MARYAM AHMED JIBRIL
KADUNA STATE UNIVERSITY, NIGERIA

MODIBBO ABUBAKAR
FEDERAL UNIVERSITY BIRNIN KEBBI, Nigeria

EFFECT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ON CORPORATE FINANCING IN NIGERIAN BANKING INDUSTRY

Abstract:

National accounting differences has been responsible for increasing information asymmetry, increasing cost of investments, reducing understandability as a results of incomparable information, which are sum up as investor home bias. IFRS is aimed at improving reporting quality, increasing financial statement comparability within and across countries, which is expected to reduce information asymmetry among capital market participants, and facilitate cross-border cash flows, especially in terms of foreign equity investments. However, the opponents of accounting harmonization maintain that the characteristics of accounting problems, history, culture and institutional frameworks in a country determine the form and content of accounting standards, and thus, uniform standards could not lead to any positive benefits. This argument has led to different empirical researches on the economic consequences of uniform accounting standards. This study examined how the adoption of IFRS affects corporate financing in the deposit money banks in Nigeria during the period (2009-2014). The purpose is to investigate whether or not firm's financing decisions in Nigeria have significantly improved after the adoption of IFRS. The study employed expiremental/correlational research design in a sample of 15 banks. Panel regression technique of data analysis was adopted and the study found that IFRSs have significantly improved financing in terms of equity and debt financing during the period. We conclude that there are possibilities that the adoption of IFRS in Nigeria potentially minimized information asymmetry and that corporate financing could be improved if IFRSs are carefully implemented. We recommend among others that, accounting regulators in Nigeria should increase efforts towards educating firms and investors about IFRSs, so as to enhancing corporate financing in Nigeria.

Keywords:

Debt; Leverage; Equity; Returns; Financing

1.1 Introduction

The prime role of financial reporting is to provide information that is useful to existing and potential investors, creditors, and other users in making rational investment, credit and similar decisions. Accounting information is a product of Generally Accepted Accounting Principles (GAAP), standards, and other institutional settings within a reporting country, which are presumed to shape the form and content of the financial reports. However, for the information to meet the need of the users, it must comply with the qualitative attributes of accounting information (relevance, reliability, comparability, and understandability). Modern business environment is highly characterized by the increasing international integration of trade, finance and ideas, which cannot be avoided by the financial reporting. Thus, for accounting to stand the taste of time, it must satisfy the need of the users from different geographical location. In view of this, Soderstrom and Sun (2008) state that legal systems, political and economic differences have created a vast diversity of accounting systems, which makes meaningful comparison of financial reports across borders difficult. However, IASB among others deems it necessary to reduce/eliminate the diversity, so as to facilitate cross-listings and cross-border investment. For instance, the Chairman of United State Securities and Exchange Commission (SEC) opined that, "An international language of disclosure and transparency would significantly improve investor confidence in global capital markets. Investors could more easily compare issuers' disclosures, regardless of what country or jurisdiction they came from. They could more easily weigh investment opportunities in their own country against competing opportunities in other markets" (Cox, 2008).

The effort to harmonize accounting standards formally began in 1973 when the International Accounting Standard Board (IASB), formerly International Accounting Standard Committee (IASC) was established. The aim of establishing the IASB is to improve and harmonize financial reporting around the world. Although the effort is not generally accepted, a major success was recorded in 2002 when the European Union (EU) mandated the use of International Financial Reporting Standards (IFRS) by registered companies (Bae, Tan, & Walker, 2007). Proponents of accounting harmonization argue that the use of common set of accounting standards has a lot of benefits to different stakeholders including the adopting countries. The main benefits of uniform accounting standards are the low information asymmetry, lower cost of capital and increase capital flow across borders; that is, a uniform set of accounting standards facilitates cross-border comparisons of financial reports (Bae et al., 2007; Naranjo, Saavedra & Verdi 2013). Moreover, uniform standards assists investors and other market participants to effectively use current expertise to analyze firms from countries with accounting standards that they are familiar with.

Overall, IFRS reduces information processing costs, increases comparability among capital market participants within and across countries, and provides what is perceived to

be higher quality information. On the contrary, the opponents of accounting harmonization hold that the characteristics of accounting problems, history, culture and institutional frameworks in a country determine the form and content of accounting standards (Bae et al., 2007). Thus, harmonization could not lead to any positive benefits. In addition, they argue that an appropriate set of accounting standards in one country need not to be an appropriate set of accounting standards in another country. Consequently, this argument has led to different empirical researches on the economic consequences of uniform accounting standards, which is also the focus of this study.

As an aspect of financial reporting regulation, IFRS is the major form of accounting harmonization in the history. Following the formal declaration and establishment of IFRS in 2001, it has been adopted by more than one hundred countries with the purpose of improving reporting quality, increasing financial statements comparability, and ultimately reducing information asymmetry among capital market participants. In the same vein, in 2012 Nigeria mandated all the publicly quoted companies to adopt IFRS; the transition to IFRS has resulted in significant changes in the process of preparation and presentation of accounting information as well as the content of the financial reports. The adoption of IFRS in Nigeria has not only change the form and contents of financial reports but also change the reporting paradigm from the historic cost accounting philosophy to fair value philosophy. The fact that accounting information facilitates capital allocation, the paradigmatic shift could affect the behaviour of the providers of capital both within and outside Nigeria.

For instance, extant financial reporting literature (like Covrig, Defond & Hung, 2007; Leuz & Wysocki, 2008; Defond, Hu, Hung & Li, 2011; Naranjo et al., 2013) argue that uniform accounting standards can affect firms' financial decisions. According to this argument, mandating a uniform set of accounting standards reduces information asymmetry, cost of capital and improves transparency and comparability of accounting information across borders, which in turn attracts greater cross-border investments. In essence, information asymmetry affect financing decisions to the extent that harmonized accounting standards affect financing choices (Myers & Majluf, 1984). Similarly, Defond et al., (2011) add that by improving comparability, particularly among foreign investors, uniform accounting standards can have an impact on the supply of capital. Hence, empirical studies documented many desirable features of IFRS, particularly with regard financial choices by firms and investors.

This study will focus on the effect of mandatory IFRS adoption on corporate financing in Nigeria, as in Armstrong et al. (2010), Li (2010), and Defond et al., (2011) who focus their analysis on mandatory IFRS adoption in the European Union (EU) countries. Mandatory IFRS adoption provides a unique setting for investigating the impact of accounting harmonization on financial reporting and decision usefulness of accounting numbers. Defond et al., (2011) used foreign mutual fund ownership to capture the effect of IFRS on cross-border investment, as a benefit from financial statements comparability. They found

that mandatory IFRS adoption results in a greater increase in foreign investment among companies in countries with strong implementation credibility that experience relatively large increases in uniformity with a significant increase in foreign mutual fund ownership. On the other hand, they show that a credible increase in uniformity associated with mandatory IFRS adoption in the EU does not increase domestic mutual fund ownership. This according to (Covrig et al., 2007) implies that domestic investors have better access to alternative information channels and being more familiar with local accounting standards. However, it also points that IFRS could not influence financial decisions in all respects.

Naranjo et al., (2013) rely on key assumption that, IFRS reduces information asymmetry and develop some testable predictions: first, in the post-IFRS adoption period, firms will be more likely to raise external funds. According to this argument, this occurs because, as shown in Myers and Majluf (1984), a reduction in information asymmetry reduces adverse selection costs which, in turn, allow firms to raise more external capital. The second prediction, which is conditional on raising external funds, and based on the pecking order theory postulate, in the post-IFRS adoption period firms will be relatively more likely to issue equity than debt. In this case, the reduction in adverse selection costs disproportionally affects equity vis-à-vis debt financing. Additionally, they predict that post-IFRS firms with a limited debt capacity exhibit an even higher reliance on equity financing instead of first tapping the external financing market via debt financing.

1.2 Research Problem

National accounting differences are said to be responsible for increasing information asymmetry, increasing cost of investments, reducing understandability as a results of incomparable information, which are sum up as investor home bias (Bradshaw, Bushee, & Miller, 2004). A long standing accounting literature has termed these factors an obstacle to the harmonization of accounting practices. However, the recent effort by IASB has recorded a substantial achievement with the establishment of uniform accounting standards which was and still on acceptance by many jurisdictions around the world, in anticipation of the expected benefits which are mostly financial to investors and investees. Most importantly, mandatory adoption of IFRS is expected to results in cheap financing to corporate bodies and a highly liquid capital market, as a result of cross-border cash flows, which in return improve the overall economic growth and development of a country. While these are the major desirable reasons behind the mandatory IFRS adoption in Nigeria, this study caution that for IFRS to provide positive benefits, several factors (such as implementation credibility and the decision usefulness of the IFRS accounting numbers) have to be carefully considered. Because it is only when accounting system could produce information with these attributes that the information could be considered

as representing what it purports to represent, and positively influence financial decisions. This constitutes the research problem that this study is set to address, by empirically testing the effect of IFRS on corporate financing of banks.

Therefore, the success of adopting IFRS in Nigeria depends on the extent to which it reduces information asymmetry, quality of accounting information, improves the capital market liquidity and corporate financing. It is on the strength of these factors that this study attempts to answer the following research questions; Did IFRS adoption lead to a change in creditors' assessment of firms' leverage after the mandatory adoption of IFRS in Nigeria? How did IFRS affect corporate external financing (equity and debt) in Nigeria? Despite the existence of IFRS in Nigeria since 1998 (among voluntary adopters), there are no empirical studies that investigate the effects of the standards on corporate financial decisions in spite of its importance to policy makers and providers of capital. Thus, understanding the economic contribution or otherwise of adopting IFRS in Nigeria is not only of interest to investors and companies, but to the Nigerian government and its agencies. For instance, the government of Nigeria through the Minister of Trade, Investments and Tourism, Mr. Aganga reiterated the benefits expected from the mandatory IFRS adoption, that there will be increase in foreign direct investment and assurance of easier access to external capital. The minister added that IFRS adoption will enhance local and foreign investors' confidence in the quality assurance systems of financial reporting and, reassurance that more meaningful and decision enhancing information will now be arrived at from financial statements issued in Nigeria (Thisdaylive, 2014).

The existing empirical literature on IFRS adoption has focused largely on the determinants and consequences of IFRS adoption in EU and Asian countries, there are little or none empirical evidences from Nigeria. This study attempts to fill this gap, by exploring whether cross-sectional variation in firm-specific changes explains financing decisions around mandatory IFRS adoption. It is against this background that this study attempts to examine how the mandatory IFRS adoption in Nigeria affects corporate financing of banks.

1.3   Objectives of the Study

The main aim of the study is to examine how the adoption of IFRS affects corporate financing of deposit money banks in Nigeria. The specific objectives of the study are:

   i.   To assess the effect of IFRS adoption on equity financing of deposit money banks in Nigeria.
   ii.   To examine the effect of the adoption of IFRS on leverage of deposit money banks in Nigeria.

1.4   Research Hypotheses

Consistent with the research objectives, the following hypotheses are formulated in null form;

H_{01}:   IFRS adoption has no significant effect on equity financing of deposit money banks in Nigeria.

H_{02}:   IFRS adoption has no significant effect on debt financing of deposit money banks in Nigeria

1.5   Significance and Scope of the Study

This study is design to assess the benefits or otherwise of adopting uniform accounting standards in Nigeria, with special reference to banks. Therefore, the study is significant in so many ways, especially to the standard setters (IASB and Financial Reporting Council of Nigeria), because of their interests in understanding the effect of the recent efforts to harmonize world accounting practices. This research is a first and broad step in investigating the effects of Nigeria's accounting changes. Specifically, the findings from this study will be of interest to countries debating changes to domestic accounting standards including possible IFRS adoption.

The study will contribute to the growing line of research and to our knowledge of mandatory accounting changes, where prior results are mixed and inconclusive with respect to IFRS adoption, which calls for an in-depth, single country studies (Schipper, 2005; Weetman, 2006). The study will also add a methodological contribution in Nigeria. In essence, the findings from this study could be of interest to companies, accounting regulators, analysts, investors, auditors and researchers.

The study is restricted to banks listed on the floor of Nigerian Stock Exchange Market as at January, 2009. The study covers a period of six years (2009-2014); this period is considered because it is the period that most of the public companies in Nigeria adopt IFRS including the 2012 mandatory adoption. Corporate financing decision in the context of this study refers to the equity financing and debt financing.

2.1   Literature Review

In this section, the study will critically review and present relevant literature on IFRS and corporate financial decisions. Theories of financial reporting as well as corporate financing decisions will also be review and presented. However, some relevant empirical and theoretical literatures are highlighted.

2.2   Accounting Standards and Corporate Financing

Accounting standards provide the explicit basis for measuring and reporting transactions during a specified period of time. Therefore, standards shape what users (particularly

investors) of accounting information will use to decide on which firm to invest and which not to invest their resources. Investors therefore require high quality and transparent information to allow them make profitable investments and be certain that their investments are safe. This necessitated the need to regulate financial reporting.

Financial regulation literature according to Naranjo et al., (2013) implies the major reasons why IFRS as a form of financial regulations, can affect corporate financing. On one hand, the reason of introducing new accounting regulation (IFRS) is to improve transparency and reduce information asymmetry among capital market participants. Therefore, lower information asymmetry influences financing decisions by high quality financial reporting. Another reason is that, the regulation establishes a convergence in accounting standards across countries that was intended to improve comparability in the financial statements and facilitate cross-border capital flows. Thus, higher comparability information among foreign investors can improve supply of capital.

Consequently the extent to which investors consider IFRS as lowering information asymmetry and increasing reporting quality depends on national institutions and firms' commitment to change. Lambert, Leuz, and Verrecchia, (2007) posit that committed firms should be compensated with a higher liquidity and a lower cost of capital, implying higher level of debt. It is on this strength that existing studies on corporate financing (like Rajan & Zingales, 1995; Frank & Goyal, 2009) address the effects of firm characteristics and country level institutional variations in capital structure effects. For instance, Aggarwal and Kyaw (2009) revealed that international variations in transparency levels significantly influences firms' capital structures, countries with higher levels of transparency have lower levels of information asymmetry and lower owner-creditor agency costs. Hence, increasing transparency decreases the owner-lender agency costs through a reduction of the information asymmetry. This increases a lenders opportunity to make a correct assessment of the company before extending credit; not over or under extending credit (Naranjo et al., 2013). From this, researchers studying the success of IFRS presumed that an increase in transparency and comparability will lead to higher value relevance information, an increase cross-country investment (increased liquidity both debt and equity) and increased debt levels.

However, uniformity in accounting standards does not necessarily lead to comparability and cross-border investments, economic institutions and management incentives in the adopting country are also critical. For instance, the findings of Naranjo et al., (2013) and Holthausen (2009) revealed that enforcement is likely to play an important role in whether a uniform set of accounting standards, such as IFRS, actually leads to the desired benefits.

Consequently, adopting IFRS is expected to improve capital market liquidity through increase in investments due to absence of information asymmetry. Liquid market according to Sarr and Lybek (2002) has five main attributes; tightness, immediacy, depth, breadth and resilency. In this regard, capital market tightness is a liquid market attribute which connotes low transaction costs. Immediacy on the other hand refers to the speed with which orders can be executed and, in this context also,, settled, and this reflects, among other things, the efficiency of the trading clearing and settlement systems. Depth refers to the existence of abundant orders, either actual or easily uncovered of potential buyers and sellers, both above and below the price at which a security now trades. Breadth means that orders are both numerous and large in volume with minimal impact on prices. Resilency is an attribute of liquid market in which new orders flow quickly to correct order imbalances, which tend to move prices away from what is warranted by fundamentals.

One of the common measures of market liquidity is volume-based measures, which distinguish capital market by the volume of transactions compared to the price variability, primarily to measure breadth and depth (Sarr & Lybek, 2002). According to them, trading volume is traditionally used to measure the existence of numerous market participants and transactions. While the turnover rate gives an indication of the number of times the outstanding volume changes hands.

2.3 Review of Empirical Studies on IFRS Adoption and Corporate Financing

Defond et al., (2011) examined the effect of adopting a uniform set of accounting standards (mandatory IFRS adoption) on comparability and cross-border investment by hypothesizing improved comparability to result in increased cross-border investment, when there is a credible increase in uniformity. They found that mandatory IFRS adoption results in a greater increase in foreign investment among companies in countries with strong implementation credibility that experience relatively large increases in uniformity. These are the only firms with a significant increase in foreign mutual fund ownership. Their findings also show that the improved comparability associated with mandatory IFRS adoption does not increase domestic mutual fund ownership, consistent with domestic investors being more familiar with local accounting standards. Further, consistent with financial statement comparability being most important for global investors, they found that the increase in foreign mutual fund ownership in response to improved comparability is primarily driven by foreign global mutual funds. They concludes that the effects of improved comparability associated with mandatory IFRS adoption on cross-border investment depend both on the institutional environment that shapes firms' reporting incentives and on the extent of increased number of industry peers using the same accounting standards.

Naranjo et al., (2013) assessed the effects of IFRS adoption on financial decisions around the world, by examining two years before and two years after the adoption. Their findings show that IFRS is significantly associated with firms' financing decisions, relative to the different benchmark samples; post-IFRS firms are 45% more likely to raise external capital. The effect on equity financing for the full sample is statistically insignificant suggesting that while some firms increase external financing via equity, other firms raise external financing via debt. The study also found that the results are driven by those firms that experience the strongest decreases in information asymmetry. Moreover, firms with high financial distress take advantage of the reduction in information asymmetry around IFRS to rebalance their capital structures towards less risky levels of total debt. Lastly, they found that firms with either a large change in information asymmetry and/or a high risk of financial distress experience a significant reduction in their leverage ratios.

Gwen and Aida (2013) investigated whether the differences in countries' accounting standards affect global investment decisions, by exploring how accounting distance, the difference in the accounting standards used in the investor's and the investee's countries, affects the asset allocation decisions of global mutual funds. We find that investors tend to underweight investees with greater accounting distance. Using the mandatory adoption of IFRS as an event that changed the accounting standards of various country-pairs, they found that the tendency to underinvest in investees with greater accounting distance significantly weakens when accounting distance is reduced either from an investee's IFRS adoption or from IFRS adoption in the investor's country. The findings hold despite the fact that IFRS adoption in the investor's country had no impact on the accounting standards under which the investee firms present their financial information; the only change is in the investor's familiarity with these standards. This implies that differences in accounting standards affect investor demand by imposing greater information-processing costs on those less familiar with the reporting standards.

Widegren (2013) examined if common accounting standards lead to a change in creditors' assessment of firms' leverage after the introduction of International Financial Reporting Standards (IFRS) in the EU countries. Using a sample of firms listed in six European countries: France, Germany, Italy, Spain, Sweden and the United Kingdom following the method of Rajan and Zingales (1995). The study determined if IFRS has changed the capital structures in these countries. The study found that overall leverage increases marginally in the total sample; but that on a country level results differ and that early adaptors seem to be the winners of the adoption.

Several studies have examined the effect of IFRS adoption in different countries using different methodology and framework. For instance, Daske et. Al., (2007) and Horton and Serafeim (2008) found that firms' who voluntarily adapted to IFRS before the EU-

requirements, had a more positive development once IFRS was implemented. However, the overall results revealed little evidence that IFRS reporting is associated with lower cost of capital or higher equity market liquidity. On the other hand, Daske et al., (2013) found that mandatory IFRS adoption results in modest increases in capital market liquidity, only in countries with strict enforcement and in environments that provide strong reporting incentives. Moreover, they show that serious and committed adopters experience greater effects in cost-of-capital and market liquidity compared to "label" adopters.

Bradshaw et al., (2004) investigated U.S. institutional ownership in non-U.S. firms and find evidence that firms who conform with US GAAP leads to a future increase in U.S.-institutional ownership. This implies that accounting choice affects investment, that is potential investors have a home bias for financial accounts that they can analyze and understand. However, empirical studies in Nigeria on the effect of IFRS adoption on corporate financing is very scarce, making this study a necessity.

3.1   Research Methodology
The study employed quantitative research methodology using secondary sources of data mainly. The data was collected from the annual reports and accounts of the sample firms, Nigeria Stock Exchange (NSE) fact-book, stock market prices from NSE daily listing, CBN Statistical Bulletin and Economic Reports, and the Federal Ministry of Finance Economic reports. The data is for the period of six (6) years (2009-2014).
The population of the study comprise of all the 21 deposit money banks listed on the floor of Nigerian Stock Exchange Market during the period as at 31st December, 2014. All the banks are quoted as at 2009 with limited data are dropped; this reduced the population to 15 and hence the sample size of the study.

3.2   Technique of Data Analysis
The study adopted panel regression technique of data analysis, which was conducted using Statistics/Data Analysis Software (STATA 11.2). Regression technique is considered because of its effectiveness in estimating the effects of one or more variable on another (Gujarati, 2004). Therefore, consistent with the objective of assessing the effects of IFRS adoption on corporate financing in Nigerian banks. However, following the panel nature of the data (cross-sectional and time series) for the study, and in order to arrive at reliable and robust findings, the study examined the relevant regression models applied to panel data, which include pooled Ordinary Least Squares (OLS) Model, Fixed Effect (FE) Model and Random Effect (RE) Model. Appropriate tests such as Hausman Specification Test and Breusch and Pagan Lagrangian Multiplier Test for Random Effects was used to select the most suitable model for the study.

Moreover, the study conducted robustness tests to ensure the validity and fitness of the results, which include test for Heteroskedasticity, and Multicolinearity; this is an effort to

comply with the classical assumption of regression. In essence, the study in this regard ensure that the tests produce estimators that are Best Linear Unbiased Estimators (BLUE).

3.3 Models Specification and Variables Measurement

To test the hypothesis one, the study relied on the methodology and empirical evidence from Daske et al., (2008), Defond et al., (2011), Byard, Li, and Yu (2011), and Tang, Wang and Walker (2011), that IFRS adoption significantly reduces information asymmetry and in the post-IFRS period, firms are more likely to raise external capital to finance their investments needs. The study adopted their model with some modifications as follows;

$$eqtfin_{it} = \gamma_0 + \gamma_1 ifrs_t + \gamma_2 lev_{it} + \gamma_3 tang_{it-1} + \gamma_4 Q_{it-1} + \gamma_5 roa_{it-1} + \gamma_6 grwth_{it-1} + \gamma_7 cash_{it-1} + \gamma_8 return_{it} + \gamma_9 trade_t + \gamma_{10} tbill_t + \gamma_{11} \Delta gdp_{t-1} + \mu_{it} \dots\dots i$$

Where $eqtfin_{it}$ is the total equity financing of firm i in year t, measured by total equity issuance above 5% (consistent with Leary & Roberts, 2010; Naranjo et al., 2013) of beginning period assets in a given year); $ifrs_t$ is indicator variable that equals one for the years firm adopts IFRS, and zero otherwise; lev_{it} is leverage of firm i in year t, measured as total debt divided by the market value of assets; $tang_{it-1}$ is the lag asset tangibility of firm i, measured as net property, plant, and equipment divided by total assets; Q_{it-1} is lag market-to-book ratio of firm i; $prof_{it-1}$ is lag profitability of firm i, measured by operating income divided by total assets; $growth_{it-1}$ is lag growth of firm i, measured by the log of total sales; $cash_{it-1}$ is lag total cash and cash equivalent of firm i, normalized by total assets; $return_{it}$ one year by-and-hold returns of firm i in year t; $trade_{it}$ is county's trading, measured by as the ratio of the sum of exports and imports to a country's GDP; $tbill_t$ is country's three month Treasury bill rate in year t; Δgdp_{t-1} is the lag percentage change of real gross domestic product.

Moreover, the study will check the robustness of the results by estimating if IFRS adoption has any effect on corporate capital structure in Nigeria. The empirical model of Rajan and Zingales (1995) with some modifications was applied as used by Widegren (2013), Graham, Leary and Roberts (2014), and Gwin and Aida (2012). The model is expressed as follows;

$$lev_{it} = \gamma_0 + \gamma_1 ifrs_t + \gamma_2 tang_{it} + \gamma_3 mb_{it} + \gamma_4 prof_{it} + \gamma_5 size_{it} + \gamma_6 eadp_{it} + \mu_{it} \dots\dots ii$$

Where lev_{it} is the leverage of firm i in year t, measured by total debts divided by market value assets; $ifrs_t$ is indicator variable that equals one if the firm adopts IFRS in year t, and zero otherwise; $tang_{it}$ is the tangibility of firm i in year t, measured as net property, plant, and equipment divided by total assets; mb_{it} is the market-to-book ratio of firm i in year t; $prof_{it}$ is profitability of firm i in year t, measured by operating profit before

depreciation divided by total assets; $size_{it}$ is size of firm i in year t, measured by the log of total assets; $eadp_{it}$ is indicator variable that equals one if firm adopts IFRS before mandatory adoption, and zero otherwise.

In line with Naranjo et al., (2013), and Bharath, Pasquariello, and Wu (2009) the study expects γ_1 to be greater than zero and statistically significant to infer changes in capital structure as a results of IFRS adoption. That is, substantial changes in information asymmetry will make firms to change their leverage.

4.1   Regression Results and Hypotheses Testing
In this section, the regression results of the models of the study are analyzed. The section begins with the analysis of model one as presented in table 4.5.

IFRS and Equity Financing
The results of model one is used to test hypothesis one as presented in table 1

Table 1: Robust GLS Estimators

VARIABLES	Coefficients	Z	P-Values
IFRS	0.0599	1.80	0.072
LEV	-0.0916	-0.66	0.509
TANG	0.0151	0.15	0.881
Q	0.2208	3.67	0.000
ROA	-0.0845	-0.07	0.943
GRWT	0.0650	0.81	0.416
CASH	-0.0532	-0.10	0.919
RTURN	-0.0254	-0.25	0.802
TRADE	-0.2069	-0.88	0.381
TBILL	-0.0102	-1.87	0.062
CGDP	-0.0352	-0.41	0.683
CONSTANT	0.2658	1.26	0.208
Hausman Chi2	2.88		0.9922
LM Chibar2	44.08		0.0000
Overall R^2	0.1945		
Wald Chi2	100.82		0.000
Hettest: Chi2	10.18		0.0014
Mean VIF	2.45		

Source: STATA OUTPUT (Appendix)

Table 1 shows that the there is a problem of Heteroskedasticity (i. e the variance of the error term is not constant) in the results, as indicated by the Breuch Pagan/Cook-

Weisberg test for Heteroskedasticity Chi2 of 10.18 with p-value of 0.0014. On the other hand, the table shows the absence of multicollinearity as the mean Variance Inflation Factor is 2.45, which is less than 10. Following the result of Hausman specification test (Chi2 2.88 with p-value of 0.9922) which suggested that the Random Effect Regression model is suitable for the model. Additionally, the Breusch and Pagan Lagrangian Multiplier (LM) Test for Random Effects indicated that there is statistical significant variance among the units in the panel (Chibar2 of 44.08 with p-value of 0.0000), implying that OLS technique is inappropriate, but Random effect Regression technique. In view of the fact that the error term is not constant, the study fit the model using robust GLS (heteroskedasticity corrected standard errors).

The results from the table indicate that the IFRS variable together with the firm-specific and macro-economic variables explained around 19.45% of the total variation in the equity financing of the deposit money bank in Nigeria. From the overall coefficient of multiple determination (R square of 0.1945), this implies a weak explanatory power of the model. However, the model is statistically fit and significant at 99% confidence level (Wald Chi2 100.82 with p-value 0.0000).

The table shows that the IFRS variable has a statistical positive effect on the equity financing of deposit money banks during the period of the study, from the coefficient of 0.0599 with Z-value of 1.80 and p-value of 0.072, implying that the effect is statistically significant at 10% level. This result shows that IFRS coefficient is positive and is also significant, suggesting that after taking into account the firm-specific factors and macro-economic factors, the adoption of IFRS in the Nigerian banking industry has positively improved equity financing of the banks. Based on this evidence, the study reject the null hypothesis one (H01), and infers that IFRS adoption has significant positive effect on equity financing of banks in Nigeria.

IFRS and Debt Financing
The results of model two is used to test hypothesis two as presented in table 2

Table 2: Robust OLS Estimators

VARIABLES	Coefficients	T	P-Values
IFRS	0.6908	3.62	0.001
TANG	0.0922	1.01	0.316
Q	-0.0006	-1.02	0.309
ROA	0.1291	1.26	0.210
SIZE	-0.0016	-1.55	0.125
EADP	-0.0085	-0.85	0.395
CONSTANT	-0.0405	-0.75	0.455
Hausman Chi2	12.87		0.0452
LM Chibar2	0.00		1.0000
R^2	0.4052		
F-Statistic	4.13		0.0011
Hettest: Chi2	196.11		0.0000
Mean VIF	1.14		

Source: STATA OUTPUT (Appendix)

Table 2 presents the results of model two, which shows that the there is a problem of Heteroskedasticity in the results, as indicated by the Breusch Pagan/Cook-Weisberg test for Heteroskedasticity Chi2 of 196.11 with p-value of 0.0000. On the other hand, the table shows the absence of multicollinearity as the mean Variance Inflation Factor is 1.14, which is less than 10. Following the result of Hausman specification test (Chi2 12.87 with p-value of 0.0452) which suggested that the OLS Regression model is suitable for the model. Additionally, the Breusch and Pagan Lagrangian Multiplier (LM) Test for Random Effects indicated that there is no statistical significant variance among the units in the panel (Chibar2 of 0.00 with p-value of 1.0000), implying that OLS technique is appropriate for the study. In view of the fact that the error term is not constant, the study fit the model using robust OLS (heteroskedasticity corrected standard errors).

The results from the table indicate that the IFRS variable together with the firm-specific variables explained 40.52% of the total variation in the leverage financing of the deposit money banks in Nigeria. From the overall coefficient of multiple determination (R square of 0.4052), this implies a higher explanatory power of the model. However, the model is statistically fit and significant at 99% confidence level (F-statistic of 4.13 with p-value 0.0011).

The table shows that the IFRS variable has a statistical positive effect on the debt financing of deposit money banks during the period of the study, from the coefficient of 0.6908 with t-value of 3.62 and p-value of 0.001, implying that the effect is statistically significant at 1% level. This result show that IFRS coefficient is positive and is also significant, suggesting that after taking into account the firm-specific factors, the adoption of IFRS in the Nigerian banking industry has positively improved debt financing of the

banks. Based on this evidence, the study reject the null hypothesis two (H02), and infers that IFRS adoption has significant positive effect on debt financing of banks in Nigeria.

5.1 Conclusion and Recommendations

This study was designed to examine how the adoption of IFRS affects corporate financing in the deposit money banks in Nigeria during the period (2009-2014). The purpose is to investigate whether firm's financing decisions in Nigeria have significantly improved after the adoption of IFRS. The study found after controlling for firm-specific factors and macro-economic factors, that the adoption of IFRS in the Nigerian banking industry has positively improved equity financing of the banks. On the other hand, the study found after controlling for firm-specific factors, that the adoption of IFRS in the Nigerian banking industry has positively improved debt financing of the banks.

We conclude that there are possibilities that the adoption of IFRS in Nigeria potentially minimized information asymmetry and that corporate financing could be improved if IFRSs are carefully implemented. We recommend that, accounting regulators in Nigeria should increase efforts towards educating firms and investors about IFRSs, so as to enhancing corporate financing in Nigeria.

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