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Erin, Olayinka Adedayo; Oduwole, Foluke

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An Investigative Analysis into the Impact of International Financial Reporting Standards (IFRS) on the Profitability Ratios of Nigerian Banks

Olayinka Adedayo Erin[1], Foluke Oduwole[2]

Abstract: Profitability ratio is one of the performance measure used by investors to determine the viability of a firm. In view of this assertion, this study provides an investigative analysis into the impact of IFRS on profitability ratios of eleven (11) banks in Nigeria. The study addresses the research hypotheses by comparing the key profitability ratios computed under the Pre-FRS for three year period from 2009-2011 and three year period from 2013-2015 under the Post-IFRS regime. The study used Wilcoxon Signed Rank test and Normality test as a statistical method to analyse the data. The findings revealed that IFRS adoption has not produced any meaningful impact on the profitability ratios (ROA, ROE, and ROCE) at 5% level of significance. The finding implies that the adoption of IFRS does not have significant effects on profitability ratios of listed banks in Nigeria. The study recommends that investors and financial analyst should pay particular attention to all profitability ratios under this IFRS regime. Also, investors should not base their investment decisions on banks' profitability in the short term but rather the long term viability and performance should be taken into cognizance.

Keywords: IFRS; Listed Banks in Nigeria; Profitability Ratios; Return on Capital Employed; Return on Assets

JEL Classification: O16

1. Introduction

The interconnectivity of investment across borders and the growth in the internationalization of business has brought to fore the relevance of International Financial Reporting Standards (IFRS) by developed and emerging economies especially in Nigeria (Erin, Olojede & Ogundele, 2017). It has been opined that the adoption of IFRS would enhance the quality of financial information and provides a strong communication channel among relevant stakeholders (Bushman & Smith, 2001). It is believed that the main purpose of IFRS is to ensure uniformity in the preparation of financial statement and make more comparable. Some identified benefits of adopting IFRS include better disclosure of corporate information; it enhances comparability of financial statements across national borders, facilitation and improved international financial markets and collapse of barriers of capital movements across national borders (Abuda & Rudiawarni, 2015).

International Financial Reporting Standards which has been viewed as a globally accepted high quality reporting standards; it is believed to reshape companies' core financial and management reporting of most companies. IFRS helps in the preparation of external financial reporting and also internal

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[1] Nigeria, E-mail: erinyinkus@yahoo.com.
[2] Nigeria, E-mail: oduwole.foluke@gmail.com.

management reporting purposes (Jacob & Madu, 2009; Emeni, Uwuigbe, Uwuigbe & Erin, 2016). Like other parts of the world, the fast growth of Nigeria economy in the global market gave rise to the need to adopt a universally accepted accounting standard. This action necessitated the policy makers in regulatory institutions in the Nigerian financial sector to ensure migration to the IFRS reporting framework. As a result of this, the Nigerian Federal Executive Council set aside 1st January 2012 as the effective date to adopt International Financial Reporting Standards by all public entities operating in Nigeria.

It is believed that business owners and managers around the world are so much interested in developing the right means of managing their business activities and meet up with their financial obligations, thereby, maximizing their profit level. The competitive nature of business world requires organizations to regulate their strategies and apply appropriate financial policies to survive and enable progressive growth (Owolabi & Obida, 2012; Ksenija, 2013). Consequently, profitability as the major objective of the firm is considered a relative measure with other elements such good reporting standard like International Financial Reporting Standards that could impact profit positively in the organization.

There are quite a number of researches on IFRS and financial ratios in developed economies but very few studies have specifically considered the subject of IFRS and profitability ratios in Nigeria thereby creating a gap that this research work intends to fill. Previous studies (Ibiamke & Ateboh-briggs, 2014; Abdul-Baki, Uthman, & Sanni, 2014) have resulted in inconsistency and mixed findings, therefore, we are motivated to carry out our study on the impact of IFRS adoption on the profitability of listed banks in Nigeria using profitability ratios. Also, there is need to find out if there is a significant difference between profitability ratios computed under Nigerian GAAP as against those computed under IFRS and to identify in particular if the adoption has brought about an increase or a decrease in profitability ratios of Nigerian banks.

The purpose of this study is to provide empirical evidence of the extent to which IFRS framework has impacted profitability ratios in the context of developing countries like Nigeria. The other objectives are (i) To investigate the impact of IFRS adoption on the Return on Assets (ROA) of Nigerian Banks. (ii) To examine the effect of IFRS on Return on Equity (ROE) of Nigerian Banks. (iii) To ascertain if the adoption of IFRS has brought about changes in Return on Capital Employed (ROCE) of Nigerian Banks. Hence the research question that emanates from the objective is "To what extent does IFRS impacts profitability ratios of listed bank in Nigeria?" This study contributes to growing literature in the area of financial reporting research in the emerging economies like Nigeria.

2. Literature Review

Nigerian GAAP and IFRS

Several differences exist between the Nigerian GAAP and IFRS as it is in other countries of the world which have greatly lessened the degree of confidence in financial statements by international users. NGAAP was supposedly based on past International Accounting Standards (IASs) (formed by IASC), however, some of the IASs had been reviewed and updated with IASs/IFRSs due to the growing intricacy of financial reporting requirements but the NGAAP were not reviewed or updated which called

for the differences and has resulted in NGAAP being regarded as obsolete and incomplete as internationally accepted guide to preparing financial statements. There are sixteen IFRS that do not have equivalence in IASs. All these led to the approval to adopt IFRS by Nigerian Federal Executive Council in 2010. (NASB, 2010)

As opposed to NGAAP, profitability ratios are affected under IFRS as a result of its principle of early revenue recognition (even if the contingency is associated with a portion of it) which brings about higher revenues and higher profitability ratios. Also, resulting in higher revenue and profitability ratios is IFRS allowance for development costs capitalization under certain conditions. However, IFRS only allows for the First-In-First-Out (FIFO) method in inventory valuation which could result in lower profitability ratios when an economy with rising costs is considered. (Casmir, 2015)

Relevance of IFRS

International Accounting Standard Committee (IASC) was formed by 16 professional bodies from different national accounting bodies in the year 1973; the body (IASC) issued International Accounting Standards (IAS) which was perceived to be of a high quality accounting standards. (Garuba & Donwa, 2011). However, IASC was later changed to International Accounting Standards Board (IASB) in the year 2001 with the sole responsibility of developing and issuing accounting standards known as International Financial Reporting Standards (IFRS) and other related interpretation (Ezeani & Oladele, 2012). The adoption of IFRS is seen as a drive to fair value which could improve the external reporting perception. As opined by Jermakowicz (2004), the adoption of IFRS will allow for relevant information in assisting creditors to evaluate company's financial records in terms of future interest payments; it will assist suppliers to determine appropriate order placement; employees to know the firm value generation and distribution process, and shareholders to know the created shareholder value.

Armstrong, Barth, Jagolinzer, & Riedl (2007) opined that an increase in growth of cross border financial transactions and globalization of business requires accounting reports to be prepared and presented in a way that will make it useful and accepted across numerous national borders necessitated the implementation of IFRS. The implementation of IFRS globally would reduce information asymmetry, enhances corporate information for all stakeholders and reduce huge cost of preparing different versions of financial statements in the case of multi-national organisations. (Bushman & Smith, 2005; Healy & Palepu, 2001; Uwuigbe, Erin, Uwuigbe, Peter & Jinadu, 2017) Barth (2007) also identified the following as the relevance of adopting of IFRS: it will reduce the cost of preparation and audit of financial information to capital market contributors; in place of several local accounting standards, IFRS will bring about acquaintance with one shared set of international accounting standards; it will ease the work of investment analysts by making possible comparison of different companies' financial statements; it helps to attract foreign investors and enhances capital market liberalization.

Owolabi & Iyoha (2012) submitted that some countries adopted IFRS believing that it is a product with network effect which is believed to arise where users discover a product or service to be of more value when other users use the same products or service. That is, as other countries adopt IFRS, it becomes more attractive to those that are yet to adopt it. IFRS viewed as a product with network effect can be explained using the economic theory of network which was propounded by Katz and Shapiro in 1986.

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Empirical Review

A number of researches have been conducted for probing the effects of IFRS adoption on financial ratios. Blanchette, Racicot, & Girard (2011) examined the differences in Canadian GAAP and IFRS adoption in Canada. The study used 26 financial ratios for nine (9) listed firms. The study found that IFRS financial ratios produced a higher result than financial ratios under the Canadian GAAP. Also, it was found that the fair value accounting has a significant impact on IFRS valuation in Canada. Similarly, Nengzih (2015) examined the effect of IFRS on the profitability ratios of sampled Indonesian listed companies, using paired samples t-test. The study found that the average ratio of companies' profitability increased as a result of the adoption. On the contrary, Lantto & Sahlstrom (2009) investigated the significance of IFRS adoption on financial ratios in Finland. They calculated financial ratios of 91 listed companies on Helsinki Stock Exchange and proved that profitability ratios increased, liquidity ratios decreased and other market based financial ratios showed a decrease.

Abdul-Baki, Uthman, & Sanni (2014) conducted a study on the impact of IFRS on financial ratios performance of listed firms in Nigeria using a case study approach. They tested for normality using One-Sample Kolmogorov-Smirnov Test and significance using Mann-Whitney U Test. The study found out that neither financial ratio prepared under IFRS nor NGAAP showed any significance performance. Also, the study found that only investment ratios and profitability ratios showed a higher performance under IFRS while other ratios showed higher performance under NGAAP. Onipe, Musa, & Isah (2015) examined the effects of the adoption of the International Financial Reporting Standards on the financial statements of banks using regression model projected by means of pooled data and fitted with dependent variables. The results showed that IFRS adoption has positively impacted some variables in the financial statement of banks, for example, profitability and growth potential. The paper also revealed that given the fair value perspective of IFRS, the transition to IFRS brings instability in income statement figures.

Hung & Subramanyam (2004, 2007) investigated the impact of International Accounting Standards (IAS) on the value relevance of financial statements using German firms during 1998-2002. The study used innovative research design to compare accounting numbers stated under German Accounting Rules (HGR) with those under IAS for the same set of firm-years. The study found that total assets and book value of equity, and also the variability of book value and net income, are significantly higher under IAS than HGR.

Terzi, Oktem & Sen (2013) in a study carried out on Turkey's listed manufacturing on the effect of IFRS on the financial ratios. The study found that financial ratios such as current ratios, liquidity ratios, and profitability ratios increased in value as a result of adopting IFRS in Turkey. Similarly, Callao, Jarne & Lainez (2007) examined the economic significance of IFRS adoption on related financial ratios in Spain. The study investigated 35 companies in Spain in relation to IFRS and local GAAP. The study found that total liabilities, long-term liabilities, cash equivalents and shareholders' equity showed the statistically significant for financial ratios prepared under IFRS than the local GAAP.

According to Agca & Aktas (2007), there exists a positive statistically significant variance between financial ratios prepared in accordance with IFRS than those prepared under local regulations of five (5) Turkish listed firms. They analysed financial statements gathered from every sector to ascertain the extent of their variances; five companies were selected from diverse industries with a different number

of observations in every sector. Consistent with the study of Agca & Aktas (2007), Latridis (2010) found that IFRS adoption produced a positive significant effect on the performance (profitability and growth potential) of companies in the UK. Contrary to Latridis (2010) findings, Ibiamke and Ateboh-Briggs (2014) found that profitability ratios decreased following IFRS adoption in Nigeria, though not statistically significant for 60 companies listed on the Nigerian Stock Exchange.

Stent, Bradbury, & Hooks (2010) on their part examined the effect of IFRS adoption in New Zealand between 2005 and 2008. They study sampled 56 listed companies using stratified random sampling. Out of the 56 firms, which 16 were early adopters while the other 40 firms were mandatory adopters. The study found that IFRS has a positive impact on 87% of firms in New Zealand. Aisbitt (2006) examined UK 100 companies listed on FTSE in the period of transition to IFRS which was 2005, making use of 2004 reconciliation statements. She employed Gray's comparability index and test of significance. The study found that IFRS adoption has no significant impact on firms' equity value, though; the impact varies among UK companies. Lopes and Viana (2008) investigated the effect of the transition to IFRS on financial disclosure of 44 firms listed on the Portuguese Stock Exchange. The study employed Gray's comparability index to analyse firms' earnings; the study found that transition to IFRS impact positively the shareholders' equity and net profit.

Hypothesis Development

The need for a firm's target is determined by its financial ratios but firms do not adjust their financial ratios to such target though the effect of IFRS as it relates to companies affects the financial condition of the companies (Agca & Aktas, 2007). Financial ratios are used by various financial users such as stakeholders, investors, brokers and bankers in other to analyse the financial performance or financial condition of a company (Blanchette et al., 2011). There are four commonly used financial ratios in accessing a firm and they are profitability ratios, solvency ratios, management ratios and investment ratios. The differences in recognition between IFRS and GAAP can be greatly affected by the numerator of ratio calculation or the denominator. The financial ratios will be calculated based on the GAAP compared with the calculated ratio of IFRS.

Although it is expected that the variance will be noteworthy, it is difficult to foretell the insignia of the net variations since some of the accounting practices under NGAAP were more, but others were, in fact, less conservative than IFRS-based practices. It can, therefore, be said that the application of IFRS will advance the reporting excellence of Nigerian financial statements as several creative accounting practices were expected to be abridged with the implementation of IFRS. Thus, this study hypothesised that:

H_0: *The adoption of IFRS has not brought any significant effect on ROA of Banks in Nigeria*

H_{02}: *IFRS adoption has not impacted ROE of Banks in Nigeria*

H_{03}: *The adoption of IFRS has not brought about any change in ROCE of Banks in Nigeria*

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Theoretical Framework

Value Maximization Theory

This study can be related to the theory of value maximization which states that firms majorly exist to make the best use of profits in the short-run and shareholders' wealth in the long-run (Friedman, 1970). The theory explains that every firm's activities tend towards value seeking which happens to encompass profit maximization. This theory believes that wealth maximization does not only profit shareholders' wealth but in the long run, it has a positive impact on other stakeholders like debt and warrant holders. It can thus be argued that the crux of the study population is to make the most of firm's value of which IFRS adoption is said to increase profitability ratios (Nengzih, 2014; Terzi et al., 2013; Callao et al., 2007; Kabir et al., 2010).

3. Methods

i)   This research investigates empirically the impact of IFRS on the profitability ratios of listed banks in Nigeria. This was done by comparing the financial ratio computed under NGAAP with those computed under IFRS for three years' period under each regime, from 2009 to 2011 under NGAAP regime and 2013 to 2015 under IFRS regime. The population under study are 15 listed banks in Nigeria as at the end of 2015. (Nigerian Stock Exchange Factsheet, 2015) The sample size consists of 11 banks which were derived through Taro Yamane formula.

A panel data research design was used to carry out the study of IFRS adoption on profitability ratios of the sampled population as this research design allows for data to be collected at a particular point in time and data for quoted companies in Nigeria are kept annually. So, the data for this study were collected over a period of six years (2009-2011 and 2013-2015). The population of the study is the banking sector of Nigeria which is believed to play vital roles in the growth and social-economic development of the country through its intermediary roles of bridging the gap between the surplus and deficit economic divisions, therefore, motivating and encouraging investments and economic growth and development, the banking sector comprises of fifteen banks operating in Nigeria presently as at the time of this study. The choice of the banking sector was selected because the sector was the first to fully adopt IFRS in Nigerian starting from January 1, 2012.

The sample size of this study is 11 banks out of the 15 listed banks in Nigeria. The 4 banks not selected lacked the certain information required for this study, hence, where excluded from the sample. The banks sampled for this study includes First Bank Plc., Guaranty Trust Bank, Zenith Bank, Access bank, Diamond bank, First City Monument Bank, Stanbic IBTC, Sterling bank, Union bank, Fidelity Bank, and United Bank of Africa. Data were sourced from audited annual reports, NSE FACT Book, websites of the banks and other publications of government, company reports, and Central Bank of Nigeria reports.

Method of Data Analysis

To achieve the objective of this study, we adopted the ex-post facto, that is, causal comparative research design since this study involves ascertaining the effect of past events/factor(s) on the present event or

situation. The choice of the ex-post facto (causal comparative) is due to the fact that is the most suitable research design to use when it is not always conceivable to control and influence all or any of the independent variables or when laboratory control would be unpractical, expensive or morally doubtful (Brigham & Houston, 2011).

Accounting figures were first extracted from the financial statements of the sampled banks to compute profitability ratios and then normality test was carried out to test whether the data are normally distributed or not. Descriptive statistics and Wilcoxon Signed Ranks test were adopted to analyse the profitability ratios obtained using 2009, 2010 and 2011 as the pre adoption years and comparing it with 2013, 2014 and 2015 used as post adoption years. The year 2012 was the adoption period; therefore, the year was not tested because most banks were experimenting at this period. The choice of the method of analysis was borne out of the fact that it is unbiased and does not allow for data manipulation. Also, it is the best instrument used in measuring the difference between a pre and post effect of an event when it is believed that data are not normally distributed. That is, the Wilcoxon Signed Ranks test is better in measuring the effects of the adoption of IFRS without the assumption of normality in the distribution of data. The measurement of variables is shown in table 1 below.

Table 1. Measurement of Variables

Variables	Description	Formula
Dépendent	Return on Assets Return on Equity Return on Capital Employed	PAT / Total Assets PAT / Shareholders' Equity EBIT / Capital Employed
Independent	IFRS: Dummy Variable	0 for Pre-IFRS Period 1 for Post-IFRS Period
Control	Leverage Firm Size	Total Liabilities / Total Assets In (Total Assets)

Source: Computed by Researcher (2017)

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4. Results and Discussion

1.   The descriptive and inferential results obtained from the study were presented in this section; findings from the results are also discussed on the basis of the literature.

Table 2. Summary of Descriptive Statistics

Descriptive Statistics					
Variables	N	Mean	Std. Deviation	Minimum	Maximum
PREIFRS ROA	33	0.021836	0.1143686	-0.3025	0.1311
PREIFRS ROE	33	0.377464	1.3514952	-2.6689	2.5431
PREIFRS ROCE	33	0.499973	1.3566228	-2.2486	3.2899
PREIFRS LEV	33	2.366473	0.6550224	0.5784	3.2156
PREIFRS SIZ	33	51.139409	9.7150024	38.7441	61.4021
POSTIFRS ROA	33	0.075836	0.0789036	0.0128	0.2986
POSTIFRS ROE	33	0.721809	1.1312856	0.1074	4.036
POSTIFRS ROCE	33	0.776073	1.1323485	0.0695	3.9839
POSTIFRS LEV	33	2.225073	0.8865148	0.0964	2.7553
POSTIFRS SIZ	33	51.832209	10.888473	33.6563	64.0907

Source: Authors' Computation (2017)

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Table 2 reveals the descriptive summary for all the 11 banks used in this research work, it was observed that the ROA of the mean average increased from 0.021836 to 0.075836 with a minimum of -0.3026 in the PREIFRS period and 0.0128 in the POSTIFRS, the maximum level of 0.1311 during the PREIFRS period and 0.2986 during the POSTIFRS period. The result of ROE during the PREIFRS period was 0.377464 which increased to 0.721809 during the POSTIFRS period with a minimum of -2.6689 in the PREIFRS period and 0.1074 in the POSTIFRS, the maximum level of 2.5431 during the PREIFRS period and 4.0360 during the POSTIFRS period. Also, ROCE increased from 0.499973 to 0.776073 with a minimum of -2.2486 in the PREIFRS period and 0.0695 in the POSTIFRS, the maximum level of 3.2899 during the PREIFRS period and 3.9839 during the POSTIFRS period. LEV reduced from 2.366473 to 2.225073 with a minimum of 0.5784 in the PREIFRS period and 0.0964 in the POSTIFRS, maximum level of 3.2156 during the PREIFRS period and 2.7553 during the POSTIFRS period and FIRM SIZE increased from 51.139409 to 51.832209 with a minimum of 38.7441 in the PREIFRS period and 33.6563 in the POSTIFRS, maximum level of 61.4021 during the PREIFRS period and 64.0907 during the POSTIFRS period.

It can be deduced from the above analysis that almost all the profitability ratios increased after the adoption of IFRS but it should be noted that the Leverage ratio of the banks reduced during the POSTIFRS period while the Firm Size had increased. This is to say that, the rise in the profitability of these banks, as shown above, may not be ascribed only to the adoption of IFRS; it may also be due to the enlargement of the firms or the reduction in the leverage ratio of the banks. The result of this analysis shows that profitability ratios of banks are higher after the adoption of IFRS.

Table 3. Test of Normality

	IFRS	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	Df	Sig.	Statistic	Df	Sig.
ROA	PREIFRS	0.314	33	0	0.745	33	0
	POSTIFRS	0.341	33	0	0.612	33	0
ROE	PREIFRS	0.293	33	0	0.705	33	0
	POSTIFRS	0.454	33	0	0.305	33	0
ROCE	PREIFRS	0.297	33	0	0.636	33	0
	POSTIFRS	0.46	33	0	0.34	33	0
LEV	PREIFRS	0.376	33	0	0.414	33	0
	POSTIFRS	0.393	33	0	0.558	33	0
FIRM SIZE	PREIFRS	0.262	33	0	0.788	33	0
	POSTIFRS	0.204	33	0.001	0.865	33	0.001

a. Lilliefors Significance Correction

Source: Authors' Computation

It can be observed from the above result that the data are not normally distributed as the sig. under the Shapiro-Wilk are all less that 0.05 and the test for normality assume that for any data to be normally distributed the sig. must be greater than 0.05 (the diagonal line shows a clear non-linear figure with the data points straying from the diagonal line) (See Appendix 1-6). So, the need to use Wilcoxon Signed Rank Test to carry out the analysis as it is the best method of analysis for data that are not normally distributed.

Table 4. Wilcoxon Signed Rank Test Statisticsa

	POSTIFRS ROA - PREIFRS ROTA	POSTIFRS ROE - PREIFRS ROE	POSTIFRS ROCE - PREIFRS ROCE	POSTIFRS LEV - PREIFRS LEV	POSTIFRS SIZ - PREIFRS SIZ
Z	-1.067[b]	-1.156[b]	-.978[b]	-.178[b]	-1.245[b]
Asymp. Sig. (2-tailed)	0.286	0.248	0.328	0.859	0.213

a. Wilcoxon Signed Ranks Test

b. Based on negative ranks.

c. Based on positive ranks.

Table 4 analysis reveals that none of the variables are significant assuming the significance level of 0.05 as the Asymp. Sig (2-tailed). The P-value for ROA showed 0.286, P-value for ROE is 0.248, P-value for ROCE is 0.328, P-value for LEV is 0.859 and P-value for FIRM SIZE is 0.213. The result shows that the difference in the profitability ratios of banks following the adoption of IFRS is not significant.

Restatement of Hypothesis and Discussion

H_0: The adoption of IFRS has not brought any significant impact on ROA of Banks in Nigeria

H_{02}: The adoption of IFRS has no significant impact on ROE of listed banks in Nigeria

H_{03}: IFRS adoption has not brought any significant change to ROCE of listed banks in Nigeria

Testing of Hypothesis One

It was assumed in the first hypothesis that the adoption of IFRS has not brought any significant impact on ROA of listed banks in Nigeria. Based on the results from the descriptive analysis, ROA during the POSTIFRS period increased to 0.075836 from 0.021836. This increase was due to a reduction in leverage and large firm size but using the Wilcoxon Signed Rank Test analysis; the P-value of 0.286 results in higher value than 0.05, therefore, ROA is not significant at this level. Therefore, the null hypothesis is accepted.

Testing of Hypothesis Two

Also, it was assumed in the second hypothesis that the adoption of IFRS has not impacted ROE of listed banks in Nigeria. The increase in ROE during the POSTIFRS period is not significant though there was an increase to 0.721809 from 0.377464. As seen in Wilcoxon Signed Rank Test analysis; the P-value of 0.248 is greater than 0.05; this implies that ROE is not significant at this level. Therefore, the null hypothesis is accepted.

Testing of Hypothesis Three

The third hypothesis is that the adoption of IFRS has not brought about any change in ROCE of banks in Nigeria. This assumption is true as though the ROCE figure increased to 0.776073 from 0.499973 but showed no level of significance in ROCE with a P-value of 0.328 which is higher than the accepted level of significance 0.05. Therefore, the null hypothesis is accepted.

The results of the analyses carried out showed that Profitability ratio is not significantly related to IFRS We can conclusively say therefore that the implementation of IFRS has not produced a significant

impact on the profitability ratios used in this study. Therefore, the investigative evidence shows IFRS adoption has not impacted three profitability ratios (ROA, ROE, ROCE) of Nigerian banks. This is in line with the findings of Tanko (2012), Abul-Baki et al (2014), Lantto & Sahlstrom (2009), Terzi et al (2013), Kabir et al (2010), Nengih (2015), though it deviates a bit from the findings of Blanchette et al. (2011), Agca & Aktas (2007) and Iatridis (2010) who reported a statistically significant difference in profitability ratios measured under POSTIFRS as compared to PREIFRS period. It is however contrary to the findings of Ibiamke & Ateboh-Briggs (2014) which reported a decrease, though not significant in profitability ratios following the adoption of IFRS. It can also be said that leverage has a negative relationship with IFRS as it reduced during POSTIFRS period, the banks might have reduced the level at which the organization is being leveraged.

The comparison of the pre and post IFRS era showed a positive and significant impact on the financial ratios for studies of Blanchette et al., 2011; Agca & Aktas, 2007, Iatrisdis, 2010; this particular study has failed to show any significance in its comparison. The results obtained from this study may be attributed to the fact that banks' performance in Nigeria may not be achieved in the short run using profitability ratios computed from IFRS set of financial statements. The performance of banks may be attributed to theoretical framework underpinning value maximization theory as reviewed in the literature. This suggests that banks' performance should be evaluated on the basis of long run performance rather than short term performance evaluation.4

5. Conclusions and Recommendation

We provide an investigative analysis of IFRS impact on the profitability ratios of Nigeria listed banks. The study employed Wilcoxon Signed Rank Test as the basis of statistical analysis; the overall findings revealed that IFRS adoption has not produced any meaningful impact on the profitability ratios (ROA, ROE, and ROCE) at 5% level of significance. In conclusion, the adoption of IFRS does not have significant effects on profitability ratios of Nigerian listed banks. This study recommends that investors and financial analyst should pay particular attention to all profitability ratios under the IFRS regime. Also, investors should not base their investment decisions on banks' profitability in the short term but rather the long term viability and performance should be taken into cognizance. This study contributes to growing literature in the area of financial reporting research in the emerging economies like Nigeria in relation to the impact of IFRS on key profitability ratios. Also, while other studies have used statistical methods like regression analysis, correlation, One-Way ANOVA, and other analytical techniques, this study has used Wilcoxon Signed Rank test to probe the effect of IFRS adoption on the profitability ratios of Nigeria banks. This study only examined the listed banks in Nigeria; future research could cover the entire financial sector in order to gain more insight and provide a robust investigation into the effect of IFRS on profitability ratios in Nigeria. Also, more control variables could be introduced to further provide empirical evidence into the relationship between IFRS and financial ratios in Nigeria.
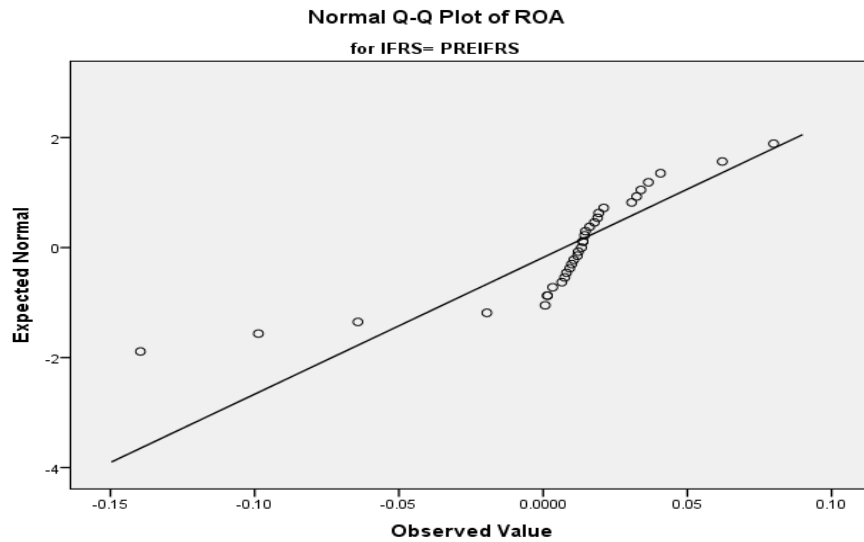
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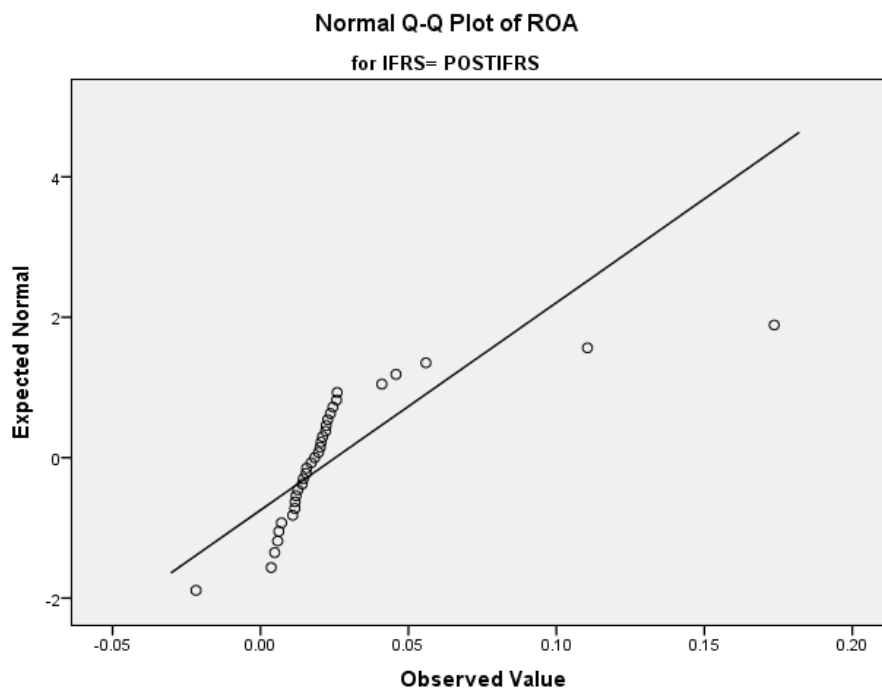
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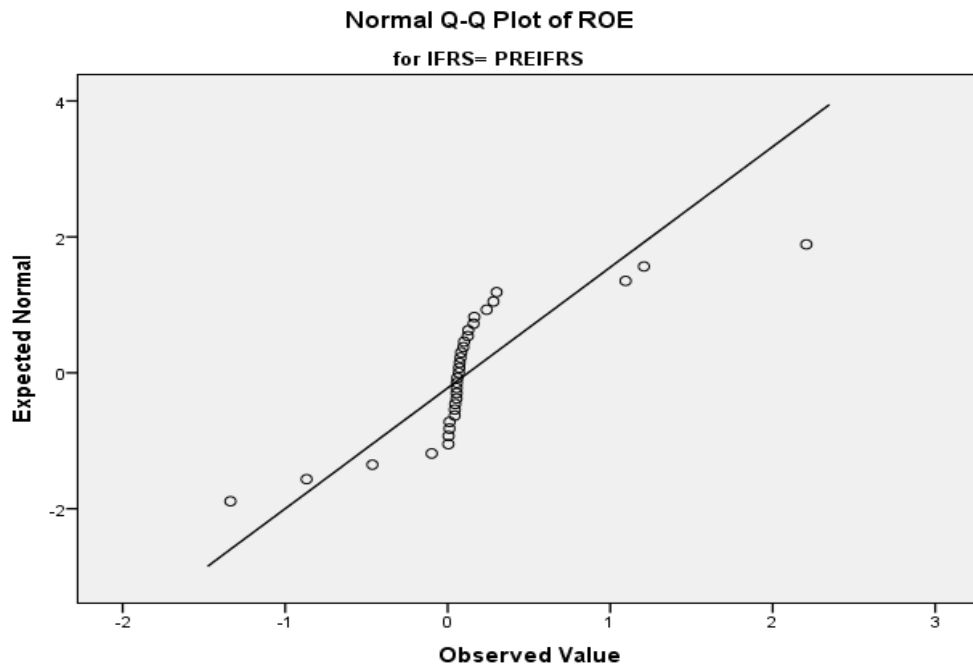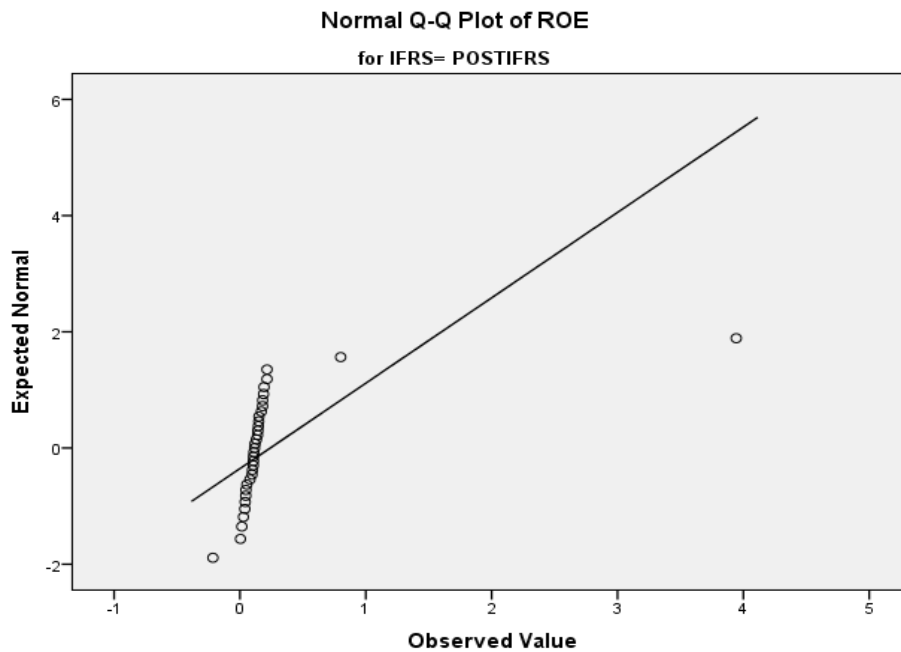
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Appendix –Normality Test

Normal Q-Q Plot of ROA

for IFRS= PREIFRS

Graph 1. PRE IFRS (ROA)

Normal Q-Q Plot of ROA
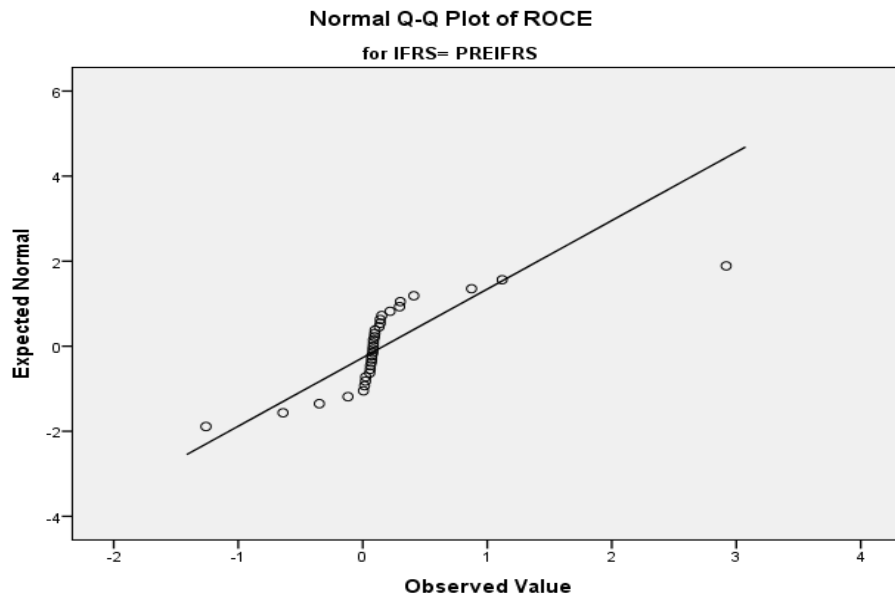
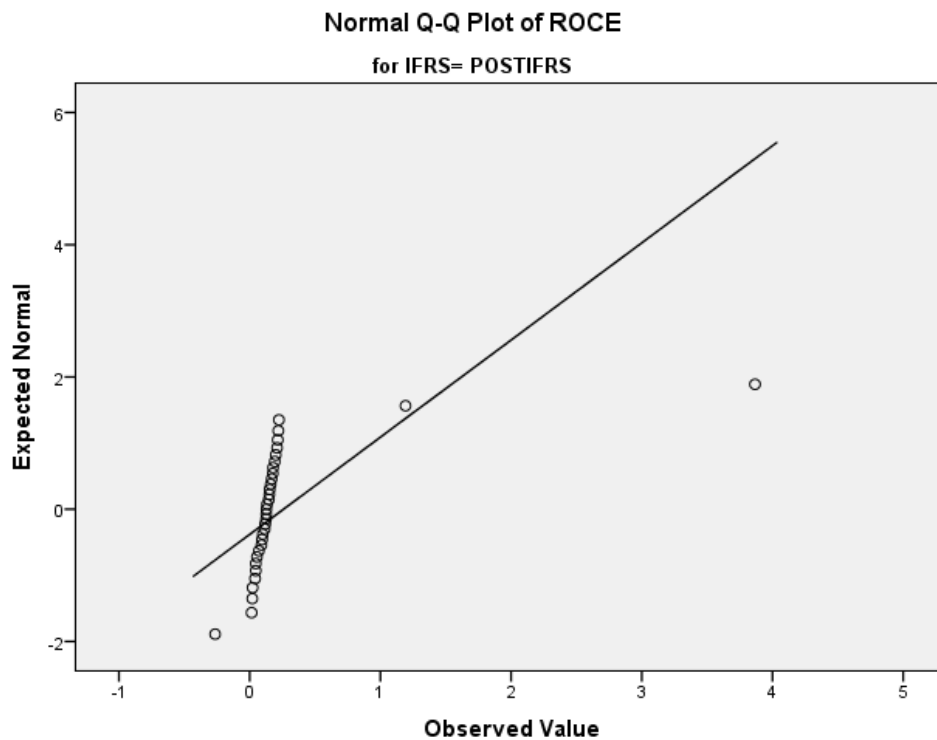for IFRS= POSTIFRS

Graph 2. POST IFRS (ROA)

Graph 3. PRE IFRS (ROE)

Graph 4. POST IFRS (ROE)

Graph 5. PRE IFRS (ROCE)

Graph 6. POST IFRS (ROCE)

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