prob(F-statistic)	0.000000		

Source: Authors computation using E-view 9.0 version

From the above regression output in table 3 above, the Durbin-Watson Statistics of 1.350805 shows that there is no presence of positive serial correlation which could render the estimated model result biased. Thus, the results are reliable, as meaningful economic and standard inference can be made. Hence, from the equation of best fit estimated above, it could be deduced that the regression equation depicting the linear relationship between Earnings Per Share (EPS), Return on Assets (ROA), Statement of Financial Position (SFP) and Net Profit Margin (NPM) can be stated as:

$$NPM = 4788.238 + 0.088104 \text{ EPS} - 146.1122\text{ROA} + 50.62197\text{SFP} + et$$

From the estimated regression model above, it can be deduced that Earnings Per Share (EPS), Statement of Financial Position (SFP) of 0.088104, and 0.06523

respectively maintain positive relationship with NPM while Return on Assets (ROA) maintains negative relationship with NPM. Thus, since Earnings Per Share (EPS) and Statement of Financial Position (SFP) maintain positive relationship with NPM, it follows that for every 1% variation or changes in EPS and SFP will result to 0.088104 and 50.62197 respectively which in turn result into increase in the average or mean value of Net Profit Margin (NPM).

Comparison of Result and A-prior Expectation

Variable	A-prior Expectation	Result
Earnings Per Share (EPS)	Positive (+)	Positive (+)
Return on Assets (ROA)	Positive (+)	Positive (+)

Statement of Financial Position (SFP)	Positive (+)	Positive (+)
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Source: Researcher’s Compilation

T –statistics and Probability (Sig.)

The column of T-statistics and probability sig. are the evidence that shows if estimated coefficients are asymptotically normally distributed and also the significance level of the variables. Earnings Per Share (EPS), Return on Assets (ROA) and Statement of Financial Position (SFP) of 0.863313, 3.284350 and 5.411571 respectively maintain positive relationship with NPM. Probability value of the t-statistics was considered to determine the significance level of each variable in the model. Hence, since the p value of Earnings Per Share (EPS), Return on Assets (ROA) and Statement of Financial Position (SFP) of 0.0030, 0.0000 and 0.0022 respectively are lesser than 0.05 percent level of significant, it can be concluded that the variables are statistically insignificant on Net Profit Margin (NPM).

From the analysis interpretation above, it can be concluded that earning per share (EPS) and Statement of Financial Position (SFP) maintain positive relationships with Net Profit Margin (NPM), while return on asset (ROA) has a negative relationship with Net Profit Margin (NPM). The probability values of earning per share (EPS) and Statement of Financial Position (SFP) are also estimated to be lesser than 0.05 percent level of significant, so the variables are statistically significant on net profit margin (NPM). Furthermore, the p value of earning per share (EPS) indicates that EPS is not statistically significant on net profit margin (NPM) of the company under study. Conclusively, the broad objective of this study which is to establish whether or not IFRS adoption has a significant impact on the accountability of deposit money banks in Nigeria.

Conclusion

The research study was aimed at evaluating the impact of IFRS adoption on accountability of deposit money bank under the study of United Bank for Africa, Ilaro Branch, Ogun State. The evidence gathered revealed that there is a substantial link between the adoption of

IFRS and the accountability of Nigerian deposit money banks. It also gives an insight on how earning per share, return on assets, taxation and liquidity affect the company’s growth and objectives. In terms of deposit money banks, important financial performance figures, such as profitability and growth, appear to be higher. Given the fair value perspective of IFRS, its adoption is likely to introduce volatility in income statement and statement of financial position figures therefore, the study concludes that IFRS adoption in Nigeria has improved the financial statement quality in Nigeria.

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APPENDIX I

YEAR	ROA (₦ Million)	EPS (₦ Million)	NPM (₦ Million)
2011	$ROA = \frac{13761}{1942793} = 0.71$	$EPS = \frac{10474}{32336} = 0.32$	$NPM = \frac{13761}{146335} = 9.4$
2012	$ROA = \frac{54766}{2272923} = 2.41$	$EPS = \frac{51477}{30974} = 1.66$	$NPM = \frac{54766}{177629} = 30.8$
2013	$ROA = \frac{46601}{2642296} = 1.76$	$EPS = \frac{46601}{30597} = 1.52$	$NPM = \frac{46601}{216138} = 21.6$
2014	$ROA = \frac{47907}{2762573} = 1.73$	$EPS = \frac{47907}{30664} = 1.56$	$NPM = \frac{47907}{230947} = 20.74$
2015	$ROA = \frac{59654}{2752622} = 2.17$	$EPS = \frac{58604}{32777} = 1.79$	$NPM = \frac{59654}{248114} = 24.04$
2016	$ROA = \frac{72264}{3504470} = 2.06$	$EPS = \frac{69404}{34054} = 2.04$	$NPM = \frac{72264}{268796} = 26.88$
2017	$ROA = \frac{78590}{4069474} = 1.93$	$EPS = \frac{76046}{34199} = 2.22$	$NPM = \frac{78590}{314501} = 24.99$
2018	$ROA = \frac{78607}{4869738} = 1.61$	$EPS = \frac{75359}{34199} = 2.20$	$NPM = \frac{78607}{338798} = 23.20$
2019	$ROA = \frac{61342}{5604052} = 1.09$	$EPS = \frac{86220}{34199} = 2.52$	$NPM = \frac{61342}{407546} = 15.05$
2020	$ROA = \frac{113765}{7697980} = 1.48$	$EPS = \frac{109327}{34199} = 3.20$	$NPM = \frac{113765}{372223} = 30.56$

APPENDIX II

YEAR	ROA	EPS	NPM
2011	0.71	0.32	9.4
2012	2.41	1.66	30.8
2013	1.76	1.52	21.6
2014	1.73	1.56	20.74
2015	2.17	1.79	24.04
2016	2.06	2.04	26.88
2017	1.93	2.22	24.99
2018	1.61	2.20	23.20
2019	1.09	2.52	15.05
2020	1.48	3.20	30.56

APPENDIX III

Table-1 Unit Root Test at Level

Group unit root test: Summary
 Series: EPS, ROA, SFP, NPM
 Date: 07/12/21 Time: 18:51
 Exogenous variables: Individual effects

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	1.15998	0.8770	5	144
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	1.33236	0.9086	5	144
ADF - Fisher Chi-square	9.25029	0.5085	5	144
PP - Fisher Chi-square	10.6245	0.3875	5	145

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Table-2 Unit Root Test at First Difference

Group unit root test: Summary
 Series: EPS, ROA, SFP, NPM
 Date: 07/12/21 Time: 18:58
 Exogenous variables: Individual effects

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-12.4613	0.0000	5	140
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-11.5976	0.0000	5	140
ADF - Fisher Chi-square	106.757	0.0000	5	140
PP - Fisher Chi-square	113.630	0.0000	5	140

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Table 3- OLS Regression

Dependent Variable: MCAP
 Method: Least Squares



Date: 07/12/21 Time: 19:01

Sample: 2011 2020

Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4788.238	3381.211	1.416131	0.1691
EPS	0.088104	0.102053	0.863313	0.3962
ROA	-146.1122	44.48740	-3.284350	0.0030
SFP	50.62197	9.354395	5.411571	0.0000
R-squared	0.885616	Mean dependent var		7257.412
Adjusted R-squared	0.867314	S.D. dependent var		8297.162
S.E. of regression	3022.331	Akaike info criterion		19.01646
Sum squared resid	2.28E+08	Schwarz criterion		19.24999
Log likelihood	-280.2468	Hannan-Quinn criter.		19.09117
F-statistic	48.39031	Durbin-Watson stat		1.350805
Prob(F-statistic)	0.000000			