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THE EFFECTS OF CHANGES IN ACCOUNTING STANDARDS ON VALUE RELEVANCE OF FINANCIAL STATEMENT INFORMATION OF MALAYSIA AND NIGERIA BANKS

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ABSTRACT

Dearth of studies on the association between IFRS and value relevance of financial statement information in emerging economies and the continuous exclusion of financial institutions from samples of prior studies motivated this study to acquire the banking sector of two emerging countries – Malaysia and Nigeria in order to investigate whether changes in Malaysia and Nigeria accounting standards affects value relevance of financial statement information. Hence, this study used a sample of 21 banks representing 8 Malaysian banks and 13 Nigerian banks for a study period of 4 years (2009-2012). This study used a modified price and return models to investigate value relevance of financial statement information of Malaysia and Nigeria banks for an equal pre and post IFRS/MFRS adoption periods. The study discovered that MFRS impact more significantly and positively on the value relevance of financial statement information of Malaysia banks than the previous FRS. However the different models evidenced different results for the Nigeria banks. Particularly, while some measurements of the price model demonstrated that Nigeria banks post IFRS adoption financial statement information is associated with high value relevance, other price model statistics proved directly opposite. The return model total indicators also evidenced that financial statement information value relevance of Nigeria banks got worsened post IFRS adoption. Overall this study concludes that IFRS-based standard is fundamental to producing and publishing high value relevant accounting information. Hence, this study recommends that globally, IFRS should be adopted as the standard for the preparation and reporting of financial statements. Nigeria banks should borrow leaf from the efficient and effective institutional regulatory framework and good corporate governance practices of Malaysia banks.

Keywords: Accounting standards, IFRS, MFRS, FRS, SAS, Value relevance, Accounting information, Capital market information, Price and return regressions.

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Contribution/ Originality

This study is one of very few studies which have investigated the value relevance of accounting information of emerging markets- Malaysia and Nigeria banks in the context of changes in accounting standards.

1. INTRODUCTION

Changes in accounting standards are expected to influence the reporting habits and outcomes. According to Anja (2008) introducing new standards or changes in standards is usually aimed at improving the accuracy, comparability, uniformity and overall value relevance of accounting numbers across firms and economies. The Roadmap toward IFRS Adoption was announced in Malaysia on 19 November, 2011. According to the Roadmap the adoption of IFRS is mandatory for all publicly listed companies from 1 January, 2012. Similarly, on 28 July, 2010, Nigeria approved 1 January 2012 as the effective date for convergence with IFRS. Thus, the main purpose of this study is to empirically investigate the effects of changes in Malaysia and Nigeria accounting standards on value relevance of financial statement information of Malaysia and Nigeria banks. More specifically, this study investigates whether there has been a significant change in value relevance of financial statement information of Malaysia banks following the change in Malaysia accounting standards from Financial Reporting Standards (hereafter referred to as FRS) to International Financial Reporting Standards (hereafter referred to as IFRS)-based Malaysia Financial Reporting Standards (hereafter referred to as MFRS). This study equally investigates whether there has been a significant change in value relevance of financial statement information of Nigeria banks following the change in Nigeria accounting standards from Statement of Accounting Standards (hereafter referred to as SAS) to International Financial Reporting Standards (hereafter referred to as IFRS).

A fundamental motivation for this study is that most of value relevance studies such as Kousenidis *et al.* (2010), Callao *et al.* (2007), Sibel (2013), Cormier (2014), Palea (2013), Paglietti (2009), Steve *et al.* (2013), Brochet *et al.* (2011) and Kamran and Manzurul (2012) have been conducted in the context of IFRS adoption in the European, developed and industrialized economies with less attention being given to developing countries. Perhaps, one of the reasons could be while some developed countries have for long converged and adopted IFRS, few emerging economies are just realising the imperativeness to be included in the global wave of internationalizing and consolidating accounting standards. In addition, extant studies show lack of clear evidence on whether the financial statement information reported under the IFRS reporting regime has better quality compared to the domestic reporting standards commonly referred to as the national Generally Accepted Accounting Practices (GAAP). Prior studies on the association between IFRS adoption and its ability and potency to enhance value relevance of financial statement information of corporate firms provide contradictory and inconsistent results. Some studies such as Oskar and Erik (2012), Kwong (2010), Gjerde *et al.* (2008) among others affirmed that IFRS adoption has contributed to an increased value-relevance of accounting information of corporate firms. However, some other studies such as Tsalavoutas *et al.*

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(2010), Tatiana and Polina (2013), Niskanen *et al.* (2000), Schiebel (2007) to mention but a few conversely establish no association between IFRS adoption and increase in value relevance of accounting information. Furthermore, most prior studies on IFRS focus on the collective effects of its adoption on earnings management, timely loss recognition and value relevance of financial statement information statements (see (George, 2010; Dechow *et al.*, 2011; Erick, 2011; Mendes *et al.*, 2012)). Giving consideration to earnings management as a major independent and sometimes the moderating variable between IFRS and value relevance and the common use of accrual quality particularly discretionary accruals as proxy for earnings management (Peasnell *et al.*, 2000; Dechow *et al.*, 2003; Stubben, 2008; Hamidreza *et al.*, 2012; Lenard and Bing, 2012), these studies focus mostly on manufacturing sales based and continuously excluded financial institutions from their samples. The exclusion of financial institutions as commonly agreed by these studies is due to clear evidences that the financial institutions have peculiar but specific accounting requirements, a high degree of complexity and accrual generating process different from manufacturing sales based firms (Becker *et al.*, 1998; Maijoor and Vanstraelen, 2006; Moreira and Pope, 2007; Tareq, 2010; Tianran, 2011). This study is not aware of any prior studies that investigate the association between IFRS adoption and value relevance of financial statement information of specific industry such as financial institutions and utility firms within Malaysia and Nigeria capital markets.Hence, this study is timely and is the first study to-date to empirically investigate the effects of the changes in Malaysia and Nigeria accounting standards on value relevance of financial statement information in Malaysia and Nigeria banks. The outcomes of this investigation will in no doubt provide relevant information and promote understanding to standards setters -IASB, Malaysia Accounting Standard Board, and Nigeria Financial Reporting Council including regulatory and supervisory agencies such as Bank Negara Malaysia, Central Bank of Nigeria, The SEC, Nigeria Securities Exchange Commission, Bursa Malaysia and the Malaysian Institute of Corporate Governance for a number of reasons. This is because regulators, standards setters and policy makers are concerned about the impact that changes from Malaysia and Nigeria previous accounting standards to IFRS-based standards might have on the quality of financial statement information of firms.

2. METHODOLOGY

2.1. Sample and Investigation period

Judgmentally, this study uses a sample of eight Malaysian banks and thirteen Nigerian banks. The study period is four years made up two years pre adoption period (2009 and 2010) and two years (2011 and 2012) post adoption period.

2.2. Data Source

Data from banks' financial statements and capital markets DataStream are used to construct a proxy for banks' accounting quality.

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2.3. Models

Extant studies such as Ohlson (1995) and Easton and Harris (1991) evidenced the existence of two basic models for assessing accounting value relevance.

2.3.1. Price Model

Our first model specified to measure value relevance as the adjusted R^2 of the regression of stock price per share (P_{it}) on earnings per share (EPS_{it}) and book value per share ($BVPS_{it}$) is as follows:

$P_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BVPS_{it} + \varepsilon_{it}$ ..... (1)

where

P_{it} = stock price per share for bank i at time t

EPS_{it} = the earnings per share of bank i at time t

BVS_{it} = the book value per share of bank i at time t

t = pre adoption period -2009, 2010, corresponding to the fiscal year 2009 and 2010 and post adoption period 2011, 2012 corresponding to the fiscal year 2011 and 2012.

ε_{it} = other value-relevant information

2.3.2. Return Model

This study equally proxy for relevance of financial statement information based on the explanatory power R^2 and the coefficients obtained from the OLS regression of profits on stock returns under different accounting and reporting regime. The model is presented below:

$EPS_{it} = a_0 + a_1 AR_{it} + e_{it}$ ..... (2)

where

EPS_{it} is net profit divided by beginning of year share price;

AR_{it} is the annual stock return at year-end.

AR_{it} is calculated as follows: $P_{it} - P_{it-1} / P_{it-1}$ ..... (3)

where

P_{it} is the price of security i at the end of period t, and

P_{it-1} is the price of security i at the end of period t-1.

3. DAT ANALYSIS AND INTERPRETATIONS

3.1. Descriptive Statistics

The mean and median scores respectively for PRICE and EPS got significantly and advantageously improved post MFRS adoption.

However, ARR mean and median score declined consequent upon MFRS adoption.

Contrary to the Malaysia sample banks descriptive statistics, the mean and median of PRICE declined but the mean of EPS and ARR got enhanced post IFRS adoption. It is pertinent to mention at this juncture that the statistics of BVS for both countries and respective reporting regimes remained relatively constant.

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Table-1A. Malaysia Sample Pre and Post Descriptive Analysis

	Pre Adoption				Post Adoption			
	Price	EPS	ARR	BVS	Price	EPS	ARR	BVS
Mean	6.812375	0.456200	0.466121	0.937500	8.186250	0.622869	0.072783	0.937500
Median	6.749000	0.440000	0.378515	1.000000	7.555000	0.599250	0.050168	1.000000
Max	13.02000	0.872000	1.194872	1.000000	16.28000	1.105000	0.355960	1.000000
Min	2.520000	0.120000	0.121770	0.500000	3.080000	0.235000	-0.153630	0.500000
Std. Dev.	3.107512	0.235302	0.305059	0.170783	3.949047	0.268972	0.147857	0.170783

Table-1B. Nigeria Sample Pre and Post Descriptive Analysis

	Pre Adoption				Post Adoption			
	Price	EPS	ARR	BVS	Price	EPS	ARR	BVS
Mean	7.552692	-0.050000	-0.071713	0.500001	6.573846	0.250327	0.072161	0.500001
Median	7.485000	0.415000	0.002733	0.500000	4.680000	0.555000	-0.108664	0.500000
Max	17.76000	8.300000	0.878050	0.500010	23.00000	3.190000	1.572920	0.500010
Min	0.840000	-20.81000	-0.934920	0.500000	0.500000	-14.06000	-0.744000	0.500000
Std. Dev.	5.141000	4.553744	0.397474	2.72E-06	6.122713	3.100464	0.664966	2.72E-06

3.2. Malaysia Sample Price Regression Analysis

3.2.1. Pre Adoption Period

Malaysia pre MFRS adoption period price least squares estimation output demonstrate a significantly high positive coefficient on EPS and a significantly low negative coefficient on BVS. The statistical and empirical significant coefficient of 10.13887 on the EPS connotes the existence of reasonable substantial positive link between EPS and price per share. However, the negative coefficient of -6.454215 on BVS reveals an insignificant negative connection between price per share and BVS during this period. The R^2 and adjusted R^2 as produced by the least squares estimation output shown in table 2A is practically healthy. The R^2 is about 48% while the adjusted R^2 is 40%. Supplementary facts to confirm the Malaysia pre adoption era relationship between PRICE, EPS and BVS are provided in the price least square estimation output as per table 2A.

Table-2A. Malaysia Pre MFRS Adoption period Price Least Squares Estimation Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.239750	3.476445	2.370166	0.0339
EPS	10.13887	2.928662	3.461947	0.0042
BVS	-6.454215	4.031050	-1.601125	0.1334
R-squared	0.480010			
Adjusted R-squared	0.400012			

Additionally, two-tail tests of significance for the effect of EPS and the BVS are performed. The hypotheses for these tests are:

H0: $\beta 2$ = (no EPS effect) H1: $\beta 2$ = (there is EPS effect)

H0: $\beta 3$ = (no BVS effect) H1: $\beta 3$ = (there is BVS effect)

This study used Eviews to calculate the t-values and p-values for these tests. They are automatically computed with the estimation of the equation and are reported on the least squares output as respectively estimated for pre and post IFRS adoption periods. In order to perform the tests

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for the effect of EPS and BVS on PRICE for the Malaysia pre MFRS adoption period, the t-value correspondingly is specified by:

EPS: t= 10.13887/2.928662= 3.461947

BVS: t = -6.454215/4.031050= -1.601125

The p-value is individually given by:

p-value = P (t(27) > 3.461947) + P(t(27) < - 3.461947) = 2 x P(t(27) < - 3.461947) = 0.0042

p-value = P (t(27) > -1.601125) + P(t(27) < -1.601125) = 2 x P(t(27) < -1.601125) = 0.1334

The p-value information giving is adequate for rejecting or not rejecting H0. In the case of EPS this study rejects H0: $\beta 2 = 0$ at a 5% significance level because the p-values of 0.0042 is statistically less than 0.05. However, in the case of BVS this study did not reject H0: $\beta 3 = 0$ at a 5% significance level because the p-values of 0.1334 is statistically higher than 0.05. Furthermore, in order to make a judgment about H0 by associating respectively the calculated values t = 3.461947 and t = -1.601125 to a 5% critical value, this study equally did reject H0: $\beta 2 = 0$ and accept H0: $\beta 3 = 0$ because while calculated t value of t = 3.461947 in respect of EPS is greater than 2.052 at 5% critical value, for BVS the calculated t value of t = -1.601125 is less than 2.052 at 5% critical value. Hence results suggest that while EPS show effect on PRICE during the pre MFRS adoption period in Malaysia, BVS evidenced no effect on PRICE for the same reporting era and sample.

3.2.2. Post Adoption Period

Similar to Malaysia pre MFRS adoption results, the post MFRS adoption period price least squares estimation output exhibit a significantly high positive coefficient on the EPS and a relatively low negative coefficient on BVS. The coefficient of 14.74860 on the EPS represents about 40% increase in the coefficient of EPS as reported for the pre adoption period. This result implies that the Malaysia post MFRS adoption period is characterized with very high reasonable and momentous positive association between EPS and PRICE. Conversely, the negative coefficient of -10.99157 on Malaysia post adoption period BVS compared to -6.454215 on Malaysia pre adoption BVS evidence a relatively reduced negative link between PRICE and BVS for the Malaysia post adoption period.

The R^2 and adjusted R^2 as produced by the least squares estimation output shown in table 2B is practically better improved and superior to all the R^2 and adjusted R^2 in the entire price regression analysis irrespective of the samples and reporting era. The R^2 is about 70% while the adjusted R^2 is 65%. Other relevant proofs to further validate that the Malaysia post adoption era witnessed high positive impact of MFRS adoption on value relevance as exhibited through the significant relationship between PRICE and EPS are provided in the price least square estimation output as per table 2B.

Table-2B. Malaysia Post MFRS Adoption period Price Least Squares Estimation Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.341279	3.371426	2.770721	0.0159
EPS	14.74860	2.682413	5.498260	0.0001
BVS	-10.99157	4.169252	-2.636342	0.0205
R-squared	0.700351			

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Adjusted R-squared	0.654251			

This study equally ran two-tail tests of significance for the effect of EPS and BVS for the Malaysia post MFRS adoption period. The corresponding t-value that enabled this study to carry out the tests for the effect of EPS and BVS on PRICE for the Malaysia post MFRS adoption age is given below:

EPS: t= 14.74860/2.682413= 5.498260

BVS: t = -10.99157/4.169252= -2.636342

The p-value is individually given by:

p-value = P (t(27) > 5.498260) + P(t(27) < - 5.498260) = 2 x P(t(27) < - 5.498260) = 0.0001

p-value = P (t(27) > -2.636342) + P(t(27) < -2.636342) = 2 x P(t(27) < -2.636342) = 0.0205

The p-value information giving is adequate for rejecting or not rejecting H0. For both cases, i.e. EPS and BVS significant empirical statistical evidences abound for this study to reject H0: $\beta 2 = 0$ and H0: $\beta 3 = 0$ at a 5% significance level because the respective p-values of 0.0001and 0.0205 are lower than 0.05. To make a decision about H0 by comparing respectively the calculated values t = 5.498260 and t = -2.636342 to a 5% critical value, this study also reject H0: $\beta 2 = 0$ because calculated t value of t = 5.498260 is greater than 2.052 at 5% critical value but however did not reject H0: $\beta 3 = 0$ because calculated t value of t = -2.636342 is less than 2.052 at 5% critical value. Thus, while EPS indicate significant effect on PRICE during the post MFRS adoption era in Malaysia, BVS indicate no effect.

3.3. Nigeria Sample Price Regression Analysis

3.3.1. Pre Adoption Period

The Nigeria pre IFRS adoption period price least squares estimation output indicate a positive coefficient on EPS and a negative coefficient on BVS. This suggests a positive but not reasonably significant relationship between EPS and PRICE and a significant negative relationship between PRICE and BVS. The overall adequacy of the model using the R^2 and adjusted R^2 as evidenced in the least squares estimation output given in table 3A is relatively low. The R^2 is about 1.05% while the adjusted R^2 is negative with a value of -7.55%. Additional details to corroborate the association between PRICE, EPS and BVS are provided in the price least square estimation output in table 3A.

Table-3A. Nigeria Pre IFRS Adoption period Price Least Squares Estimation Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14687.08	196269.2	0.074831	0.9410
EPS	0.115028	0.234248	0.491055	0.6280
BVS	-29359.00	392537.7	-0.074793	0.9410
R-squared	0.010536			
Adjusted R-squared	-0.075504			

Considering the test for the effect of EPS and BVS on PRICE for the Nigeria pre IFRS adoption period, the t-value respectively is given by:

EPS: t= 0.115028/0.234248= 0.491055

BVS: t = -29359.00/392537.7= -0.074793

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The p-value is respectively given by:

p-value = P (t(27) > 0.491055) + P(t(27) < - 0.491055) = 2 x P(t(27) < - 0.491055) = 0.6280

p-value = P (t(27) > -0.074793) + P(t(27) < -0.074793) = 2 x P(t(27) < -0.074793) = 0.9410

Knowing the p-value is sufficient information for rejecting or not rejecting H0. For both cases, i.e. EPS and BVS this study did not reject H0: $\beta 2 = 0$ and H0: $\beta 3 = 0$ at a 5% significance level because the respective p-values of 0.6280 and 0.9410 are greater than 0.05. To make a decision about H0 by comparing respectively the calculated values t = 0.491055 and t = -0.074793 to a 5% critical value, this study equally did not reject H0: $\beta 2 = 0$ and H0: $\beta 3 = 0$ because corresponding calculated t value of t = 0.491055 and t = -0.074793are less than 2.052 at 5% critical value. Hence, EPS and BVS indicate no effect on PRICE during the pre IFRS adoption in Nigeria.

3.3.2. Post Adoption Period

Similarly the Nigeria post IFRS adoption period price least squares estimation output also shows a positive coefficient on EPS and a negative coefficient on BVS. However, the coefficient of 0.323100 on EPS is higher and more statistically significant for the post adoption period than it was for the pre adoption era. It therefore means that there exist a more reasonable significant positive association between EPS and PRICE and negative link between PRICE and BVS during the post adoption period.

The overall adequacy of the model using the R^2 and adjusted R^2 as shown in the least squares estimation output given in table 3B is better than what was reported for the pre adoption period. The R^2 is about 4.96% while the adjusted R^2 is negative with a value of -3.3%. Additional details to validate the association between PRICE, EPS and BVS are provided in the price least square estimation output in table 3B.

Table-3B. Nigeria Post IFRS Adoption period Price Least Squares Estimation Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	173040.8	229026.3	0.755550	0.4576
EPS	0.323100	0.401468	0.804796	0.4292
BVS	-346068.0	458051.8	-0.755522	0.4576
R-squared	0.049614			
Adjusted R-squared	-0.033029			

In order to perform the tests for the effect of EPS and BVS on PRICE for the Nigeria post IFRS adoption period, the t-value respectively is given by:

EPS: t= 0.323100/0.401468= 0.804796

BVS: t = -346068.0/458051.8= -0.755522

The p-value is respectively given by:

p-value = P (t(27) > 0.804796) + P(t(27) < - 0.804796) = 2 x P(t(27) < - 0.804796) = 0.4292

p-value = P (t(27) > -0.755522) + P(t(27) < -0.755522) = 2 x P(t(27) < -0.755522) = 0.4576

The p-value information giving is adequate for rejecting or not rejecting H0. For both cases, i.e. EPS and BVS this study did not reject H0: $\beta 2 = 0$ and H0: $\beta 3 = 0$ at a 5% significance level because the

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respective p-values of 0.4292 and 0.4576 are greater than 0.05. Furthermore, in order to make a judgment about H0 by equating respectively the calculated values t = 0.804796 and t = -0.755522 to a 5% critical value, this study equally did not reject H0: β2 = 0 and H0: β3 = 0 because calculated t value of t = 0.804796 and t = -0.755522 are less than 2.052 at 5% critical value. Hence, EPS and BVS also show no effect on PRICE during the post IFRS adoption period in Nigeria.

3.4. Malaysia Sample Return Regression Analysis

3.4.1. Pre Adoption Period

Malaysia pre MFRS adoption period return least squares estimation output evidenced that this period is associated with significant negative coefficient on ARR. The numerical and observed significant coefficient of -0.065093 on the ARR signifies the presence of rational sizable adverse link between EPS and ARR for this period. Similarly, the R^2 and adjusted R^2 as generated by the least squares estimation output is relatively weak. The R^2 is about 0.71% while the adjusted R^2 is -6.38%. Accompanying actualities about the association between EPS and ARR for era are revealed in the return least square estimation output in table 4A.

Table-4A. Malaysia Pre MFRS Adoption period Return Least Squares Estimation Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.486541	0.113352	4.292316	0.0007
ARR	-0.065093	0.205412	-0.316892	0.7560
R-squared	0.007122			
Adjusted R-squared	-0.063798			

In order to substantiate our results with further statistical proofs, this study also performed two-tail tests of significance for the effect of ARR on EPS. The t-value that assisted this study to carry out the tests for the effect of ARR on EPS for the Malaysia pre MFRS adoption time is given below:

ARR: t= -0.065093/0.205412= -0.316892

The p-value is individually given by:

p-value = P (t(27) > -0.316892) + P(t(27) < -0.316892) = 2 x P(t(27) < -0.316892) = 0.7560

As usual, the p-value information giving is adequate for rejecting or not rejecting H0. For ARR, this study did not reject H0: β2 = 0 at a 5% significance level because the p-values of 0.7560 is greater than 0.05. To make a decision about H0 by comparing the calculated values t = -0.316892 to a 5% critical value, this study also did not reject H0: β2 = 0 because calculated t value of t = -0.316892 is less than 2.052 at 5% critical value. Thus, this test evidenced that ARR indicate no effect on EPS during the pre MFRS adoption period in Malaysia.

3.4.2. Post Adoption Period

The Malaysia post MFRS adoption period return least squares estimation output, however, showed that the Malaysia post adoption period exhibit significant positive coefficient on the ARR. The significant positive coefficient of 1.102184 on the ARR means EPS is positively and more significantly

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associated with ARR for this period. Similarly, the R^2 and adjusted R^2 as generated by the least squares estimation output got significantly improved consequent upon adoption of MFRS. The post MFRS adoption period R^2 of 36.7% and the adjusted R^2 of 32.2% stood in great contrast with the corresponding pre adoption values of 0.71% and -6.38%. Added realities about the link between EPS and ARR for the Malaysia post adoption era are shown in the return least square estimation output as per table 4B.

Table-4B. Malaysia Post MFRS Adoption period Return Least Squares Estimation Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.542648	0.062119	8.735683	0.0000
ARR	1.102184	0.386789	2.849572	0.0129
R-squared	0.367090			
Adjusted R-squared	0.321883			

This study also performed two-tail tests of significance for the effect of ARR on EPS for this period. Consequently, the t-value that supported this study to carry out the tests is shown below:

ARR: t= 1.102184/0.386789= 2.849572

The p-value is individually given by:

p-value = P (t(27) > 2.849572) + P(t(27) < -2.849572) = 2 x P(t(27) < -2.849572) = 0.0129

Normally, the p-value information shown is sufficient for rejecting or not rejecting H0. For Malaysia post adoption ARR, this study did reject H0: $\beta 2 = 0$ at a 5% significance level because the p-values of 0.0129 is less than 0.05. To make a decision about H0 by linking the calculated t value of 2.849572 with the 5% critical value, this study also did reject H0: $\beta 2 = 0$ because calculated t value of t = 2.849572 is higher than 2.052 at 5% critical value. Thus, this test suggests that the ARR showed effect on the post Malaysia MFRS adoption EPS.

3.5. Nigeria Sample Return Regression Analysis

3.5.1. Pre Adoption Period

The return least squares estimation output showed that the Nigeria pre adoption period display significant positive coefficient on the ARR. The significant positive coefficient of 3.364981 on the ARR statistically demonstrates that EPS is positively and highly significantly related with ARR for the period. Similarly, the R^2 and adjusted R^2 as generated by the least squares estimation output for the period is significantly relevant. The observed R^2 is 8.6% and the adjusted R^2 is 4.8%. More truths about the connection between EPS and ARR for the Nigeria pre adoption period are shown in the return least square estimation output as per table 5A.

Table-5A. Nigeria Pre IFRS Adoption period Return Least Squares Estimation Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.191314	0.885902	0.215954	0.8308
ARR	3.364981	2.235445	1.505285	0.1453

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R-squared	0.086267			
Adjusted R-squared	0.048195			

This study also executes two-tail tests of significance for the effect of ARR on EPS. The Nigeria pre IFRS adoption period t-value that backed this study to carry out the tests for the effect of ARR on EPS is shown below:

ARR: t= 3.364981/2.235445= 1.505285

The p-value is individually given by:

p-value = P (t(27) > 1.505285) + P(t(27) < -1.505285) = 2 x P(t(27) < -1.505285) = 0.1453

The p-value information of 0.1453 is enough for rejecting or not rejecting H0. For Nigeria pre adoption ARR, this study did not reject H0: $\beta 2 = 0$ at a 5% significance level because the p-values of 0.1453 is higher than 0.05. To make a decision about H0 by relating the calculated t value of 1.505285 with the 5% critical value, this study also did not reject H0: $\beta 2 = 0$ because calculated t value of t = 1.505285 is lower than 2.052 at 5% critical value. Thus, this results put forward that ARR showed no effect on the pre Nigeria IFRS adoption EPS.

3.5.2. Post Adoption Period

The return least squares estimation output showed that the Nigeria post adoption period exhibit significant negative coefficient on the ARR. The momentous negative coefficient of -1.036281 on ARR statistically validates that EPS is adversely correlated with ARR for this period. Corroborating the above result, the R^2 and adjusted R^2 as generated by the least squares estimation output got weaken for the same period. The observed R^2 is 4.9% in contrast to 8.6% for the pre adoption period and the adjusted R^2 is 0.98% as against 4.8% recorded in respect of the pre adoption era. More facts about the link between EPS and ARR for the Nigeria post adoption period are exposed in the return least square estimation output in table 5B.

Table-5B. Nigeria Post IFRS Adoption period Return Least Squares Estimation Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.325106	0.608762	0.534045	0.5982
ARR	-1.036281	0.927942	-1.116752	0.2752
R-squared	0.049397			
Adjusted R-squared	0.009789			

This study also performs two-tail tests of significance for the effect of ARR on EPS. The Nigeria post IFRS adoption period t-value that supported this study to carry out the tests is shown below:

ARR: t= -1.036281/0.927942= -1.116752

The p-value is individually given by:

p-value = P (t(27) > -1.116752) + P(t(27) < -1.116752) = 2 x P(t(27) < -1.116752) = 0.2752

The p-value information of 0.1453 is enough for rejecting or not rejecting H0. Similar to Nigeria pre adoption ARR, this study did not reject H0: $\beta 2 = 0$ at a 5% significance level because the p-values

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of 0.2752 is higher than 0.05. To further make a decision about H0 by relating the calculated t value of -1.116752 with the 5% critical value, this study also did not reject H0: $\beta 2 = 0$ because calculated t value of t = -1.116752 is lower than 2.052 at 5% critical value. Thus, this results also put forward that ARR showed no effect on the post Nigeria IFRS adoption EPS.

3.6. Price and Return Models Variables Correlation Matrix

To further investigate the statistical nature and extent of the relationship that exists between the dependent and independent variables for the different reporting regimes and samples in the context of the models used for this study, the following correlation matrix provides additional insight.

3.6.1. Malaysia Sample Price Model Variables Correlation Matrix

Table 6A provides the pre and post MFRS adoption correlation Matrix for PRICE, EPS and BVS. Three important points can be gleaned from this matrix. First the correlation between PRICE, EPS and BVS are statistically healthier and positively significant post MFRS adoption. Second, this study notices that the Malaysia post adoption period EPS exhibits the strongest correlation (0.734947) with PRICE. Finally, albeit there exist negative collinearity between BVS and PRICE for the pre MFRS adoption period, consequent upon MFRS adoption the correlation between the two variables became significantly positive

Table-6A. Malaysia Pre and Post MFRS Adoption Price Model Variables Correlation Matrix

Pre MFRS Adoption Period				Post MFRS Adoption			
	PRICE	**EPS**	**BVS**		**PRICE**	**EPS**	**BVS**
PRICE	1.000000	0.614384	-0.024825	PRICE	1.000000	0.734947	0.059433
EPS	0.614384	1.000000	0.430124	EPS	0.734947	1.000000	0.539437
BVS	-0.024825	0.430124	1.000000	BVS	0.059433	0.539437	1.000000

3.6.2. Malaysia Sample Return Model Variables Correlation Matrix

Equally, validating established statistical evidences that the Malaysia post MFRS adoption regime is associated with higher value relevant accounting information for Malaysia banks, the return model variables correlation matrix produced in table 6B evidenced that while there exist a significant negative correlation between ARR and EPS for the pre MFRS adoption period for Malaysia banks, post MFRS adoption era conversely featured a significant positive association between the two variables.

Table-6B. Malaysia Pre and Post MFRS Adoption Return Model Variables Correlation Matrix

Pre MFRS Adoption Period			Post MFRS Adoption Period		
	ARR	**EPS**		**ARR**	**EPS**
ARR	1.000000	-0.084391	ARR	1.000000	0.605880
EPS	-0.084391	1.000000	EPS	0.605880	1.000000

3.6.3. Nigeria Sample Price Model Variables Correlation Matrix

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Table 7A provides the Nigeria pre and post IFRS adoption correlation matrix for PRICE, EPS and BVS. Three imperative facts can also be gathered from this matrix. First there exist negative correlations between BVS and PRICE and a significant positive association between PRICE and EPS respectively for both reporting regimes. Second, this study also notices that the Nigeria post adoption period EPS exhibits the strongest correlation (0.161329) with PRICE. Finally, the results of the correlation matrix are mixed. While the link between EPS and PRICE got improved post adoption, the respective tie between BVS and PRICE and EPS and BVS declined post IFRS adoption.

Table-7A. Nigeria Pre and Post IFRS Adoption Price Model Variables Correlation Matrix

Pre SAS Adoption Period				**Post IFRS Adoption**			
	PRICE	**EPS**	**BVS**		**PRICE**	**EPS**	**BVS**
PRICE	1.000000	0.101467	-0.012752	PRICE	1.000000	0.161329	-0.151162
EPS	0.101467	1.000000	0.027152	EPS	0.161329	1.000000	0.014876
BVS	-0.012752	0.027152	1.000000	BVS	-0.151162	0.014876	1.000000

3.6.4. Nigeria Sample Return Model Variables Correlation Matrix

Minutely, the Nigeria pre and post IFRS adoption return model variables correlation matrix as per table 7B evidenced that the association between EPS and ARR got significantly worsened subsequent to IFRS adoption.

Table-7B. Nigeria Pre and Post IFRS Adoption Return Model Variables Correlation Matrix

Pre SAS Adoption Period			**Post IFRS Adoption Period**		
	EPS	**ARR**		**EPS**	**ARR**
EPS	1.000000	0.293713	EPS	1.000000	-0.222255
ARR	0.293713	1.000000	ARR	-0.222255	1.000000

3.7. Interpretation of Results

3.7.1. The Malaysia Sample Results

Indicators from the price model confirm that financial statement information of Malaysia banks post MFRS adoption period is associated with higher value relevance than the pre MFRS adoption financial statement information. This is mirrored by the post MFRS adoption respective higher R^2 and adjusted R^2 of 70% and 65% compared to the corresponding pre MFRS adoption R^2 of 48% and adjusted R^2 of 40%. Furthermore validating the above results, the post MFRS adoption coefficient of 14.749 on EPS is about 45% higher than the pre MFRS adoption EPS coefficient of 10.139. The above percentage increment in EPS coefficient validates the results of Onalo, Mohd and Ahmad (2014) who established using the modified Jones model that the adoption of MFRS by Malaysia banks for the same reporting period considered in this study led to an improvement of about 41% in earnings quality. The price model tests of significance investigated whether or not EPS and BVS exhibit effect or no effect on PRICE. The result of this test suggests that EPS indicate effect on PRICE for both pre and post MFRS adoption period in Malaysia. However, evidences show that BVS have no effect on PRICE for both reporting periods for Malaysia banks.

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Likewise, the return model overall numerical outcomes validate evidences that the Malaysia post MFRS adoption period is associated with higher value relevance of accounting numbers compared to the corresponding pre MFRS adoption period. Specifically, higher respective post MFRS adoption R^2 and adjusted R^2 of 36.7% and 32.2% compared to the corresponding but weak pre MFRS adoption R^2 and adjusted R^2 of 0.71% and -6.5% is in no doubt supportive of the above assertion. The coefficient on ARR similarly confirms the above. The post MFRS adoption period exhibit a higher coefficient of 1.102 on ARR against the pre MFRS adoption negative coefficient of -0.0651. The variances in ARR pre and post MFRS adoption coefficients implies that while the post MFRS adoption ARR is positively and significantly associated with EPS, the pre MFRS adoption ARR indicate a significant adverse link with EPS. Also, the results of test of significance for both Malaysia pre and post MFRS adoption periods also put forward that the ARR showed no effect on EPS for the pre MFRS adoption period but evidenced effect for the post MFRS adoption period. On the whole, the overall statistical results of both the price and return models as summarized in tables 8A, B and C demonstrate that post MFRS adoption financial statement information of Malaysia banks is more value relevant than the corresponding pre MFRS adoption accounting information. In other words, MFRS adoption has positively enhanced and improved the value relevance of accounting information of Malaysia banks.

Table-8A. Malaysia Sample Price and Return Summary of R^2 and Adjusted R^2 Results

	R2 and Adjusted R2 of the Price and Return Pre Adoption Era				**R^2 and Adjusted R^2 of the Price and Return Post Adoption Era**			
	Price R^2	Price Adj R^2	Return R^2	Return Adj R^2	Price R^2	Price Adj R^2	Return R^2	Return Adj R^2
Malaysia	48%	40%	0.71%	-6.38%	70%	65%	36.7%	32.2%

Table-8B. Malaysia Sample Pre and Post IFRS Adoption Coefficients on the Price Regression Model

	Pre Adoption Era		**Post Adoption Era**	
	EPS Coefficient	BVS Coefficient	EPS Coefficient	BVS Coefficient
Malaysia	10.14	-6.45	14.75	-10.99

Table-8C. Malaysia Sample Pre and Post IFRS Adoption Coefficients on the Return Regression Model

	Pre Adoption ARR Coefficient	**Post Adoption ARR Coefficient**
Malaysia	-0.0651	1.102

3.7.2. The Nigeria Sample Results

The price model produce mixed statistical results for the Nigeria sample.

First, some statistics from the price model evidence that the accounting information for the Nigeria bank post adoption period is associated with higher value relevance than the pre adoption accounting numbers. This is reflected by the post adoption respective higher R2 and adjusted R2 of 5% and -3.3% compared to R2 of 1.05% and adjusted R2 of -7.6% for the pre adoption period. In addition the post adoption coefficient of 0.323 on EPS is about 100% higher than the pre adoption EPS coefficient of 0.115. However, the price model tests of significance did not corroborate the above

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analysis. The result of this test suggests that EPS and BVS indicate no effect on PRICE during the post IFRS adoption in Nigeria.

In the same vein, the return model overall statistical results tends towards the same direction authenticating assertions that the Nigeria pre IFRS adoption period is associated with higher value relevance of accounting numbers compared to the corresponding post IFRS adoption period. Particularly, higher respective pre adoption R^2 and adjusted R^2 of 8.6% and 4.8% compared to the respective post adoption R^2 and adjusted R^2 of 4.9% and 0.99% is in no doubt supportive of the above assertion. The coefficient on ARR equally validates the aforementioned outcomes. The pre IFRS adoption period exhibit a higher coefficient of 3.365 on ARR against the post IFRS adoption period ARR negative coefficient of -1.036. The differences in ARR pre and post IFRS adoption coefficients implies that while the pre adoption ARR is positively and significantly associated with EPS, the post IFRS adoption ARR indicate a significant adverse link with EPS. Similarly, the results of test of significance for both Nigeria pre and post IFRS adoption periods also put forward that ARR showed no effect on EPS. Tables 9A, B and C summarizes respectively statistics that support this study to come to the overall conclusion that pre adoption financial statement information of Nigeria banks is more value relevant than the post IFRS adoption accounting information.

Table-9A. Nigeria Sample Price and Return Summary of R^2 and Adjusted R^2 Results

	R2 and Adjusted R2 of the Price and Return Pre Adoption Era				**R^2 and Adjusted R^2 of the Price and Return Post Adoption Era**			
	Price R^2	Price Adj R^2	Return R^2	Return Adj R^2	Price R^2	Price Adj R^2	Return R^2	Return Adj R^2
Nigeria	1.05%	-7.55%	8.6%	4.8%	5%	-3.3%	4.9%	0.98%

Table-9B. Nigeria Sample Pre and Post IFRS Adoption Coefficients on the Price Regression Model

	Pre Adoption Era		**Post Adoption Era**	
	EPS Coefficient	BVS Coefficient	EPS Coefficient	BVS Coefficient
Nigeria	0.115	-29359	0.323	-346068

Table-9C. Nigeria Sample Pre and Post IFRS Adoption Coefficients on the Return Regression Model

	Pre Adoption ARR Coefficient	**Post Adoption ARR Coefficient**
Nigeria	3.365	-1.0362

It is worth mentioning at this point that for both Malaysia and Nigeria samples, the coefficients on BVS in the price model suggests that the BVS is more value relevant prior to IFRS/MFRS adoption than post adoption era. Malaysia banks exhibit a higher pre adoption BVS coefficient of -6.454 against -10.99 recorded during the post MFRS adoption period. Similarly, Nigeria pre IFRS adoption BVS coefficient of -29359 is higher than the post IFRS adoption corresponding value of -346068. This result is consistent with Kousenidis *et al.* (2010) and Chalmers *et al.* (2011) who evidences that IFRS adoption reduces the incremental information content of book values of equity for stock prices but however increases earnings' incremental information content.

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3.8. The Nigerian Situation: What could be Responsible?

The impact of IFRS in enhancing the value relevance of Nigeria banks financial statement information using both the price and return models evidenced mixed results. While the price model partially validates that Nigeria post IFRS adoption period is characterized with higher value relevant financial statement information for banks when compared to the pre IFRS adoption period, the return model totally discard the assertion of either relative or wholesome association between IFRS adoption and value relevance. In addition a cross country over view suggest that the financial statement information of Malaysia banks is more value relevant after MFRS adoption than Nigeria banks post IFRS financial statement information.

These results were unexpected given evidences from extant studies that the variance between IFRS and Nigeria previous SAS is significantly higher than the difference between IFRS/MFRS and Malaysia previous FRS. Nigeria previous accounting standards mirror great dissimilarities with IFRS (Ikpefan and Akande, 2012). However, some of the Malaysia previous FRS was adopted and cherry picked from IFRS (KPMG, 2011; Onalo *et al.*, 2014). The unexpected results is because consistent with Tan *et al.* (2011) firms in countries where local GAAP differ more from IFRS prior to IFRS adoption are expected to receive greater benefits than firms from countries where local GAAP are already close to IFRS. Accordingly, Zeghal *et al.* (2012) demonstrated that though there has been some improvement in accounting quality between the pre- and post-IFRS adoption periods, the improvement is more pronounced for the firms in countries where the distance between the pre-existing national GAAP and IFRS is important.

In addition extant studies have revealed that the Nigeria banks engage more in earnings management during the pre-adoption era than the post adoption era and on the whole for both pre and post adoption periods than Malaysia banks (Onalo *et al.*, 2014). Nigeria previous SAS were judged incomplete in ensuring the preparation of transparent financial reports (Akindele, 2012). NDIC a major regulatory and supervisory agency of banks in Nigeria also affirmed that many Nigeria banks previously reporting under the SAS have adopted inconsistent accounting policies and reporting practices which make the assessment and comparison of their performances very difficult. Thus, consistent with Ashbaugh and Pincus (2001) in Etty (2005) this study expected that IFRS adoption impact positively Nigeria banks accounting quality and that the impact of IFRS adoption on the value relevance of financial statement information of Nigeria banks be more significant when compared to its impact on the financial statement information of Malaysia banks.

Consequently, the higher significant impact of the adoption of MFRS (IFRS) on the financial statement information of Malaysia banks compared to the impact of IFRS on value relevance of financial statement information of Nigeria banks represent an anomaly. The above contradictory results pose some logical questions among which are: could the Nigeria SAS be of higher quality than the Malaysia previous FRS/IFRS? Could pronouncement by Nigeria regulatory and supervisory

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agencies about the low quality of Nigeria SAS be false? Could findings from previous studies evidencing higher earnings management in the same pre adoption period for Nigeria banks than for Malaysia banks be erroneous? Does the assertion of previous studies establishing an inverse relationship between earnings management and value relevance of accounting information calls for another empirical revalidation? On the whole, the above aggregated questions further prompted this study to additionally perform a diagnosis of the reasons for the deviation of outcomes from normal.

Hence, a further investigation into these quite unexpected results, evidence that the high value relevance of accounting information for Nigeria pre adoption period was not due to the fact that Nigeria previous SAS is of higher quality than the IFRS. It was however discovered that the Nigeria pre adoption era (2007-2010) was characterized with the capital market game system where managers of Nigeria banks particularly sought and employed the scheme to bribe stockholders to help them artificially raise the prices of their banks' stock. Elegbe (2013) asserts that Nigeria banks do not only manipulate their financial report but also manipulate their stock prices through liaising with one another. Elegbe (2013) further established that depositor's funds were subsequently erased due to fall of the capital market and trillions of Naira was lost. Share prices degenerated almost by more than 300%. This situation corroborates the affirmation of Assistant Director-in-Charge of the FBI in New York, Janice (2012) in the case of CEO of Axius Inc. and Finance Professional indictment for alleged roles in scheme to bribe stock brokers and manipulate stock prices that "Market-driven fluctuations in share prices are risks investors have to accept. The flagrant market manipulation engaged in by Nigeria banks' managers' was designed to make the banks managers' rich and artificially enhances the value of their banks thereby placing investors at risk. In order to provide an in-depth insight into the magnitude of share or stock prices manipulations by Nigeria banks executives, tables 10A, B and C present descriptive statistics of Malaysia and Nigeria banks stock prices for periods 2006 to 2012 including their respective percentage in change in share value for the same period.

Table-10A. Descriptive Statistics of Nigeria Banks Stock Prices for Period 2006-2012

		Pre	Adoption	Period		Post	Adoption Period
Statistic	2006	2007	2008	2009	2010	2011	2012
Mean	12.796	26.363	10.773	7.306	7.772	5.485	7.662
Median	7.13	19.98	10.9	7.4	7.5	4.18	4.94
Max.	33.5	50.15	22	15.5	17.76	14.25	23
Min.	2.15	7.28	2.42	0.84	1.2	0.55	0.5
Std. Dev.	10.565	15.3	6.403	5.081	5.388	4.791	7.251

Table-10 B. Descriptive Statistics of Malaysia Banks Stock Prices for Period 2006-2012

		Pre	Adoption	Period		Post	Adoption Period
Statistic	2006	2007	2008	2009	2010	2011	2012
Mean	3.648	5.675	3.473	5.86	8.525	7.46	7.66
Median	7.13	19.98	10.9	7.4	7.5	4.18	4.94
Max.	7.984	10.396	8.364	11.3	13.02	13.38	16.28
Min.	1.92	2.59	1.52	2.52	3.04	3.08	3.44
Std. Dev.	2.263	2.591	2.22	2.865	3.3	3.418	4.576

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Table-10C. Percentage (%) Change in Stock Values of Malaysia and Nigeria Banks for Period 2006-2012

Country	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Nigeria	106%	(145%)	(48%)	6.4%	(41.7%)	39.7%
Malaysia	27.5%	(48.5%)	57.7%	27.8%	(0.65%)	15.58%

The conspiracy to inflate the price of Nigeria banks shares artificially was started in 2006 but fully noticed in 2007. In 2007 Nigeria banks share prices were averagely jacked up through collaborative fraudulent manipulative effort by over 106%. Nigeria banks average stock price in 2006 was N12.796 but was skyrocketed to N26.363 in 2007. Similarly, banks stock price median score in 2006 was N7.13 against 2007 value of N19.98. To corroborate the above evidence further, the minimum banks stock price in 2006 is N2.15 while the maximum score was N33.5. The respective corresponding values in 2007 signifying a wide difference are N7.28 and N50.15. However, in 2008 a year later, the banks share prices experienced a crash evidenced by a drastic decline of an average of about 59.14%. Investors generally witnessed undeserved losses on their investments. Stock value that averagely stood at N26.363 in 2007 was written down in loss to an average of N10.773, representing about 150% loss in value of banks share value. While the respective minimum and maximum stock prices in 2007 as earlier mentioned were N7.28 and N50.15, the corresponding respective figures in 2008 having adjusted for losses were N2.42 and N22. The losses experienced by investors continued as 2009 evidenced an additional loss of about 32.18% in comparison with 2008 stock performance figures. 2010 witnessed a slight increase in banks share prices of just about 6.38% which was overtaken by another version of heavy loss or decline in stock value of about 29.43% in 2011. 2012 fiscal year however evidenced that Nigeria banks share have started picking up in value of about 39.7% compared to what was recorded in 2011. The above confirms that the Nigeria pre IFRS adoption period was markedly branded with banks securities fraud.

The above results are in contrast to figures relating to Malaysia banks stock prices. The stock prices of Malaysia banks shares reflects normal growth trend. 2007 witnessed an increase in Malaysia stock average price of about 55.6%. A decline of about 38.8% was recorded in 2008 followed by a reasonable increase of about 68.7% in 2009. With the exception of an insignificant decline of the average stock price of Malaysia banks in 2011, the increase in value continued steadily until 2012. This is also noticed in the consistent but averagely distributed standard deviation of Malaysia stock prices which are dissimilar to the outrageous variances of Nigeria stock prices standard deviation values.

It is worthy to mention at this point that conspiracy to bribe stock brokers and fleece investors in Nigeria stock market is made possible because results of extant studies reveals that

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the Nigeria capital market reflects the lowest level of market efficiency - weak form efficiency. Samuel and Oka (2010) described weak form efficiency as a situation where the security prices reflect all the past information as reported by the press. On the other hand, Echekoba and Ezu (2012) define the concept of efficient market hypothesis stipulates that securities are fairly priced and that stock prices already fully reflect all available information. Oke and Azeez (2012) however, established that the Nigerian capital market is weak-form efficient, a confirmation that current market prices of securities reflect past or historical information. Therefore, with this level of market efficiency that characterized the Nigeria capital market, it is practically impossible for investors to predict future security price by analyzing historical prices, and achieve a performance (return) better than the stock market index.

4. CONCLUSIONS AND POSSIBLE RECOMMENDATIONS

Consistent with extant research, this study used the price and return models to investigate the relationship between accounting information and capital market information in order to provide evidences of different accounting regimes value relevance of Malaysia and Nigeria banks financial statement information. Findings of this study suggest that Malaysia post MFRS adoption era is significantly associated with higher value relevant banks financial statement information. However, the Nigeria sample evidenced mixed results particularly with the price model. Some price model related statistics demonstrate that the Nigeria banks post IFRS adoption financial statement information is more value relevant that the corresponding pre IFRS adoption accounting information. Other price model measurements however evidenced a decline in value relevance in Nigeria bank financial statement information after the adoption of IFRS. Conversely, in totality, results using the return model evidenced opposite. This implies that the adoption of IFRS by Nigeria banks is not in any way associated with high value relevance of financial statement information. This study identified capital market frauds and manipulations perpetrated by Nigeria banks executives as the fundamental reason for the unexpected and mixed results. The capital market fraud perpetuated by Nigeria banks executives is made possible in the light of weak institutional regulatory framework and poor corporate governance practices. Overall, this study concludes that the adoption of IFRS-based accounting standards is fundamental to the preparation and publication of high value relevant of accounting information. This study therefore recommends globally the adoption to or convergence with IFRS (MFRS). Nigeria banks should borrow a leaf from Malaysia banks effective and efficient institutional regulatory framework and good corporate governance practices.

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