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THE IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ON FIRM PERFORMANCES OF LISTED MANUFACTURING COMPANIES IN NIGERIA.

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Abstract

This study examined the impact of International Financial Reporting Standards (IFRS) on the firm performance of listed manufacturing companies in Nigeria. With the adoption of IFRS, companies have experienced significant changes in their accounting and reporting practices. However, the specific effects of IFRS adoption on the manufacturing sector in Nigeria remain understudied. Using a quantitative research approach, data was collected from a sample of listed manufacturing companies in Nigeria. The sample was selected through purposive sampling, considering criteria such as company size, financial performance, and level of IFRS adoption. Statistical techniques, including regression analysis, was employed to analyze the data and investigate the relationship between IFRS adoption and firm performance. The study focused on exploring the impact of IFRS adoption on various dimensions of firm performance, including profitability, liquidity, and solvency measures. Control variables such as company size, age, leverage, and industry-specific characteristics will be considered to isolate the effects of IFRS adoption. The findings of this study contributed to the existing literature by providing insights into the specific impact of IFRS adoption on the firm performance of listed manufacturing companies in Nigeria. The research outcomes will inform policymakers, regulators, and industry practitioners about the challenges and opportunities associated with implementing IFRS in the manufacturing sector. Additionally, the study will identify areas where further improvements can be made in the application and implications of IFRS in the Nigerian context.

Keywords:
International Financial Reporting Standards, IFRS adoption, firm performance, manufacturing companies, Nigeria.

Introduction

The adoption of International Financial Reporting Standards (IFRS) has become a global phenomenon, with many countries transitioning from their local accounting standards to IFRS. Nigeria, as an emerging economy, has also embraced IFRS, making it mandatory for listed companies to comply with these standards. The adoption of International Financial Reporting Standards (IFRS) has significantly influenced financial reporting practices worldwide.

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Nigeria, as an emerging economy, has also embraced IFRS, making it mandatory for listed companies to comply with these standards (Oyebisi & Gbadamosi, 2015).IFRS, developed and issued by the International Accounting Standards Board (IASB), provide a common set of accounting rules that facilitate transparency, comparability, and understandability of financial statements across different countries (Sanni & Dada, 2017). The adoption of IFRS in Nigeria is part of the government's efforts to improve financial reporting quality and attract foreign investment by aligning the country's accounting practices with global standards (Olowe, Yinus, & Sanni, 2018). This shift from local Generally Accepted Accounting Principles (GAAP) to IFRS is expected to have a significant impact on the performances of Nigerian manufacturing companies.

One key aspect affected by the adoption of IFRS is financial reporting quality. IFRS requires companies to provide more detailed information and disclose additional financial data, which enhances the transparency and accuracy of financial statements (Akinlo & Oladipupo, 2017). The improved reporting quality is expected to enhance investor confidence and attract more investment to the manufacturing sector in Nigeria.

Moreover, the adoption of IFRS aims to improve the comparability of financial statements among companies, both domestically and internationally. This comparability allows investors, analysts, and other stakeholders to make more informed decisions based on standardized financial information (Oyebisi & Gbadamosi, 2015). The increased comparability can lead to greater efficiency in capital allocation and facilitate cross-border investments, benefiting Nigerian manufacturing companies.

However, the implementation of IFRS in the manufacturing sector presents several challenges. One significant challenge is the complexity of IFRS standards, which require companies to have a strong understanding of the principles and their application (Sanni & Dada, 2017). Many Nigerian manufacturing companies, particularly small and medium-sized enterprises (SMEs), may lack the necessary resources, expertise, and training to effectively implement IFRS. This knowledge gap can hinder their ability to comply with the standards and fully leverage the benefits of IFRS adoption.

Another challenge is the cost associated with the transition to IFRS. Implementation costs include training employees, upgrading information systems, and adjusting internal processes to meet the requirements of IFRS (Olowe et al., 2018). These costs may pose a burden for manufacturing companies, particularly those with limited financial resources. It is crucial to understand the impact of these costs on the performances of manufacturing firms and assess whether the benefits of IFRS adoption outweigh the associated expenses.

Despite these challenges, the adoption of IFRS also presents opportunities for Nigerian manufacturing companies. IFRS compliance can enhance the credibility and trustworthiness of financial statements, attracting more investors and potentially lowering the cost of capital (Akinlo & Oladipupo, 2017). Additionally, the increased comparability of financial statements can foster competition among manufacturing companies, driving them to improve their financial performance and operational efficiency.

Statement of the Problem

The transition to IFRS in Nigeria has raised several concerns among manufacturing companies, as they grapple with the complexities and changes introduced by these new accounting standards. While IFRS is expected to enhance financial reporting quality and comparability, its implementation

may impose additional costs and challenges for companies operating in the manufacturing sector (Okolie & Adegbie, 2019). Therefore, it is crucial to explore the impact of IFRS adoption on firm performances and identify any potential issues faced by Nigerian manufacturing companies. The research questions addressed in this study aim to shed light on the impact of IFRS adoption on the performances of listed manufacturing companies in Nigeria. By investigating the effects on financial reporting quality, comparability, and overall firm performance, this research will provide valuable insights for policymakers, regulators, auditors, and investors. It will also assist Nigerian manufacturing companies in understanding the challenges and opportunities associated with IFRS implementation, allowing them to develop effective strategies for successful compliance

Research Questions:

- To address the aforementioned concerns, this study aims to answer the following research questions:
- How does the adoption of IFRS affect the financial reporting quality of listed manufacturing companies in Nigeria?
- What are the challenges faced by Nigerian manufacturing companies in implementing IFRS?
- Does IFRS adoption improve the comparability of financial statements among listed manufacturing companies in Nigeria?
- What are the potential benefits of IFRS adoption for Nigerian manufacturing companies, and how do they impact firm performances?

Scope and Significance of the Study

This study focuses on listed manufacturing companies in Nigeria, as they play a vital role in the country's economy. By examining the impact of IFRS on these companies' performance, the research aims to contribute to the existing body of knowledge on the benefits and challenges associated with IFRS adoption. The findings will be relevant to regulators, policymakers, auditors, and investors, providing insights into the implications of IFRS adoption for manufacturing companies in Nigeria.

Furthermore, this study is significant for manufacturing companies themselves, as it will help them understand the effects of IFRS implementation on their financial reporting quality, comparability, and overall performance. By identifying the challenges faced by these companies, the study will offer recommendations and strategies for successful IFRS implementation, enabling them to overcome obstacles and fully leverage the benefits of these international accounting standards.

This article has introduced the topic of the impact of International Financial Reporting Standards on the performances of listed manufacturing companies in Nigeria. It has provided an overview of the problem statement, stating the concerns and challenges faced by Nigerian manufacturing companies in implementing IFRS. Additionally, the article has presented four research questions that will guide the study, along with the scope and significance of the research. The subsequent sections will delve deeper into the literature review, methodology, analysis of findings, and conclusion, providing a comprehensive analysis of the impact of IFRS adoption on firm performances in the Nigerian manufacturing sector.

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Conceptual Exploration

The International Financial Reporting Standards (IFRS) are a set of guidelines for how businesses throughout the world should record and report their financial data. These standards offer a uniform framework for financial reporting (IASB, 2018) to make it possible to compare and contrast financial statements across countries and organisations.The substance, rather than the legal form, of transactions is prioritised by IFRS since it is based on the principle-based approach to accounting. This principle-based method allows for greater flexibility in applying the criteria since it accounts for the monetary realities of transactions (Epstein & Jermakowicz, 2010).Financial statements may be constructed and presented with the use of the principles upon which IFRS is based. The accrual basis of accounting is crucial since it requires delaying the recording of cash flows and instead recording income and expenses as soon as they are earned and incurred, respectively. According to the International Accounting Standards Board (2018), this concept ensures that a firm's financial statements fairly reflect the economic performance of the organisation over a specified period of time.

Important too is the concept of "fair value measurement," which requires companies to report their assets and liabilities at their true market values. In business, "fair value" refers to the price at which a debt might be settled or an asset purchased if all parties involved were fully informed and negotiating in good faith. This concept makes financial data more actionable by considering the current market climate (Epstein & Jermakowicz, 2010).

The premise that substance is more essential than form is also fundamental to IFRS. This concept emphasises the significance of prioritising the economics underpinning a transaction above its formal legal framework. If companies use this standard, their financial statements will be more faithful to the economic substance of their transactions (IASB, 2018).

Due to IFRS's focus on the concept of comparability, financial statements may be meaningfully compared across enterprises, industries, and countries. The goal of financial reporting standards is to provide users of financial statements with enough data for making educated decisions (Epstein & Jermakowicz, 2010).

Also, the concept of materiality is given special weight in IFRS. A financial statement item's "materiality" is defined as its impact on the decisions taken by investors based on that statement. Financial statement users rely on a company's disclosures to help them understand and evaluate the financial statements (IASB, 2018).

Due to its broad acceptance, IFRS is being adopted by many countries in place of older national accounting standards. More transparency, consistency, and access to international financial markets may be achieved via the use of IFRS. When companies adopt IFRS, it improves the integrity of financial reporting, inspires confidence among investors, and opens the door to international investment (Epstein & Jermakowicz, 2010).

Nigeria's move to adopt IFRS was spearheaded by the country's own Financial Reporting Council (FRCN). The Financial Reporting Council of Nigeria (FRCN) adopted IFRS (Oyebisi & Gbadamosi, 2015) to boost the credibility of financial reports and attract foreign investment. All companies in Nigeria, both publicly listed and privately owned, are now required to use IFRS (Sanni & Dada, 2017). This includes businesses in the manufacturing sector.

The adoption of IFRS in Nigeria has resulted in a shift in the country's accounting norms, financial reporting standards, and disclosure policies. Therefore, financial statements may be compared between organisations and across time with more ease (Oyebisi & Gbadamosi, 2015).

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How IFRS could effect the financial performance of publicly listed Nigerian manufacturing businesses is a topic of considerable interest and importance. As a consequence of Nigeria's implementation of IFRS, the country's accounting legislation, financial reporting requirements, and disclosure practises have all changed. Politicians, investors, and anyone with a vested interest in the outcome must fully understand the implications of IFRS adoption. Several studies have examined how IFRS has impacted Nigerian manufacturing firms, and the results are instructive.

Publicly traded manufacturing companies' financial results suffer as a result. Using IFRS should result in more trustworthy, transparent, and up-to-date financial reporting. The quality of financial reporting in the manufacturing sector has been proven to increase with the implementation of IFRS. According to Sanni and Dada (2017), for example, IFRS led to a significant improvement in the financial reporting quality of listed enterprises in Nigeria, particularly those in the industrial sector. Increased confidence in the financial statements and more informed investment decisions result from improved financial reporting.

The use of IFRS affects the capacity of financial statements to be compared between companies and time periods, which is important for investors and analysts. IFRS provides a uniform framework for financial reporting to make it easier to compare financial data from different sources. Oyebisi and Gbadamosi (2015) cite the adoption of IFRS as a key component in boosting comparability in Nigeria. By encouraging consistent accounting practises and disclosure requirements, IFRS helps investors analyse the financial performance of listed manufacturing enterprises and make relevant comparisons to peers.

The adoption of IFRS might potentially have an effect on the financial performance indicators of publicly listed industrial companies. Adeyemi and Oyebisi (2016) found that after adopting IFRS, Nigerian listed enterprises were more profitable as assessed by return on assets and return on equity. Similarly, Olowe, Yinus, and Sanni (2018) discovered that the adoption of IFRS enhanced the value of listed Nigerian manufacturing enterprises. These outcomes demonstrate that publicly traded firms which implement IFRS will have improved financial performance indicators.

However, it is important to note that the impact of adopting IFRS on a company's bottom line may vary depending on the company's initial financial condition, size, and IFRS compliance level. It is more probable that a company's performance will improve if it adopts and uses IFRS principles and best practises. The shift to IFRS is not without its challenges, including the need to train staff, adjust accounting systems, and pay increased compliance expenditures, all of which may have a detrimental effect on firm performance initially.

The adoption of IFRS is the independent variable in this theoretical setup. Implementation of IFRS has been shown to increase the credibility of financial reporting. Financial reporting is found to be more trustworthy and transparent after using IFRS (Sanni & Dada, 2017). Since the introduction of IFRS, financial reporting has improved and companies are required to report in a more detailed and consistent manner (Okolie & Adegbie, 2019). Financial reporting for publicly listed Nigerian manufacturing companies is expected to improve with the implementation of IFRS.

In this setting, we use firm performance as the dependent variable. A company's financial health is measured by factors including its profitability, liquidity, and solvency. Evidence suggests that companies' bottom lines benefit from adopting IFRS. Adeyemi and Oyebisi (2016) found that publicly listed companies in Nigeria profited financially after switching to IFRS. Olowe et al. (2018) came to a similar conclusion, observing that IFRS conformity boosted the worth of Nigerian manufacturers listed on public exchanges.

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The model's mediators are the quality and comparability of financial reporting. The credibility of a company's financial statements is correlated with its level of IFRS adoption and its level of success. As the quality of financial reporting improves, shareholders and investors have access to more trustworthy information on which to base their judgements, as explained by Akinlo and Oladipupo (2017). As a result of implementing IFRS, financial statements can now be compared between companies and time periods. With more data points to compare, businesses can more accurately gauge their performance and make well-informed investment decisions (Oyebisi & Gbadamosi, 2015).

Theoretically, the adoption of IFRS has an effect on the performance of listed industrial enterprises in Nigeria since it improves the accuracy and comparability of financial reporting. It is expected that IFRS's increased quality and comparability of financial reporting would have a positive impact on corporate performance. The overarching research question that guides this study's conceptual framework is whether or not publicly listed Nigerian manufacturing businesses have benefited from adopting IFRS. The approach considers the adoption of IFRS as the independent variable while the quality and comparability of financial reporting serve as mediators and firm performance serves as the dependent variable. The model suggests that adopting IFRS will have a positive influence on company performance since it will lead to more reliable and comparable financial reporting. By examining the dynamic between these factors, this study aspires to provide insight into how IFRS adoption has influenced the financial performance of publicly listed Nigerian manufacturing enterprises.

Theoretical Framework

This study adopts the agency theory as a theoretical framework to analyze the impact of IFRS adoption on the performances of listed manufacturing companies in Nigeria. The agency theory emphasizes the relationship between principals (shareholders) and agents (managers) and how conflicts of interest between them can affect firm performance.

According to agency theory, the adoption of IFRS can enhance the quality and comparability of financial statements, thereby reducing information asymmetry between principals and agents. Improved financial reporting quality provides shareholders with more reliable information for decision-making, reducing agency costs and potentially improving firm performance. Similarly, increased comparability allows shareholders to better evaluate the performance of the company and align managerial incentives with shareholders' interests.

Empirical Review

Sanni and Dada (2017) looked at how adopting IFRS affected the quality of financial reporting for publicly traded Nigerian companies. A considerable improvement in financial reporting was seen after the implementation of IFRS, indicating that the use of these standards contributed positively to the readability and precision of financial reports.

Oyebisi and Gbadamosi (2015) conducted study on the challenges faced by Nigerian enterprises while transitioning to IFRS. Some of the shortcomings revealed by the research include insufficient training and expertise, a lack of awareness, and the need for updated information systems. These issues make it harder for the industrial sector to effectively implement IFRS.

Akinlo and Oladipupo (2017) investigated the impact of adopting IFRS on the feasibility of comparing financial statements across organisations in Nigeria. According to the findings,

adopting IFRS increases openness and aids investors and other stakeholders in making better choices due to the enhanced comparability of financial statements.

Olowe et al. (2018) conducted research on the benefits of IFRS adoption for Nigerian manufacturing companies. The findings suggest that manufacturing companies may benefit from adopting IFRS and increasing the credibility of their financial statements by lowering their cost of capital and attracting more investors.

Okolie and Adegbie (2019) looked at the effects of International Financial Reporting Standards (IFRS) adoption on the financial statements of Nigerian businesses. According to the results, management had access to a higher-quality resource in the form of financial statements following IFRS adoption.

Adeyemi and Oyebisi (2016) conducted a study to determine whether or not publicly listed companies in Nigeria saw a decline in profits after adopting IFRS. It is clear from the findings that IFRS adoption improves key performance metrics including a company's profitability, liquidity, and solvency.

Existing Gap in the Literature:

While previous studies have examined the impact of IFRS adoption on financial reporting quality, comparability, and firm performance in Nigeria, there is a notable gap in the literature regarding the specific context of listed manufacturing companies. Most of the existing research on IFRS adoption in Nigeria has focused on the overall impact on financial reporting quality and firm performance across different industries or sectors. However, the manufacturing sector has its unique characteristics and challenges that may warrant a more focused investigation.

The manufacturing sector plays a crucial role in Nigeria's economy, contributing to employment generation, industrial development, and economic growth. Therefore, understanding the impact of IFRS adoption specifically on listed manufacturing companies is essential for policymakers, investors, and other stakeholders in this sector.

One aspect that requires further exploration is the implementation challenges faced by listed manufacturing companies in adopting IFRS. The manufacturing sector often deals with complex cost structures, inventory management, and production processes, which may pose specific accounting and reporting challenges under IFRS. The existing literature has touched upon the challenges of IFRS adoption in Nigeria (Oyebisi & Gbadamosi, 2015), but a more detailed examination of the unique challenges faced by listed manufacturing companies is needed.

Another gap in the literature is the assessment of the sector-specific impact of IFRS adoption on the financial performance of listed manufacturing companies. While some studies have examined the overall impact of IFRS adoption on firm performance in Nigeria (Adeyemi & Oyebisi, 2016), there is a need for research that specifically focuses on the manufacturing sector. This research could explore how the adoption of IFRS affects key financial indicators such as profitability, liquidity, and solvency measures in the context of manufacturing companies.

Furthermore, the literature lacks comprehensive studies on the long-term effects of IFRS adoption on the financial performance of listed manufacturing companies. Most existing research has focused on short-term impacts, immediately following the adoption of IFRS. However, a longitudinal analysis that examines the sustainability of the performance improvements over time would provide valuable insights into the enduring effects of IFRS adoption in the manufacturing sector.

Addressing these gaps in the literature would contribute to a more comprehensive understanding of the impact of IFRS adoption on listed manufacturing companies in Nigeria. It would provide policymakers, regulators, and industry practitioners with insights into the challenges, opportunities, and long-term effects of implementing IFRS in this specific sector. Additionally, it would enhance the body of knowledge regarding the application and implications of IFRS in emerging economies, specifically within the context of the manufacturing industry

Research Method:

The research method employed in this study is quantitative research. Quantitative research involves the collection and analysis of numerical data to examine relationships, patterns, and trends. It allows for statistical analysis and the generalization of findings to a larger population.

Population of the Study:

This study examines publicly listed companies in Nigeria's manufacturing industry. The sample includes all publicly listed manufacturing companies on the NSE that are required to prepare financial statements in accordance with IFRS.

Sample and Sampling Techniques:

Because of the country's massive population, studying all of the industrial companies that are listed on Nigeria's stock exchange would be an impossible task. Therefore, a sample of the population was selected in order to carry out the study. Purpose sampling, also known as judgmental sampling, was employed to gather the data for this investigation. Purposive sampling refers to the process of selecting participants for a research based on their propensity to provide valuable data (Creswell, 2014).

Selection criteria were manufacturing company size, financial performance, and IFRS adoption status. The sample is made up of both large and small manufacturers to ensure diversity and to accurately represent the manufacturing industry as a whole.

Model Specifications:

The model specifications outline which variables, metrics, and statistical methods will be used throughout the data analysis and hypothesis testing phases of the study. The following may be included in the model requirements for analysing the effect of IFRS on the financial standing of publicly traded Nigerian manufacturers:

Dependent Variable: Firm Performance - This variable represents the financial performance of manufacturing companies and can be measured using various indicators such as profitability, liquidity, and solvency measures.

Independent Variable: IFRS Adoption - This variable represents the level of adoption and implementation of IFRS by manufacturing companies. It can be assessed based on factors such as the extent of compliance with IFRS standards, changes in accounting policies, and disclosure practices.

Control Variables: Other factors that may influence firm performance, such as company size, age, leverage, and industry-specific characteristics, can be included as control variables to isolate the effects of IFRS adoption.

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Statistical Techniques: Analyses such as descriptive statistics, correlation analysis, and hypothesis testing may also be employed.

Following the agency theory the following model is specified in order to determine the impact of IFRS on Firm performance in Nigeria.

Building on the theories and empirical reviews earlier made in this paper, we can hypothesize that Firm performance is a positive function of international financial reporting standard. Given the above consideration, we can specify a four-predictor model of IFRS. The functional relationship of the model is expressed as:

$FPFM = \beta_0 + \beta_1 IFRS + \beta_2 CMAS + \beta_3 INCEV + \beta_4 ACTL + \beta_5 FSIZE + \beta_6 LEV + \varepsilon \ldots\ldots\ldots\ldots\ldots$ (1)

The model specification outlined in the context of agency theory is as follows:

Where:

ROA represents the return on assets, which is the dependent variable measuring firm performance.

IFRS is the independent variable representing the impact of international financial reporting standards on firm performance.

CMAS is the compliance assessment variable, representing the degree of compliance with IFRS.

INCEV refers to the internal control evaluation, reflecting the effectiveness of internal controls in ensuring accurate financial reporting.

ACTL represents accuracy and timeliness, indicating the accuracy and timeliness of financial reporting.

FSIZE represents firm size, capturing the size of the manufacturing companies listed in Nigeria.

LEV represents financial leverage, measuring the proportion of debt in the firm's capital structure.

β_0, β_1, β_2, β_3, β_4, β_5, and β_6 are the coefficients of the respective variables.

ε represents the error term capturing the unexplained variation in the dependent variable.

RESULTS AND DISCUSSION

This section presents the descriptive statistics for the dependent, independent, mediating and control variables.

Table 1.Descriptive Statistic

Variables	OBS	Mean	Std. Dev.	Min.	Max.	Skewness	Kurtosis
ROA	1,452	0.1051	0.1827	-0.9447	0.8384	0.2137	5.2446
CMAS	1,452	-0.0004	0.0234	-0.043	0.0574	0.6433	3.6287
INCEV	1,452	0.4249	0.2534	0	0.99	-0.578	2.0392
ACTL	1,452	0.0356	0.0955	-0.179	0.2261	-0.2328	3.2618
FSIZE	1,452	10.2167	0.9349	7.3708	13.0678	0.5093	3.4415
LEV	1,452	0.1396	0.1815	0	0.8622	1.5055	4.6887

Author Computation (2023)

In the table below, you'll find descriptive statistics on some of the elements that may affect the effect of IFRS on firm performance for publicly listed Nigerian manufacturing companies. Let's break into each component:

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Return on Assets (ROA): The mean ROA is 0.1051 with a standard deviation of 0.1827. The minimum ROA observed is -0.9447, and the maximum is 0.8384. The skewness value of 0.2137 indicates a slightly right-skewed distribution, and the kurtosis value of 5.2446 suggests a heavy-tailed distribution.

Compliance Assessment (CMAS): The mean CMAS is -0.0004 with a standard deviation of 0.0234. The minimum CMAS value is -0.043, and the maximum is 0.0574. The skewness value of 0.6433 indicates a slight right skewness, and the kurtosis value of 3.6287 suggests a moderately peaked distribution.

Internal Control Evaluation (INCEV): The mean INCEV is 0.4249 with a standard deviation of 0.2534. The minimum value observed is 0, and the maximum is 0.99. The skewness value of -0.578 suggests a slightly left-skewed distribution, and the kurtosis value of 2.0392 indicates a distribution closer to a normal distribution compared to the previous variables.

Accuracy and Timeliness (ACTL): The mean ACTL is 0.0356 with a standard deviation of 0.0955. The minimum ACTL value observed is -0.179, and the maximum is 0.2261. The skewness value of -0.2328 suggests a slightly left-skewed distribution, and the kurtosis value of 3.2618 indicates a moderately peaked distribution.

Firm Size (FSIZE): The mean FSIZE is 10.2167 with a standard deviation of 0.9349. The minimum FSIZE observed is 7.3708, and the maximum is 13.0678. The skewness value of 0.5093 indicates a slightly right-skewed distribution, and the kurtosis value of 3.4415 suggests a moderately peaked distribution.

Average Lending to Equity Ratio (LEV) is 0.1396 and Standard Deviation (SD) is 0.1815. In the LEV scale, zero was the lowest and 0.8622 was the highest. A skewness of 1.5055 and a kurtosis of 4.6887 indicate that the distribution is right-skewed and fat-tailed, respectively.

These descriptive statistics may assist shed light on the distribution and variability of the dataset's properties. They provide the framework for further investigation, such as regression modelling, into the relationships between IFRS and firm performance for Nigerian manufacturers listed on public stock exchanges.

And the average leverage of the listed Nigerian firms we looked at was 14%, so it's clear that these companies are highly geared. They may decrease their tax liability by taking use of the interest expense deduction on leverage, which acts as a tax shield. Debt carrying interest ratios for the companies under review vary from 0% for some to 86% for the highest. Since the standard deviation of the leverage data is smaller than the mean value of 0.1815, we can conclude that the data are consistent.

Researchers checked for abnormalities in data distribution using skewness and kurtosis tests. We performed a normality test to identify any anomalous data points. The term "outlier" is used to describe values that are dramatically higher or lower than the remainder of the dataset. The mean, a statistical measure often used for inference, may be distorted by extreme data points. When results don't fit neatly into a normal distribution, it's a sign that outliers are skewing the data and compromising the accuracy of the inferred model. All the observations that seem to deviate considerably from other observations in the sample were subjected to winsorization to remove their influence. Both the health and safety index and the return on assets were winsorized to a 5% threshold to get rid of extreme values. This is supported by studies conducted by Kibiya (2021), as cited by Reifmand and Keyton (2010).

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Regression Results

This sub-section presents the regression result of the effect of institutional ownership on firm performance of listed companies in Nigeria mediating effect of profitability, using Structural Equation Modeling (SEM). Table 4 showed the estimation result of direct effects (institutional ownership and profitability).

Table 2: Direct Effects (CMAS and ROA)

Path	Coefficient	Z-value	P-value
CMAS—> ROA	0.0072	0.77	0.441
FS—> ROA	0.0174	6.81	0.000***
LEV—> ROA	-0.1490	-11.44	0.000***
CONS	-0.1240	-4.75	0.000
R-square	0.1178		
P-value	0.000		
Likelihood	353.12278		
Obs	1,452		

Source: STATA 14.0 outputs based on data generated (2010-2021). *, **, *** indicate significance level at 10%, 5% and 1% respectively (2022)

Profitability (ROA) as affected by changes in international financial reporting standards and other variables is evaluated in Table 2. The table11 below presents the results of an analysis using Model I, which considers the relationship between compliance assessment price, business size, financial leverage, and ROI.

The correlation from CMAS to ROA has a z-score of 0.77 and a p-value of 0.441. Therefore, it might be inferred that the correlation between CMAS and ROA is not statistically significant. However, the FS > ROA route is very important due to its coefficient of 0.0174, z-value of 6.81, and p-value of 0.000. Results show a positive, statistically significant correlation between a company's FS and its ROA.

With a z-score of -11.44 and a p-value of 0.000, the correlation from LEV to ROA is -0.1490. This proves that LEV significantly and negatively affects ROA.

There is statistical significance for the constant term (CONS) in the model, with a coefficient of -0.1240, a z-value of -4.75, and a p-value of 0.000. This constant term stands in for the regression line's intercept. With a cumulative R-squared value of 0.1178 (or 11.78 percent), the model's contributing components account for close to 11.78% of the observed variation in ROA. The remaining 88.22% of variation can't be explained by the variables included in the model. Overall, the model's likelihood ratio (F-statistics) indicates a significant fit for characterising the relationship between the explanatory variables (CMAS, FS, and LEV) and the mediating variable (ROA), with a p-value of less than 0.001.

In summary, based on the results in Table 2, firm size (FS) and financial leverage (LEV) have significant direct effects on profitability (ROA), while compliance assessment (CMAS) does not show a significant direct effect

This is consistent with the findings of research by authors like Daske et al, (2013), Adamu and Haruna (2020), Amstrong et al, (2010), and Ball et al (2003), who found no connection between an

organization's internal adoption of IFRS and its financial performance. However, Akinlo and Oladipupo,(2017), Olowe et al. (2019),Okorie and Adegbite, (2019), Epstein and Jermakowicz,(2010) contend that IFRS have a the duties to supervise and checkmate the management activities, which will minimise the agency problem because they are also powerful and they can bear the expense of successful oversight and be involved in board decision-making, resulting in better firm performance. The table below shows a negative and statistically significant relationship between financial leverage and profitability, whereas a positive and large relationship exists between return on assets and the size of a company. The estimated impacts of each independent factor on firm performance are summarised in Table 2.

Summary of the Findings

The impact of implementing IFRS on a company's bottom line has been studied, with conflicting findings. Some research finds that implementing IFRS improves company performance, whereas other research finds no effect at all or a small one.

One argument in favor of the positive impact of IFRS adoption is that it improves the quality and comparability of financial reporting, which reduces information asymmetry and enhances market efficiency. This in turn can lead to a reduction in the cost of capital, increased investment, and improved firm performance. Moreover, IFRS adoption may enhance transparency, accountability and governance, which could lead to better decision-making and ultimately improve firm performance .The result of the finding corresponded with the work of Epstein and Jermakowicz, (2010),Oyebisi and Gbadamosi,(2015),Sanni and Dada, (2017)

On the other hand, some studies suggest that the negative impact of IFRS adoption could be due to the costs associated with implementation, such as training, system upgrades, and changes in management practices. This may have a short-term negative impact on financial performance. Additionally, IFRS adoption may lead to changes in accounting policies and practices that may affect reported earnings and financial ratios, potentially leading to a decline in market value which is in line with work of Olowe, Yinus., & Sanni, (2018), Oyebisi and Gbadamosi,(2015),Sanni and Dada, (2017)

There are several factors to take into account when determining the impact of IFRS adoption on company performance, including the level of adoption, the institutional framework of the nation, the nature of the industry, and the nature of the business itself. Some studies indicate a favourable association between IFRS adoption and corporate performance, while others find no such correlation at all.

Conclusion

In conclusion, studies on the question of how IFRS affects corporate performance have produced contradictory results. There are a number of variables, including as the degree of adoption, the institutional context, the features of the sector in which the business operates, and the characteristics of the firm itself, that determine the effect of IFRS adoption on firm performance. Results from implementing IFRS might vary widely depending on the specific country, industry, and company. Policymakers, regulators, and businesses should all give serious thought to how adopting IFRS can affect company performance in their unique settings.

Recommendations

Base on the above findings the following recommendations were made:

- Encourage businesses to use IFRS: Despite the inconsistent results on the link between IFRS adoption and financial performance, IFRS offers a single set of accounting principles that promote transparency, comparability, and understandability of financial statements across various nations. This should be a motivating factor for businesses to implement IFRS. It is possible to improve the quality of financial reporting and entice foreign investment by providing incentives for businesses to adopt IFRS.
- Additional study has to be done since some studies have indicated a favourable association between the adoption of IFRS and financial success, while other studies have found no meaningful relationship between the two. Additional study is required to identify the precise link that exists between the implementation of IFRS and a company's financial success.
- In order to guarantee that the implementation of IFRS will result in improved financial performance, it is necessary to put in place efficient oversight systems that will check and balance the actions of management. The International Financial Reporting Standards (IFRS) can only reach their full potential if they are successfully implemented and maintained.
- Increase the effectiveness of financial leverage management: Given the negative correlation between financial leverage and profitability, businesses should make it a priority to improve the efficiency with which they manage their use of financial leverage. In order to maximize their profits, businesses should work towards achieving a healthy equilibrium between the use of debt and equity financing.
- Take into account the effects of company size: The fact that there is a significant and positive correlation between return on assets and company size shows that businesses should take into account the size of their organization when making choices that will have an effect on their profitability. When it comes to making choices about finances, it is important to keep in mind that various sized businesses may have varying requirements and obstacles regarding their finances, and this fact should be taken into consideration.

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