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Determinants of Compliance, Challenges, and Adoption of International Financial Reporting Standards (IFRS) in Nigerian Money Deposit Banks

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Abstract:

The study examined the level of banks compliance with International Financial Reporting Standards in Nigeria. The research design is a descriptive survey. The study population consists of all workers in the Money Deposit Banks in Nigeria. Through purposive and simple random sampling technique, A sample of 100 respondents were selected being those who have financial accounting and IFRS knowledge, and skills. The questionnaire was used to collect data and it was analyzed through multiple regression analysis techniques. Findings showed that (df 65, $r=0.189$, $p 0.788$) there has been no significant compliance with IFRS framework in Nigeria. It is, therefore, recommended that the Money Deposit Banks should engage their staff in informal training to enable significant compliance with IFRS framework. The Central Bank, Financial Reporting regulatory bodies/ agencies should ensure to set a check and balance mechanism that will be capable of ensuring total compliance.

Keywords: *International financial reporting standards, amenability, globalization, financial reporting and money deposit bank*

1. Introduction

For the past one decade, International Financial Reporting Standards (IFRS) have served as a set of accounting standards which have been guiding the preparation and presentation of financial reports to meet global needs. This has brought cross board uniformity in the preparation and presentation of financial reporting. The standards are developed by a non-profit organization refers to as International Accounting Standard Board (Adejola, 2011). With the advent of IFRS, as a uniform business language that investors and analysts know and understood globally, cross-border transactions among countries of the world have increased over the years and this it has been a Foreign Direct Investment. Accounting has been known for translating events that are financial in nature or having economic value into information that is used for diverse users whose use depend on their interest in information. This information is referred to as "Financial Statements", whose preparation and presentations are guided by certain rules and regulations.

Informed investment decisions, over the years, have remained the major focus of most investors. Hence, this has necessitated the needs for accounting information to be objective, devoid of difficulties and to a reasonable extent, the cost of obtaining such financial information should be lowered to its benefits. It is assumed that financial statements prepared under different local jurisdiction standards or framework which fraught with interpretations capable of creating a gap internationally, had hindered the flow of Foreign Investments (Healy and Palepu, 2001). With IFRS, improvement has been witnessed Locally and internationally owing to IFRS unique features such as; "transparency and comparability" of financial information across nations of the world. This has, improved the confidence that an investor has in the financial reports and in the post-adoption era, the high inflow of Foreign Direct Investments across countries has been attributed to the adoption of IFRS (Oduware, 2012).

Currently, there are seventeen (17) IFRSs and forty-one (41) IASs being used to drive businesses transactions globally. There are, also, twenty-three (23) interpretations under the new IFRS being provided by the International Financial Reporting Interpretation Committee (IFRIC) (IFRS 2017). All these standards play the role of guiding firms' in the preparation of their financial statements. Obviously and unequivocally, IFRS standard provisions are more detailed compared to the erstwhile Nigerian Local standards (Statement of Accounting Standards). Which were issued in the 1980's? The SAS incorporates some of the ingredients of International standards to buttress its local context to benchmark it minimally and

acceptable for (events translated in to the financial report) transactions reporting. In 2001, an estimated 120 nations were willing to opt for IFRS adoption for their domestic listed companies and reporting jurisdictions (Okafor and Ogiedu, 2011). It is assumed that the subsequent coherence and existence of Local and International Accounting Standards in some countries (Nigeria Inclusive) could hinder “transparency” and “comparison” in the financial statements of corporations and banks across nationalities. As a result of this, financial statements prepared in Nigeria may be assumed to have failed to provide correct, useful and accurate information that will be used to embark on various decisions towards attaining organizational goals. The new standards and improvements have been introduced to enhance cross-border reporting and integrity of financial reporting.

At the commencement of the financial crises in the 1990s, the focused of International Communities was shifted on the rescue mission, this prompted the executive board members of the World Bank and the International Monetary Fund (IMF) to come-up with 12 areas with their associated standards that are considered germane for the institutional assurance of macroeconomic stability, in accordance and compliance to their purpose of establishment. Nigeria took advantage of the review and presented the Reports on the Observance of Standards and Codes (ROSC) which was prepared by a team, from the World Bank, between November 2003 and March 2004 (ROSC, 2014). The outcome of the report professes that ineffective and inefficient mechanisms in existence do not guarantee compliance with the Accounting and Auditing established standards which had led to weak financial reporting environment during the period. In compliance to the requirement or strategy of ROSC report and recommendations, Nigeria Accounting reporting system has since been migrated to new reporting format using IFRS (for private) and International Public Sector Accounting Standard (IPSAS) (for Government enterprises). The committee gave a roadmap to the adaptation of the IFRS in Nigeria and recommended that all the listed companies on the Nigeria Stock Exchange (NSE) and important entities should present her financial reports in compliance with IFRS-framework in 2012 (ROSC, 2004).

In line with the recommendations of ROSC, many scholars had examined Nigeria’s perceptive on IFRS adoption, such as; Iyaho and Jafaru (2011), who examined the Institutional Infrastructure and Adoption of IFRS in Nigeria, they employed survey method to elicit the perception of users and preparers of accounting information, descriptive statistics was used, their result revealed that the professional Accountants and Institutions have the requirements to survive IFRS adoption face in Nigeria.

Okaro and Okafo (2013), examined the loan loss provisions of the International Financial Reporting Standards (IFRS) and the Nigeria Prudential Guidelines, They made use of the first time Audited reports of four Nigerian Banks. Their study found that the Nigeria prudential guidelines provisions were assertive or forceful in its provision for loan loss compared to IFRS provisions; that the provision for profit figures under the Nigerian prudential guideline model was conservative compared to the corresponding figures under the IFRS reporting.

Various studies have been conducted on IFRS and its adoption in Nigeria, but, few of such studies could be found in the Nigerian Banking Sector. Though, Akinl eye (2016) examined the determinant of banks compliance with International Financial Reporting Standards in Nigeria and his result shown that Nigeria Banking Industry complied with IFRS. The objective is subjective to the amenability and globalization aspect of those factors that had prompted IFRS adoption. The incomparable significance of IFRS to the Nation’s economy and cross-border transactions has necessitated this research. This study focused on the branches of Nigerian banks located in Ado Ekiti, Ekiti State, in the South West of Nigeria with a view to assessing the degree and significance of banks’ complianceto IFRS provision and some challenges being faced in the post-adoption era. The research work, would, in addition, establish the effectiveness of Nigeria’sbank’s adoption of the harmonized reporting framework.

This study, therefore, attempts to assess the IFRS compliance in the Nigerian Money Deposit Banks and the difficulties faced during adoption process in Nigeria.

2. Literature Review

2.1. Adoption of International Financial Reporting Standards in Nigeria

In view of the present global need, most nations of the world have moved towards unified financial reporting, Nigeria is one of the countries which have keyed in to the operation of IFRS. In a bid to enhance proper implementation of IFRS adoption, there exists a body charged with the responsibilities of monitoring the financial reporting system in 2011, known as “Nigerian Accounting Standards Board” (NASB) and later the body name was changed to “Financial Reporting Council of Nigeria” (FRCN) because of the global trend financial reporting has taken. The non-profit oriented body is solely charged with the responsibilities of issuing, monitoring and reviewing Accounting and Auditing Standards. Under the regulation provision with which the body was enacted, the body is also saddled with ensuring that there is a coherent between standards issued under IFRS and FRCN Act of 2011 which empowered the body to reviewed and monitored standards. However, standards reviewed and issued by the council in line with the IASB’s guidelines for financial reporting world wide considered the peculiarity of the Nigerians environment and nature, such as; customs, business motives, bye-laws, and level of economic growth. Thus, the Act does not specify the extent of compliance in this regard (Financial Reporting Council of Nigeria, 2018).

Obazee (2012) opined that IFRS adoption is more than an Accounting exercise but it is also effective outside the financial functions in areas such as; human resources, investor relations, and information technology. The regulatory

framework is also important in consideration for capital adequacy in banks and solvency margins in insurance companies, which also affects capital planning and management of all business entities.

2.2. The Merit of Implementing IFRS in Nigeria

Investigation of European Union member States has shown that IFRS has profited the European countries in such a way that Foreign Direct Investment (FDI) has witnessed some level of growth compared to the era of General Accepted Accounting Principles (GAAP). IFRS would project Nigerian companies to the global market in such a way that the patronage of foreign investors to the Nigeria solid potentials will increase, and thereby the economy will also witness expansion or growth. Since one of the aims of IFRS is to harmonize the world market financial reporting it promises to give the Nigerian reporting system integrity and credibility, which in turn provides international investors the ability to make an informed, useful and meaningful comparisons of investment portfolios in Nigeria and other countries. The effective implementation of IFRS exudes transparency, of financial reporting in Nigeria, and by implication, constitutes the necessity to attract foreign investment.

International Financial Reporting Standard affords multinational companies to consolidate much easily their financial statements; provides better strategies for control systems, and facilitates ease of cross-border trading within regions through common accounting reporting practices. Since it, standards applicability is easier to comply with and it facilitates ease of cross-border transactions and trading within regions through common accounting practices. Besides in the regional context, an easy compilation of important data for the various interest of financial information would be facilitated.

Sequel to the adoption of IFRS, Comparability of financial statements have since then been achievable, in that it enhanced transparency, improved the quality of financial reports, which provides investors the confidence to make an informed investment decision (Holger, Luzi, Christian, and Rodrigo, 2008). IFRS has changed the accounting reports to a quality report, which has shown or depicted the level of market liquidity, and as well reduces the cost of capital for firms and companies. Scholars (Verrecchia, 2001; Lambert, Leuz, and Verrecchia, 2007) have confirmed that IFRS has also been proved to improve the quality of financial reporting and disclosure which have reduced share market selection and risk valuation problems.

2.3. Experts Perception on International Financial Reporting Standards

The potential effects of mandating the adoption of IFRS has shown another achievement for experts in that it helps them to make an accurate forecast and thereby reduce the cost of acquiring and processing information especially the costs related to learning and interpretation of different territories accounting standards (Ball, 2006). Experts believe that the adoption of IFRS increases accounting numbers and volatility, which has increased the rate at which they seek for nations transactions owing to data comparability as a result of a uniform set of accounting standards. However, considering the perspective of Hongping, Shiheng and Michael, (2011); Lambert, LEUZ, and Verrecchia, (2007) and Julia, (2008) one could argue that history, institutional framework, and culture in each of the countries' jurisdictions dictate the level and applicability of accounting standards in each of the jurisdiction. Further critics argued that IFRS recommends more than one way of treating fair value and this makes accounting estimates to be subjective which has the tendency to affect the comparability and transparency of accounting reports across countries. The argument further suggested that the use of a common set of mandated accounting standards across nations may not necessarily achieve accounting harmonization in practice (Hongping, Shiheng and Michael, 2011).

2.3.1. IFRS and Information Risk?

Frings, Frings, and Mastilak (2012) argued that replacing or converging United State GAAP (Generally Accepted Accounting Principles) with the International Financial Reporting Standards (IFRS) will lead to a host of adverse outcomes. Some of those outcomes are a predictable response to increased information risk, though; their arguments gain no strong support. They contended that IFRS increases information risk because differences in local interpretations of IFRS may exist which could create a defiance from the international perception of such transaction view. The "veneer of similarity" and the actual adoption of different standards purported to be IFRS in various jurisdictions of the world are valid concerns. However, they further suggested that a lack of professionalism among Auditors and Accountants of international corporations will prove the potential lack of real comparability. They equally maintain that auditors' often 'fall back on' either local or GAAP when interpreting IFRS, while relating their experience in a fully owned subsidiary had proved the opposite.

The process of consolidating U.S. GAAP financial results with the results of an IFRS-based parental would create the alignment of accounting policies that require interpretation and detailed review and adjustment for every GAAP-to-IFRS difference. Under such circumstances, will it be acceptable for management or auditors to simply "comply with reporting requirements provided by GAAP than roll that accounting into the foreign parents' IFRS financial statements? In an attempt to answer this question, it assumed that corporate management uses its discretion in responding to its incentives. Others may not share this assumption, but it's evident that most, if not all, people use discretion in responding to the entire set of incentives they believe they face in all facets of human life. This is of course, what necessitated having Accounting standards, independent Auditors, regulatory oversight, and the likes to caution management's use of information and to protect outside users' of financial reports. Thus, this argument does not depend on a specific assumption about professionalism among preparers of financial information or Auditors of financial statements (James, 2012).

2.3.2. International Financial Reporting Standards and the Securities Antifraud Regime around the World

The United States has been regarded as a friendly atmosphere for investors because of the country securities anti-fraud regimes compared to other nations of the world. Though the country has not violated the provision of GAAP, the Securities and Exchange Commission has considered changing from its usual GAAP to IFRS which will promote the comparability of the financial report and this will increase investment opportunities.

International Financial Reporting Standards is considered to be a principle-based accounting system, while GAAP is considered to be rules-based accounting system. As a result of this, Lance, (2010) has argued that the nature of flexibility regarding financial reporting that is apparent to IFRS as a principles-based approach will affect investors, Securities, and Exchange Commission and market participants. They rely on accounting violation to ascertain the elements of security antifraud cause of action when opted for.

According to Lance (2010), Public companies in the United States were not mandated to prepare their financial statements in line with the provision of IFRS practices. The American Institute of Accountants ("AIA") provided for six broad principles which serve as the basis for preparing a financial statement, this is known as Generally Accepted Accounting Principles (GAAP). The essence of this is to ensure comparability in financial reporting in countries that employed the GAAP provisions. Thought technological advancements have been said to have eliminated barriers with respect to some challenges being faced in cross-border securities exchange and transactions, in spite of this, other barriers still remain. Those others barriers have been identified as some of the shortcomings of the GAAP which at the same time compel the U.S regulator to work towards the adoption of IFRS.

It is not news that Nigeria has adopted IFRS but some companies have not adopted it and to further fast-track the teaching the Federal Government through the National Universities Commission (NUC) has mandated Universities to adopt the IFRS Standards in the curriculum for accounting syllabus. Other major security markets around the world have since followed suit and over 100 countries of the world have adopted IFRS as their financial reporting system. Though the future of IFRS in the United States is undeterminable and cannot be ascertained their security and exchange commission permitted multinational companies to publish its financial reports in line with the provision of IFRS without recourse to GAAP. One would wonder if the U.S will not permit its local companies to change to IFRS. In 2008, the U.S. SEC published her roadmap for the adoption of IFRS in 2014, setting eligibilities for companies by 2010. Though the roadmap contents and propositions were not binding, many observers believed that the U.S financial reporting system will get there (Lance, 2010). also opined that there was the fear that the regime under IFRS reporting in the U.S. will expose users of financial information to risk and this would confuse practitioners and there by erode the confidence in the new set of rules of Accounting.

2.4. Empirical Review

Marfo & Atsunyo, (2010) did an examination of the disclosure and compliance level of IFRS of Kuwait companies. Using Regression Analysis, the study found that the average overall compliance level for the sample companies in Kuwait is 69%. Okpala, (2012), examined the effect of the adoption of IFRS and financial statement of quoted companies in Nigeria and its perceived implication on Foreign Direct Investment and the Nigerian economy. Using correlation analysis, the study found that IFRS adoption has promoted FDI inflow and economic growth.

Samuel, (2012) evaluated the adoption of IFRS and bank performance in Nigeria, and discovered a positive and significant relationship between IFRS and bank performance in Nigeria.

Francis & Wong (2010) carried out a study on the effect of IFRS adoption on global market integration, using Correlation analysis. They found out that IFRS maintained a positive impact on global market integration by companies. Marfo and Atsunyo (2014) examined the compliance with IFRS by listed companies in Ghana. Employing correlation and multiple regression analysis, their study revealed an overall of 85.8% compliance level of a listed company in Ghana which indicated a good achievement for Ghanaian companies and a good indicator for international integration of firms. Although, there have been studies on the adoption of IFRS framework in Nigeria as reviewed above. Few of the studies have been able to address the compliance index; adoption environment; acceptability; effectiveness and challenges of the Nigerians banking industry in adopting IFRS despite its numerous advantages to the economy. Abata (2014), examined the impact of IFRS on financial reporting practices in Nigeria. His study found that IFRS have a direct effect on how earnings and a key aspect of the business are accounted for. Fasina & Adegbite (2014) did an empirical analysis of the effect of IFRS adoption in accounting practices in Nigeria. The authors found that a positive relationship exists between adoption of IFRS and financial performance to cost reduction of organizations. The essence of this study is to assess Nigeria's Money Deposit Banks compliance level with the provisions of International Financial Reporting Standards and to examine the difficulties faced during post-IFRS adoption in Nigeria.

3. Methodology

The area of study was limited to banks located within Ado-Ekiti, Ekiti State. For the purpose of this study, the survey research design is used. The basic research designs employed in this study were descriptive and inferential statistics. However, the population of this study was the entire 19 deposit money banks in Nigeria as at 2016. For the purpose of this study, the Nigeria Deposit Money Banks were stratified on the basis of those that adopted and reported their financial statement in 2014 using International financial reporting standard (IFRS) and those that do not. The sample size consists of

respondents from the banks (the Marketing department and the Operation department) and selected public. simple random sampling techniques were used. A total of eighty (100) questionnaires were administered to the marketing department and Operation department (which consists of cash and teller units, customer service unit, fund transfer) with the questionnaire having 16 (sixteen) questions. The research was conducted in the following listed banks; (Ecobank, United Bank of Africa, First Bank, Wema bank, Guaranteed Trust Bank, Zenith Bank, Heritage Bank and Access bank) within Ado Ekiti, Ekiti State. Ten (five for Marketing and five for Operating department of each bank) questionnaires were administered to each bank.

The model was formulated to measure the significant level of Nigeria Money Deposit Banks compliance of IFRS. The mathematical model represents the compliance index which represented the independent variable that influenced by (X1= Amenability, X2= Globalization, X3= Response to Users' Need). The model represented an assumption to measure the relationship between IFRS adoptions index level and factors influencing its adoption in the Nigeria Money Deposit Banks.

4. Results and Discussion

\The Compliance of Nigerian banks to the requirements of IFRS-framework was in partial.

$$A. Y = b_0 + b_1x_1 + b_2X_2 + b_3X_3 + e$$

Y = total compliance index,

b0= intercept

X1 = amenability

X2= Globalization

X3 = Response to users' need and

b1, b2, & b3 = Linear Regression coefficients

This study modified Abdullah, A. M., and Hewaid, A.M. (2010) and Akinleye, (2016).

$$B. Y = b_0 + b_1x_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

Model Specification

Where:

Y = total compliance index,

b0= intercept,

X1 = effectiveness

X2= adoption

X3 = adoption, environment

X4 = acceptability

X5 = standard variance

e = standard error term and

b1, b2, b3, b4 & b5 = Linear Regression coefficients

Compliance =F (effectiveness, Adoption, Environment, Acceptability & Standard variance).

Variables	Compliance	Effectiveness	Adoption	Environment	Acceptability	Standard Va
Compliance	1					
Effectiveness	-0.073	1				
Adoption	0.109	0.129	1			
Environment	0.012	0.272*	0.280*	1		
Acceptability	0.047	-0.149	0.054	-0.186	1	
Standard Va	0.124	0.147	0.311*	0.140	0.326**	1

Table 1: Correlation Matrix

Source: Authors' Computation, (2017)

The results depicted in Table 1 shows that compliance is negatively correlated with effectiveness which implies that the compliance level of IFRS in Nigeria banking industry is ineffective. Adoption is positively correlated with compliance and effectiveness and the two variables show that both compliance and effectiveness or efficiency have a positive impact on the adoption of IFRS in the Nigeria banks. The environment is positively correlated with compliance but also significantly (*) correlated to effectiveness and adoption. This could also imply that IFRS compliance, effectiveness and adoption have a lot to tell about the operating environment or country at which IFRS is being adopted.

Acceptability is positively correlated with compliance and adoption but negatively correlated with effectiveness and environment.

Finally, a standard variance that is (International and Local Standards) as depicted in the model, shows that it is positively correlated with compliance, effectiveness or efficiency and environment but significant (**) correlated with adoption and negatively but significantly correlated with acceptability (**)

4.1. Model Summary

Regression Result				
Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.189 ^a	.036	-.038	.38460

Table 2

Source: Author's Computation, (2017)

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.357	5	.071	.483	.788 ^b
	Residual	9.615	65	.148		
	Total	9.972	70			

Table 3

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.582	.450		7.952	.000
	Effectiveness	-.065	.087	-.095	-.742	.461
	Adoption	.040	.077	.070	.517	.607
	Environment	.006	.065	.013	.096	.924
	Cceptability	.035	.060	.077	.577	.566
	Standard.Variance	.067	.066	.140	1.015	.314

Table 4

a. Dependent Variable: Compliance

Source: Authors' Computation, (2016)

The regression model shows that the R(value) is 0.189 while the fitness of the model is 0.36, this shows that the controlled variables (Independent Variables) control 36% of the depending variables and the P(Value) is 0.788 which is greater than 5%. Thus, it implies that the alternative hypothesis should be rejected while the null hypothesis should be retained, that is, Nigeria banks have partially complied with the requirement of IFRS framework.

C. There were not significant challenges encountered in adopting IFRS framework in the Nigerian banking sector.

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where:

Y = IFRS Challenges Index,

b₀ = Intercept,

X₁ = Adoption expenses

X₂ = Customer Satisfaction

X₃ = Accuracy

X₄ = Risk or Error

e = Standard error term and

b₁, b₂, b₃ & b₄ = Linear Regression coefficients

IFRS Challenges= F (Adoption expenses, Customer Satisfaction, Accuracy, Risk or Error) Abdullah, A. M. and Hewaid, A.M. (2010),

Variables	IFRS Challenges	Adoption Exp	Customer Satc	Accuracy	Risk Error
IFRSChallenges	1				
Adoption Exp	-0.464**	1			
Customer Satc	-0.214	-0.002	1		
Accuracy	-0.249	0.192	0.461*	1	
Risk Error	0.374**	-0.068	-0.007	-0.233	1

Table 5: Correlation Matrix

Source: Authors' Computation, (2017)

IFRS adoption expenses are significant (**) and negatively correlated with IFRS challenges. This could imply that IFRS adoption expenses has not helped in reducing challenges faced in the adoption but has always been demanding for more cost towards overcoming its adoption expenses. Customer satisfaction (user needs) is negatively correlated with challenges and adoption expenses. Accuracy is negatively correlated with IFRS challenges, which implies that its challenges will not give room for accounting reports accuracy and completeness. Hence, it's also positively correlated with Adoption expensive and as well as customer satisfaction which is significant (*). Risk or Error is positively and significantly correlated with IFRS challenges (**) it implies that the higher the error or adoption risks the higher the challenges and vice versa. It further reveals that it is negatively correlated with adoption expenses, customer satisfaction and accuracy and effectiveness. this result implies that IFRS adoption is significant to errors which also constitute part of the challenges in adopting IFRS in Nigeria Banking Industry and negatively correlated with IFRS adoption expenses, customers satisfaction, accuracy, and completeness.

4.2. Model Summary

Regression Results				
Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.615 ^a	.378	.341	.70634

Table 6

Source: Authors' Computation, (2017)

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	20.029	4	5.007	10.036	.000 ^b
	Residual	32.928	66	.499		
	Total	52.958	70			

Table 7

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.777	.746		6.405	.000
	Adoption.Expensive	-.574	.129	-.444	-4.466	.000
	Customer.Satisfaction	-.320	.160	-.221	-1.996	.050
	Accuracy.Completeness	.022	.134	.019	.167	.868
	Risk.Error	.397	.115	.347	3.451	.001

Table 8

Source: Authors' Computation, (2017)

a. Dependent Variable: IFRS Challenges

The Regression model shows that the R (Value) is 0.615 while the fitness of the model is 0.38. This shows that the controlled variables (independent variables) control 38% of the depending variables and P (Value) is 0.00 which is lesser than 5%. Thus, it implies that the alternative hypothesis should be retained while the null hypothesis is rejected, that is, there are significant challenges involved in adopting IFRS framework in the Nigerian banking industry.

D. Amenability, Globalization and response to users' needs do not significantly influenced the compliance level of the Nigerian banks with IFRS

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where:

Y = General Acceptability Index,

b₀= Intercept,

X₁= IFRS Benefit

X₂ = International acceptability

X₃ = Regulatory Environment

X4 = Encouragement

e = Standard error term and

b1, b2, b3 & b4 = Linear Regression coefficients

General Acceptability = F (IFRS Benefit, International acceptability, Environment, Encouragement)

Regulatory

	Gen Accept	IFRS Benefit	International	Regulatory	Encouragement
Gen.Accepted	1				
IFRS Benefit	0.340**	1			
International	0.289*	0.12	1		
Regulatory	0.114	0.393**	0.092	1	
Encouragement	0.291*	0.147	0.340**	0.258*	1

Table 9: Correlation Matrix
Source: Authors' Computation, (2017)

IFRS' benefit is significantly (**) and positively correlated with general acceptability (country acceptances). This implies that IFRS is beneficial to users because it leads to clear and international homogenous reporting system and as a result of this, increased investment opportunities. International acceptance is significantly (*) and positively correlated to general acceptance (users' needs) and positively correlated with IFRS benefit. Regulatory (Environment) is positively correlated with general acceptance and international acceptability and IFRS benefit which is of significant impact (**). Encouragement is positively and significantly to general acceptance (*), international acceptability (**), regulatory environment (*) except for IFRS benefit that is only positively correlated but has not signed on encouragement.

4.3. Model Summary

Regression Results						
Model	R	R Square	Adjusted R Square	Std. The error of the Estimate		
1	.477 ^a	.228	.181	.51641		
ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.188	4	1.297	4.863	.002 ^b
	Residual	17.601	66	.267		
	Total	22.789	70			

Table 10
Source: Authors' Computation, (2017)

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.618	.502		3.224	.002
	Ifrs. Benefit	.326	.111	.345	2.927	.005
	Interna. Acceptance	.179	.090	.230	2.001	.049
	Regulatory. Requirement	-.061	.082	-.090	-.750	.456
	Ifrs. Encourage	.141	.090	.185	1.561	.123

Table 11
a. Dependent Variable: General Acceptability
Source: Authors' Computation, (2017)

The Regression model shows that the R (Value) is 0.477 while the fitness of the model is 0.23 This shows that the controlled variables (independent variables) control 23% of the depending variables and P (Value) is 0.002 which is lesser than 5%. Thus, it implies that the alternative hypothesis should be retained while the null hypothesis is rejected. That is, Amenability, Globalization and response to users' needs do significantly influence the compliance level of IFRS in the Nigerian banks.

5. Discussion of Findings

It was discovered that Nigeria money deposit banks adoption level of IFRS is not significant. This implies that the significance of IFRS framework that centers on improving the preparation and presentation of a financial report with international acceptability have not been achieved, since the reporting system level is still very low in the Nigeria money deposit banks. This is in spite of the official announcement that most banks have adopted the framework since 2012 suggesting that there is still much room for improvement on the implementation of the IFRS framework to better the financial reporting system. This outcome is partially consistent with the discovery of Olawale (2012) and Akinleye, (2016) who submitted that Nigerian banks have fully adopted IFRS framework in the preparation and presentation of the financial report.

There are significant challenges involved in adopting IFRS framework in the Nigerian banking sector. Invariably, this confirmed the reasons why Nigeria banks still find it difficult to improve on the international framework in preparing and presenting the financial report. It was revealed that IFRS framework increases the expenses of banks as a result of training given to operational staff and that it increases the risk of error in financial reporting because of the incompetence of staff. This outcome corroborated the conclusion of Abata (2014), who submitted that there is also a chronic shortage of professionals that are competent to implement the IFRS within the given time frame as contained in the schedule of the Nigerian roadmap for its adoption.

This study revealed that amenability, globalization, and response to users' needs significantly influenced the compliance level of the Nigerian money deposit banks with IFRS. This confirmed the general claim that amenability, globalization, and response to users' needs are the major factors that influence the full adoption of IFRS framework. This outcome explains that the aforementioned factors undeniably influenced Nigeria banks to improve the adoption of IFRS framework. However, the adopted framework has not been used in preparing and presenting the financial report. Hence, it could be said that though Nigeria banks announced they've adopted the framework to avoid international shame but in the real sense, Nigeria banks are still struggling in the adoption of the framework.

6. Conclusion and Recommendations

The above findings which summarized the results of the Nigeria Money deposit banks in term of their compliance with IFRS framework. It can be concluded that the Nigerian banking industry has complied with IFRS since 2012, but still recorded a low level of compliance with the provision of the standards. It is impressive to know that Nigeria banks as opted for IFRS since 2012 which limit the fear of some researchers such as Briston, 1990 and Larson, 1993 concerning the extent to which IFRS adoption by developing nation environment and for the fact that, adoption of these standards may be detrimental, because they assumed that the whole framework has been developed based on capital markets in developed countries. However, some challenges that characterize its adoption process needs to be urgently addressed, for as long as the framework is to be fully and completely implemented.

In view of the findings, it is being recommended that the banking industry should engage their staff in informal training to enable significant compliance with IFRS framework. Also, regulatory authorities in Nigeria, such as Central Bank, Financial Reporting regulatory bodies/ agencies should set up checks and balance mechanisms that will be capable of ensuring total compliance. The mechanism may include sanctions for erring banks whose financial reporting quality is below the minimum benchmark as established in the International Financial Reporting Standards framework Provision among others.

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Appendix

• Descriptive Statistics

Sex					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	40	56.3	56.3	56.3
	FEMALE	31	43.7	43.7	100.0
	Total	71	100.0	100.0	
AGE					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	41	57.7	57.7	57.7
	31-40	25	35.2	35.2	93.0
	41-50	5	7.0	7.0	100.0
	Total	71	100.0	100.0	
Marital Status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SINGLE	39	54.9	54.9	54.9
	MARRIED	31	43.7	43.7	98.6
	DIVORCE	1	1.4	1.4	100.0
	Total	71	100.0	100.0	
Educational Qualifications					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NCE	4	5.6	5.6	5.6
	OND	8	11.3	11.3	16.9
	B.Sc	53	74.6	74.6	91.5
	M.Sc	6	8.5	8.5	100.0
	Total	71	100.0	100.0	

Table 12

Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	47	66.2	66.2	66.2
	6-10	17	23.9	23.9	90.1
	11-15	6	8.5	8.5	98.6
	16-20	1	1.4	1.4	100.0
	Total	71	100.0	100.0	
Department					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	OPERATION	45	63.4	63.4	63.4
	MARKETING	26	36.6	36.6	100.0
	Total	71	100.0	100.0	

Table 13

- Questionnaires

S/N	ITEMS	SA	A	D	UN
1.	IFRS framework in most Nigerian banks can be considered significant.				
2.	IFRS framework has enhanced the level of efficiency and effectiveness of operations in a Nigerian bank.				
3.	Financial reporting has been upgraded in a most Nigerian bank				
4.	Adoption of IFRS is conducive to control activities in a Nigerian bank.				
5.	Financial reporting in most Nigerian banks are not prepared and reported with IFRS framework.				
6.	IFRS had improved the financial reporting practices in the banking sector compared to local standards.				
7.	Nigerian banks face no significant difficulties in adopting IFRS framework				
8.	IFRS framework has additional expenses to banks as a result of training given to operational staff				
9.	IFRS framework had improved customer services and satisfaction on the financial reporting				
10.	Adoption of IFRS in banks provide reasonable assurance that transactions have been received for accuracy and completeness				
11.	IFRS framework had increased the risk of error in financial reporting.				
12.	The compliance level of the Nigerian banks with IFRS has influenced the amenability, globalization, and response to user's needs.				
13.	Nigerian banks with IFRS framework has a significant advantage over other banks with no IFRS framework				
14.	Internationalization of IFRS had spurred the level of financial accountability in a Nigerian bank				
15.	Nigerian banks had overtime for been overhauled by CBN guidelines to ensure that necessary transactions are carried out effectively				
16.	Amenability of regulatory authorities (CBN, BOFIA, NSE, CAMA) with Nigerian banks have encouraged the level of IFRS compliance.				

Table 14