A Comparative Approach to the Impact of IFRS (International Financial Reporting Standards) on the Performance of Banks in Nigeria

Yetunde Omowunmi Adeuja

Submitted to the
Institute of Graduate Studies and Research
in partial fulfillment of the requirements for the Degree of

Master of Science
in
Banking and Finance

Eastern Mediterranean University
February 2015
Gazimağusa, North Cyprus

Approval of the Institute of Graduate Studies and Research

____

Prof. Dr. Serhan Çiftçioğlu
Acting Director

I certify that this thesis satisfies the requirements as a thesis for the degree of Master of Science in Banking and Finance.

____

Assoc. Prof. Dr. Nesrin Özataç
Chair, Department of Banking and Finance

We certify that we have read this thesis and that in our opinion it is fully adequate in scope and quality as a thesis for the degree of Master of Science in Banking and Finance.

____

Prof. Dr. Hatice Jenkins
Supervisor

Examining Committee

1. Prof. Dr. Hatice Jenkins ____
2. Assoc. Prof. Dr. Nesrin Özataç ____
3. Asst. Prof. Dr. Korhan Gökmenğolu ____

ABSTRACT

From January 2012 all public listed firms in Nigeria were mandated to publish their financial report in accordance to IFRS (International financial reporting standard). As a result of this, there have been controversies as to the consequence of this convergence from the Nigerian Generally Acceptable Accounting Principles (NGAAP) to International Financial Reporting Standards (IFRS) on firm's financial performance and position. This study aims to investigate the impact of IFRS on the performance of banks in Nigeria. A descriptive financial ratio analysis is used to assess and make comparison on the performance of ten sampled banks covering a period of four years (2010 – 2013). The study was carried by comparing the ratios that were calculated from IFRS compliant financial statements and Nigerian GAAP compliant financial statements. Bank's performance was measured in relation to liquidity, profitability, leverage, and asset quality. An independent t-test was used in testing whether there is a statistical significant difference between the ratios. The result of our analysis revealed no statistically significant difference due to the IFRS adoption.

Keywords: IFRS, NGAAP, performance, financial ratios, pre adoption, post adoption

ÖZ

Ocak 2012 tarihinden itibaren Nijerya'da bulunan halka açık tüm şirketierin finansal raporlarını Uluslararası Finansal Raporlama Standard'ına göre (IFRS) düzenlemeleri zorunlu oldu. Bu zorunlu değişim Nijerya'da tartışmaları da kendisiyle birlikte getirdi. Nijerya'da 2012 yılına kadar yürürlükte olan Genel Kabul Edilebilir Muhasebe İlekleri'nden (NGAAP), Uluslararası Finansal Raporlama Standard'ına (IFRS) geçişin bankaların performansını nasıl etkileyeceği tartışılmaya başlandı. Bu çalışma IFRS'ın Nijerya'daki bankaların performansını nasıl etkilediğini araştırır. Bu amaçla 2010-2013 yılları arasında Nijerya'da faaliyet gösteren bankalar arasından örnekleme olarak alınan on bankanın performansı finansal rasyo analizi kullanılarak ölçülmüş ve mukayese edilmiştir. Bankaların NGAAP ve IFRS muhasebe ilkeleriyle hazırlanmış finansal raporlarından alınan veriler kullanılarak bankaların finansal rasyoları her iki muhasebe standardı için ayrı ayrı hesaplanmış ve mukayese edilmiştir. Bankaların performansı likidite, karlılık, kaldıraç ve aktif kalitesi ile ilgili olarak ölçülmüş ve t-test kullanılarak bu rasyolardaki farklılıkların statistiksel bir önemi olup olmadığı test edilmiştir. Araştırmamız IFRS'ın Nijerya'daki bankaların performansını etkilemediğini göstermiştir.

Anahtar kelimeler: UFRS, NGAAP, performans, finansal oranlar , ön kabulü sonrası kabulü

ACKNOWLEDGMENT

To start with, words alone would never be able to express my gratitude to God Almighty guiding me through this study, without Him I could not have made it this far.

I appreciate my supervisor Prof. Dr. Hatice Jenkins for her tremendous and monumental impact towards the completion of this thesis. She was always ready to render any assistance needed throughout the thesis.

I appreciate my parents and siblings for their assistance and encouragement. Yetunde would not have been here if not for them. I also appreciate my fiancé and Bethesda Chapel for their encouragement and prayers throughout my studies.

TABLE OF CONTENTS

ABSTRACT……………………………………………….……………..…………iii

ÖZ…………………………………………………………………………..…………… iv

ACKNOWLEDGEMENT……………………………………………………………. v

LIST OF TABLES……………………………………………...………………viii

LISTOF FIGURES………………………………………………………………… ix

LIST OF ABBREVIATIONS... x

1INTRODUCTION…………………...………………………………………… 1

1.1 Background of the study... 1

1.2 Statement of the problem………………..…………..……..……........... 3

1.3 Research Questions………..…………………………………….......... 5

1.4 Aims and objectives of the study…………………………………….. 6

1.5 Structure of Thesis……………………………………......………….. 6

2 LITERATURE REVIEW……………………………………….…………….. 7

2.1 Major distinction between NGAAP and IFRS………………..………….....14

3 NIGERIAN BANKING INDUSTRY……………………………………..15

3.2 Corporate governance and Nigerian banks……………….………………19

4 DATA AND METHODOLOGY………………………...…………………...21

4.1 Type and Source of Data………...21

4.2Methodology…..……………………..…………………….……………22

4.3 Data analysis……………...……………..………………….……………23

4.4 Justification for the methodology used……….…………………….......24

4.5 The variables……………………………………………….…………....24

5 EMPIRICAL RESULTS…………………..……...……………...……….27

5.1 Descriptive Statistics:…………..…………………………………………27

5.1.1 Analysis of Differences…………………...………………………29

5.1.2 Test of Equality: ……………..………...…………………...……32

5.2 Measuring Bank Financial performance using Financial ratios…..……….34

6 CONCLUSION AND RECOMMENDATIONS……………………………...40

REFERENCES………………………………………..………...……….43

APPENDICES……………………………………….....………………..52

Appendix A: Descriptive Statistics…………………..……………….......53

Appendix B: Asset quality measured by (NPL) ratios of sampled bank….......54

LIST OF TABLES

Table 2.1: Major Distinctions between IFRS and Nigerian GAAP ……..…………14

Table 3.1: Nigeria commercial banks (Post consolidation), capital base, number of branches and mergers……………………………………………………………….18

Table 4.1: Samples banks and their characteristics…………..…………………… 22

Table 4.5: Financial Ratios used in Performance Evaluation ……….……………..26

Table 5.1: Comparing accounting figures and ratios calculated under IFRS with NGAAP for the same period (2011)……………………...…...............................28

Table 5.2: Descriptive Statistics 1……………..……...……………..………....….. 30

Table 5.3: Continuation of Descriptive Statistics 11………………...……….……31

Table 5.4: Comparing the Mean of IFRS and NGAAP values..……………..……..33

Table 5.5: Comparing the Variance of IFRS and NGAAP values…..……………... 34

Table 5.6: Comparing Liquidity ratio's computed under IFRS and NGAAP……....35

Table 5.7: Comparing Profitability ratio's computed under IFRS and NGAAP…...36

Table 5.8: Comparing Leverage ratio's computed under IFRS and NGAAP….......37

Table 5.9: Comparing NPL ratios computed under IFRS and NGAAP…..………..39

Table 5.10: Descriptive Statistics 111…………...……………………..…………...57

Table 5.11: Asset quality measured by (NPL) ratios of sampled bank……………..58

LIST OF FIGURES

Figure 5.2.1: Chart showing liquidity performance from 2010 – 2013…………….36

Figure 5.2.2: Chart showing profitability performance from 2010 – 2013………... 37

Figure 5.2.3: Chart showing leverage performance from 2010 - 2013……..............38

Figure 5.2.4: Chart showing NPL performance from 2010 - 2013 ………………...39

LIST OF ABBREVIATIONS

IFRS	International Financial Reporting Standards
NGAAP	Nigerian Generally Acceptable Accounting Principles
ROA	Return on Asset
ROE	Return on Equity
AMCON	Asset Management Corporation of Nigerian
NPL	Non - Performing Loan
CBN	Central Bank of Nigeria
PWC	Price Waterhouse Coopers
NSE	Nigerian Stock Exchange
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee

Chapter 1

INTRODUCTION

1.1 Background of the Study

The move towards globalization is a concern for many countries particularly developing countries as it has the potential of having a deep impact on the economy at large. The adoption of IFRS as a global and uniform standard is gaining ground as more countries are adopting IFRS or have intentions of adopting the standard. The European Union commenced the adoption in 2005 by ensuring that all listed companies in the European Union implement IFRS in their financial report (Odia and Ogiedu, 2013).

The development of a globally acceptable standard originally commenced in 1973 as a result of the coming together of a group of qualified accounting professionals of major countries to form IASC (International accounting standard committee). These countries are UK, Ireland, United States, Australia, Canada, France, Germany, Japan, Mexico and Netherlands. They focused on developing a global accounting standard which will replace local standards, harmonize the differences in financial report due to diversities in legal systems, business structures ,tax systems et all, foster cross border transactions and enhance comparability of information. Hence, the users of financial information can adequately compare the financial statements of different companies to evaluate their financial performance and position.

In 2001, the International Accounting Standards Committee (IASC) was reorganized into the International Accounting Standards Board (IASB). The IASB was responsible for developing accounting standard and associated interpretations that are jointly known as International Financial Reporting Standards (Garba, 2013).

In Nigeria, the adoption of IFRS was inaugurated in September 2010 by the Honorable Minister responsible for the Ministry of Commerce and Industry; Senator Jubril Martins-Kuye. The adoption required that all Public Listed Companies apply IFRS for the presentation of their financial statement by January 2012. Other Public interest entities are required to adopt IFRS by January 2013 while SME's (Small and medium sized entities) are expected to adopt IFRS by January 2014.

However before the adoption of IFRS in Nigeria the Generally Accepted Accounting Principles was the National Accounting Standards. According to a paper published by PWC (2006) the adoption of IFRS will have an effect on the banks and capital market's earnings, credit evaluation, communication between market and stakeholders, long term financial planning, capital management, training, performance measurement, product offering and debt covenants.

It is also believed that Nigerian banks that prepare IFRS compliant financial statements have more advantage over others in their business dealings with other related banks, multinational firms and international investors. Standard and Poor's (S&P) revealed that companies that adopt IFRS tend to experience a rise in their rating as a result of consistency in their data (Adam, 2009)

There has also been some opposition to the adoption of IFRS particularly for developing countries like Nigeria. It has been argued that Nigeria and many developing countries have weak institutions, unpredictable economic and political environments which may undermine the successful implementation of IFRS (Tanko, 2012).

In their study on the development process of financial reporting standards around the world and its practical results in developing countries. Alp and Ustandag (2009) showed that Turkey experienced lots of challenges in the implementation of IFRS. These challenges include the complicated nature of IFRS, difficulties in the application, enforcement issues and possible knowledge shortfall.

The research therefore will focus on comparing the performance of Nigeria banks before and after the adoption of IFRS. Key performance indicators in terms of liquidity, profitability, leverage, and asset quality of the selected banks would be used to measure the impact of the pre and post adoption of IFRS. Secondary data related to the annual report published according to IFRS and NGAAP for the last two years before and after the adoption would be used. The significance of IFRS in enhancing corporate governance would be examined looking at past literature.

1.2 Statement of the Problem

Nigerian banks over the years have been observed to exhibit weak disclosures in financial statement, operational inefficiencies, undercapitalization and a weak corporate governance practice that impedes their performance and makes it difficult to detect problems easily. The quality and standard of financial reporting in Nigeria

banking sectors seems not to match the high standard of reporting in the banking sector of more developed countries (Garba, 2013).

As a result of this, Nigerian banking industry has undergone numerous reforms. This includes the increase in the minimum paid in capital of banks from 2 billion Nigerian Naira (US $14m) to 25 billion Nigerian Naira (US $173m). This led to the consolidation of most banks. Other reforms include, the special examination of banks, the move from accounting year to calendar year to improve transparency and comparability of financial results, the creation of AMCOM (Asset Management Company) to purchase the non-performing loan from banks.

In addition the Central bank of Nigeria issued a circular on the format banks were expected to show in their annual financial statements, the maximum number of years that a CEO could work was restricted to ten years. Also, the cashless policy was introduced and the convergence to IFRS by the end of 2012 to mention a few.

It is noteworthy that before January 2012 these three banks in Nigeria, Access Bank, Guarantee Trust Bank and Zenith Bank started preparing and publishing their financial report according to IFRS. It was revealed that four months after the Central Bank of Nigeria's time limit banks were still experiencing difficulties in understanding the value IFRS offers to their business and the trust from their banking partner in other countries. It was discovered in a paper published by Price Water Coopers (2006), that even some big organizations have taken more time to present their response to IFRS.

According to Akpan-Essien (2011), the convergence from NGAAP to IFRS will improve comparability, accountability, integrity and transparency in financial reporting. This is pertinent to deal with the crisis in the financial sector which added to the decline in the country's foreign direct investment (FDI) in the oil and gas sector to a nation such as Ghana who is believed to have an improved financial reporting. Beke (2011) also stressed the fact that a global accounting standard will result to a rise in market liquidity, fall in transaction costs for investors, and cost of capital reduction.

From all this, it is evident that to function in this present world economy and to achieve the maximum gains of international listing, no nation can operate alone in its financial reporting (Garba, 2013). It is therefore paramount to carry out a research to compare the performance of Nigerian banks before the adoption and after the adoption of IFRS and investigate the impact of adopting a global financial reporting standard in the banking sector.

1.3 Research Questions

1. What is the impact of IFRS on the profitability, liquidity, leverage, and asset quality of banks in Nigeria?
2. Is there any statistical significant difference in the bank's performance in the pre and post adoption of IFRS?
3. What are the benefits and challenges of implementing IFRS in Nigeria?
4. Does IFRS aid the improvement of corporate governance in Nigerian banks?

1.4 Aims and Objectives of the Study

This research aims to empirically investigate the impact of international financial reporting standard on key performance indicators that is, liquidity, profitability, leverage, and asset quality of Nigerian banks. Other objectives include to:

a. Examine whether a significant difference exists in banks performance in the pre and post adoption of IFRS.
b. Investigate the benefits and challenges of implementing IFRS in Nigerian banks.
c. Investigate the role of IFRS in improving corporate governance.

1.5 Thesis Structure

This thesis is structured into five chapters. Chapter one covers the background of the study, statement of the problem, research questions, aims and objectives of the study. Chapter two focuses on the review of past literatures, chapter 3 discusses the Nigeria banking sector, chapter four states the data and methodology applied, chapter five reveals the empirical results and chapter six presents the conclusion and recommendations.

Chapter 2

LITERATURE REVIEW

There have been a lot of arguments and propositions regarding to the adoption of a uniform and globally acceptable standard. Several researchers have discussed different issues relating to IFRS adoption and its impacts in different countries. In Nigeria, financial statements were formerly reported in accordance to the NGAAP issued by the Nigerian Accounting Standards Board (NASB) until 2010 when the NASB announced its transition to the international Accounting Standards (IAS). The transition was organized such that all entities should have fully adopted IFRS by 2014.

It is noteworthy that these standards (GAAP and IFRS) were developed to guide the preparation and presentation of financial statement but they differ in terms of their applications and guidelines. For example, NGAAP allows both Last in First out (LIFO) and First in First out (FIFO) as an inventory valuation method whereas IFRS prohibits the use of LIFO. This might be due to the fact that LIFO will permit past information in the statement of financial position (balance sheet). As the last-in inventory is expensed out as cost of sales, the old inventory remains making the reported figure too stale to be relevant for decision making.

IFRS and NGAAP also differ in their measurement of intangible assets. The Nigerian GAAP assumes all intangible assets have a definite life that do not exceed ten years

whereas IFRS assumes that certain intangible assets do not have a definite life that exceeds ten years. Thus, IFRS measures intangible asset using either cost or revalued amount. On the contrary, GAAP measures intangible asset based on cost only (Ailemen and Akande 2012).

According to Agrawal (2008), IFRS is a principle based standard while GAAP is rule based. It recognizes the use of judgment in selecting accounting policies, requires valuations and future forecasts. These factors would have a significant impact on the financial performance of firm and their reported earnings. As a result, banks incur large cost in the adoption process coupled with the complexity and burden of IFRS convergence. Bala (2013) stated that the information disclosed under Nigeria GAAP were insufficient to effectively reduce the information imbalance between companies and users of financial statements. Hence, the adoption of IFRS would enable companies disclose more financial information.

Okoye and Akenbor (2014) opined that it is expedient for Nigeria to adopt a global standard because many Nigerian companies have securities of foreign companies. Hence, IFRS will result to a better decision about the flow of economic capital. A number of researchers have also identified the benefit IFRS is deemed to produce. According to Mary, Okoye and Adediran (2013) the adoption of IFRS in Nigeria will open opportunities for a larger finance transformation for firm and upturn the centralization of economies of scale. Okpala (2012) in his study perceived that IFRS will promote foreign direct investment (FDI) and economic growth in Nigeria. Taiwo and Adejare (2014) claimed that IFRS will improve financial performance, and quality of accounting records. It will also enhance business efficiency, aid resource allocation and performance planning in companies.

Also, the adoption of IFRS in Nigerian banks will assist in harmonizing financial reporting especially for multinational banks. As banks operate in several countries managements are expected to match financial statement of different branches prepared using different local standards. Nevertheless, with uniform standard banks can easily match financial statement and compare performance with other banks (Munirudeen, 2014).

Leuz, (2013) argues that adopting IFRS alone will not make comparing financial statement so easy because countries are different in their institutional and enforcement mechanism. In another study, Terzungwe (2012) stated that IFRS has a broader choice of accounting policy that may be inconsistent with national legislations of Banks and Other Financial Institutions Act (BOFIA) and Companies and Allied Matters Act (CAMA). He suggests that Nigerian Generally Accepted Accounting Principles (NGAAP) should remain compulsory for individual company's account of listed companies but made voluntary for group account of non-listed companies. This is in line with the adoption of International accounting standards in Germany.

In his study, Tanko (2012) revealed empirical studies that showed the adoption of IFRS do not necessarily result in better accounting quality. Matthias (2012) posited that if IFRS is focused on the benefits of investors, countries that do not have stock market will find its adoption unnecessary. For example, companies in Zambia experienced serious complications in implementing IFRS due to the lack of active market where market prices can be channeled in accordance with the fair value accounting rule of IFRS. (Mwape 2010 in Terzungwe 2012).

Considering the benefits associated with the adoption of IFRS, there are quite a number of challenges experienced in its implementation not only in Nigeria but across developing nations. According to Siaga (2012), a report obtained from Deloitte Touche Tohmatsu and Price Waterhouse Coopers showed that 66% of African countries are not reporting their financial statement in compliance with IFRS. 80% of countries in the south, east and middle of Africa have taken steps to converge to IFRS; while only 15% of countries in West Africa have fully adopted IFRS.

African as a continent has a total of 53 countries but only 18 African countries have fully adopted IFRS. They are Nigeria, South Africa, Ghana, Zimbabwe, Botswana, Kenya, Libya, Lesotho, Malawi, Morocco, Namibia, Mauritius, Libya, Mauritius, Mozambique, Sierra Leone, Swaziland, Tanzania, Uganda and Zambia. Simon Ridley, a group financial director with Standard Bank stated that a great challenge hindering Africa's successful adoption of IFRS may be as a result of limited representation of the continent on international accounting regulatory bodies like International Accounting Standards Board (IASB).

Another report by Nigeria's business day newspaper revealed that 22 firms quoted on the Nigerian stock exchange (NSE) requested additional time to the time limit for presenting their financial reports covering the period up to December 31st 2013 (www.mgiworld.com). The question that arises is as to whether or not Nigeria is fully prepared for the adoption of IFRS. Herbert and Tsegba (2013) studied the economic consequence of IFRS adoption in Nigeria. Their findings found that the major setback towards the implementation of IFRS in Nigeria is centered on limited knowledge and the absence of IFRS in accounting and auditing curriculum. They

added that preparers of financial reports lack sufficient experience and understanding with the use of IFRS. It was posited that before Nigerians adoption of IFRS there should have been an efficient dialogue with renowned stakeholders so as to understand the implication of transition.

Ocansey and Enahoro (2014) also revealed that despite the benefits of IFRS adoption, Nigeria should be aware of the transitional issues involved. For example, management change, emerging terminologies, frequent standard review, cost versus benefits analysis and the high demand for auditors. According to Saidu and Dauda (2014) the compliance level of Nigerian banks with IFRS structure might be affected by globalization and responsiveness. Jermakowicz (2004) stated that banks and insurance companies would encounter significant challenge towards IFRS adoption as a result of changes in reported value and the change in performance based executive. The timeframe for a successful implementation of IFRS might take longer than envisaged looking at the European Union experience (Okoye and Akenbor 2014). All these reveal that IFRS might not be that easy to fully implement in developing countries (Ocansey and Enahoro, 2014).

A couple of researchers have also studied the effect of corporate governance on IFRS adoption but few have considered the role of IFRS adoption in reducing corporate governance abuses especially for a developing country like Nigeria. This study seeks to compare the performance of banks in the pre and post adoption period of IFRS. Agrawal (2008) studied the impact of IFRS on Corporate governance. He revealed that with the adoption of IFRS, members responsible for governing a firm will encounter several challenges as regards managing investors' expectations, key performance indicators, dealing with volatility in earnings and declaring dividend.

Chen and Rezaee (2012) examined the effectiveness of the board of directors and its impact on IFRS adoption. They found out that listed company in China that have a more effective board of directors seems to adhere better with IFRS. Aksu (2006) in his study on the impact of IFRS adoption and corporate governance principles revealed that IFRS tends to be a good proxy for overall transparency and disclosure quality.

Verriest, Gaeremynck and Thorton (2013) investigate the association between IFRS adoption and corporate governance strength. Their result reveals that more than half of the sampled European firms did not fully comply with IFRS disclosure requirement. Can it be that firm's unwillingness to comply with the full disclosure requirement of IFRS suggests that they are covering up their flaws and hiding bad news from investors? This means that companies would need more monitoring so as to improve investors' confidence in financial reporting. On the contrary if companies fail to fully adhere to the full disclosure requirement of IFRS then the purpose of having a global standard is defeated.

Buttressing on the issue of IFRS improving financial reporting, Verriest, Gaeremynck and Thorton (2013) states that enhanced financial reporting quality as a result of adopting IFRS may be possible only if there are proper incentives and sanctions at the national level. From the literature review it is evident that a good corporate governance system is needed for financial reporting to be improved.

According to Godwin et all 2009, banks that have good corporate governance structure have a reduced managerial forecast errors due to IFRS adoption. This is line with Ocansey and Enahoro (2014) that the adoption of IFRS in Nigeria needs a good corporate governance system and new set of skills and expertise. Evidently, if

government, institutional environment, regulatory bodies, board of directors, Audit committees, stakeholders and all other parties can play their roles appropriately IFRS will result in an improved information quality especially for banks.

Another issue being addressed is the impact of IFRS adoption on the performance of banks in terms of liquidity, profitability and cost of equity. Suh (2012) revealed in an empirical study of 90 European Union banks that the cost of equity capital increased after post adoption of IFRS. Nevertheless, countries such as Belgium, Denmark, Germany and United Kingdom with efficient legal enforcement did not experience a rise in their capital costs.

Gkougkousi and Merten (2010) studied the impact of IFRS adoption on the cost of equity and liquidity of sampled European banks and insurance companies. On the contrary their study revealed a reduction in cost of equity and an increase in the liquidity of banks. Li (2010) found out that the adoption of IFRS significantly reduce cost of equity. Cormier (2013) show that the convergence from local standards to IFRS has a reasonable positive impact on market liquidity and cost of equity. This is likely due to the reduction in information imbalance between stakeholders and managers following the implementation of IFRS.

Lantto and Sahlstrom (2009) in their study show an increase in profitability ratios, decrease in equity ratio and a decrease in liquidity after the conversion from FAS (Finnish Accounting Standards) to IFRS (International Financial Reporting Standards). Firoz, Ansari and Akhtar (2011) studied the impact of IFRS on Indian banking industry the impact of IFRS on Indian banking industry. They revealed that IFRS adoption tends to have a significant impact on the banking sector as it will affect the measurement of their financial performance and financial position. Taiwo

and Adejare (2014) showed a positive relationship exists between IFRS adoption and financial performance. They also discovered that IFRS creates a higher accounting quality in the post adoption period than the pre adoption period.

2.1 Major Differences between NGAAP and IFRS

The local accounting standard is issued by the Nigerian Accounting Standards Board (NASB) under the NASB Act of 2003. The board ensures the financial statement are prepared and published according to the stated format. On the other hand, IFRS is issued by the International Accounting Standard Board. The board states how financial items and transactions are treated and reported in the financial statement.

Table 2.1: The Major Distinctions between NGAAP and IFRS

Characteristics	NGAAP	IFRS
Presentation of financial statement	Consists of: • Income statement • Balance sheet • Cash flow Statement • E.T.C	Consists of: • Statement of comprehensive income • Statement of financial position • Statement of cash flow • E.T.C
First time IFRS adoption	Not related to GAAP	Addresses the requirement on IFRS transition.
Related parties	Limited disclosure Standard is not expressly specified.	Financial assets and non-financial asset are impaired.
Segment Reporting	More on geography	Operation segment depends primarily on the management view.
IFRS 1- first time adoption	Not applicable	Gives guidance and requirements on convergence to IFRS.
Financial Guarantee	Disclosed as a contingent liability.	Recognized at fair value.
Property, plant and Equipment.	Measured based on cost	Measured based on cost with detailed guidance.
Employee Benefit	Disclosure on pension and general expenses.	Recognizes the undiscounted amount of short term employee's benefit.
Risk Management	Slight disclosure on credit and foreign exchange risk.	More disclosure on risk management, credit risk, foreign exchange risk e.t.c.
Lease	Requirement on finance and operating lease.	Valued at fair value and amortized cost.
Related Parties	Disclosure is limited	Guidance and disclosure on identification of related parties and transactions.

Source: Adekoya, (2011) in Edogbanya and Kamardin (2014).

Chapter 3

NIGERIAN BANKING INDUSTRY

The importance of financial system in a nation cannot be undermined as its functionality as the power to either make or mar the economic growth of the country. It is an undeniably fact the banking industry is one of the most important sector that oils the wheel of an economy. According to the CBN Governor (2014), the tight monetary policy of the bank has contributed to the stability and growth of the Nigerian economy. Inflation became 6-year low by the end of April 2014. Debt to GDP ratio declined to 11 percent while the foreign exchange reserve was still $37.15billion. Also by the end of April 2014 the private sector credit had increased by 26.4 percent. From 2010 till 2013, the country has recorded more than $22 billion in foreign direct investment (FDI) placing Nigeria in one of the top positions in Africa. Hence, it is pertinent for the study to consider the nature of banking industry in Nigeria because of its impact on the economy as a whole.

3.1 An Overview of Banking Industry in Nigeria

The operations of banking industry in Nigeria can be traced to the creation of African Banking Corporation and Bank of British West Africa in the period between 1892 and 1894. It is an obvious point that during this period the colonial banks had a strong influence on financial activities and commercial transactions across West African countries. Following this period, the Barclays bank dominion colonial oversea (DCO) emerged in 1917 but later developed into Union Bank of Nigeria Plc. (UBA). In 1948, the British and French bank for commerce was founded which

metamorphosed into United Bank for Africa but it did not to show the African Heritage. Hence, the African Continental bank was established in 1949. Bank of British West Africa later merged with standard Bank Limited to become First Bank of Nigeria.

As the country approached independence, there was a need to establish an apex bank to oversee, regulate and supervise the affairs of the financial institution on July 1st 1959. It is noteworthy that between 1947 and 1957, a total of 25 indigenous banks operated in Nigeria, in the period between 1985 and 1994, the total number of merchant and commercial banks had increased rapidly from 26 and 1297 respectively to 144 and 2541 (Dogarawa, 2012). The 1990's is very crucial in the history of Nigerian banking industry as it marked the development of the sector as a result of liberalization and financial deregulation. It also marked the challenges faced due to abuses and malpractices in the system (Pat and James 2011). By 2004, a total number of 89 banks were operation but most of them were undercapitalized.

The banking industry had to undergo serious changes in the period between 2004 and 2009 that led to the consolidation of banks. As a result of this, by 2012 the industry consisted of twenty four commercial banks, five discount houses, five development banks, fifty class A bureau de change, five hundred and ninety eight bureau de change, ninety eight primary mortgage institutions, eighty four finance houses and nine hundred and fourteen micro finance banks.

The banking reform between 2004 and 2009 resulted in the consolidation of banks to ensure they perform their role as a financial intermediary effectively. Their minimum paid in capital increase from N2 billion to N25 billion, total capital of consolidated

bank increased by 439% and deposit level rose by 242%. There was a massive drop in the total number of banks from eighty nine (89) to twenty four (24) well capitalized banks.

However, the global financial crises in 2007 mitigated the improvement in the financial sector through the consolidation exercise as some banks had serious liquidity problems by the end of 2008. As a result of this the government had to rescue banks by injecting a sum of N620 billion to ensure financial stability and safeguard depositors from losing their money. The CBN had to remove five chief executive officers from their positions and establish ten year tenure for bank Chief executive officers.

Following the financial crisis, CBN established the Asset Management Corporation of Nigerian (AMCON) to purchase the non-performing loans (NPL) of distressed banks in exchange for zero coupon bonds. AMCON eventually purchased toxic asset of over NGN 3 trillion, redeemed NGN 1.3 trillion in bad loans and recapitalized three banks. Nigeria, as a developing country is doing well in the Getting credit category of the World banks report Doing Business since 2009 and was ranked in 2014 edition as 13th position out of 189 economies (Barungi, 2014).

Table 3.1: Nigerian commercial banks (Post consolidation), capital base and number of branches

S/N	**Bank**	**Capital base (N' billion)**	**Branches**
1.	Access bank	28	118
2.	Afribank (Now Main street bank)	29	262
3.	Diamond bank	33.3	250
4.	Eco bank	Over 25	209
5.	Equitorial trust bank(Now acquired by Sterling bank)	Over 26.5	92
6	First city monument bank(FCMB)	30	145
7	Fidelity bank	29	112
8	First bank	45	478
9	First inland Bank (Now taken over FCMB)	28	151
10	Guaranty trust bank	34	154
11	Stanbic IBTC bank	35	61
12	Intercontinental bank(Now taken over by Access)	52	292
13	Citibank	25	13
14	Oceanic bank (taken over by Eco bank)	31	345
15	Platinum Habib bank (Keystone bank)	26	123
16	Skye bank	37	226
17	Spring bank(Now enterprise bank)	Over 25	191
18	Standard Chartered bank	26	14
19	Sterling bank	25	101
20	United Bank of Africa (UBA)	50	619
21	Union bank	58	383
22	Unity bank	30	204
23	Wema bank	26.2	150
24	Zenith bank	38	321

Source: Central bank's report on Nigeria on merged banks (2006) in Ernest 2012.

3.2 Corporate Governance and Nigerian Banks

It is an undebatable fact that corporate governance is a crucial issue all over the world with no exception to Nigerian industries. Nigerian financial system has been struggling with weak corporate governance practice which has reduced the confidence of investors in the ability of the bank to manage its assets and liabilities. According to Sanusi (2010) governance malpractice within Nigerian banks mostly due to the uncontrolled influence of the executive management, ineffective board committees, weak ethical standards, weak risk management and the inability of quality audit process. He stated that Banks failed to submit accurate and timely report to the Central Bank thereby making restraining supervision of the industry, reducing the ability to detect problems easily and in turn deprives investors of the right information required to make informed investment decisions.

A study carried out by Olabisi and Omoyele (2011) stated the failure of many Nigerian banks to the absence of proper audit control and directors negligence to observe due diligence and appropriate standard practices. According to Okoi et al 2014, good corporate governance practice should improve and stabilize banks through efficient management of resources, preservation of firm’s asset, adherence to ethical and professional standards and the quest to achieve corporate objectives.

Apparently, the need for good corporate governance practice has been reawakened as a result of recent financial failures, frauds, the different financial scandals experienced around the world and questionable business practices in the financial industry. Hence, it is deemed important that boards and management of companies’ exhibit greater transparency and accountability. Auchi and Iyoha (2012) opined that

corporate governance in Nigeria could be enhanced through an effective oversight of executive management by the board, involvement of knowledgeable directors, and a stated tenure for CEO's.

Efforts are been made to strengthen corporate governance system in Nigeria through an improved regulatory and supervisory framework. It has also been observed that banks generally adhere to national accounting standards but transparency and disclosure seems inadequate. Therefore, Central Bank of Nigeria has also taken measure to improve financial reporting disclosure through the adoption of IFRS in the banking system by 2012(Akingunola, 2013). It is expected that a stronger governance mechanism should be positively associated with a higher financial reporting. Therefore, if corporate governance has to be a benchmark in determining bank performance, it is pertinent to examine how well managers function and the outcome of their action.

Chapter 4

DATA AND METHODOLOGY

4.1 Source and Type of data

This study covers a period of four years, two years pre adoption period (2010 and 2011) and two years post adoption period (2012 and 2013) of IFRS in Nigeria. The reason for this is because 2012 is the full adoption year for Nigeria banks and the full year audited financial statement of most banks in Nigeria for 2014 were yet to be published at the time of this study.

The data are obtained from the financial statement of the sampled banks and descriptive statistics was employed for data analysis. The data were sourced from the official website of the banks covering ten banks from the twenty existing commercial banks in Nigeria. The banks are Diamond bank. First bank; Fidelity bank; First City Monument bank; Skye bank; Stanbic IBTC; Sterling bank; United bank for Africa; Unity bank, and Wema bank .

These banks were selected because it was discovered that some banks adopted IFRS before it became mandatory (period between 2009 and 2011). As a result of this, they were not suitable for the pre and post analysis of this study. Considering that data availability is pertinent in order to make sound analysis for pre and post adoption of IFRS, these ten banks were selected. These ten banks started preparing their financial statement by 2012 and their financial data are available.

Table 4.1: Sampled Banks and Their Characteristics

S/N	Bank	Profit before tax (N'billion)	Total Assets (N'trillion)	Year of Establishment	Year of Full IFRS Adoption
1	Diamond Bank	32.1	1.5	1991.	2012
2	Fidelity Bank	9	1.08	1988	2012
3	First Bank of Nigeria	76.85	3.25	1894	2012
4	First City Monument Bank (FCMB)	18.2	1.008	1982	2012
5	Stanbic IBTC	24.61	0.763	1989	2012
6	Sterling Bank	9.31	0.909	1960	2012
7	Skye Bank	17.13	1.11	2006	2012
8	United Bank For Africa (UBA)	51.84	2.22	1949	2012
9	Unity Bank	4.03	0.34	2006	2012
10	Wema Bank	1.9	0.33	1945	2012

Source: Their respective financial statement and official website (2013).

4.2 Methodology

Performance can be measured by two different ways: the accounting approach primarily based on financial ratios, or by using the econometric techniques (Adam, 2014). This study employed the use of accounting method based on descriptive financial ratio analysis to measure, compare and analyze the performance of banks in Nigeria.

4.3 Data Analysis

To investigate IFRS adoption impact on bank's financial performance we used financial ratio analysis and applied two different approaches.

First, we took 2011 as a base year and compared financial performance ratios of banks that are prepared under IFRS and NGAAP in that year. The year 2011 is chosen as a base year because this is the only year that banks prepared their financial statements according to both IFRS and NGAAP. After 2011 banks prepared their financial statements according to IFRS only.

Second, we applied a pre and post analysis where selected accounting performance ratios of banks are compared before (2010 – 2011) and after (2012 – 2013) the IFRS was adopted in Nigeria.

In the first analysis by taking 2011 as a base year, we compared the mean and variances of the financial figures and ratios and further test for equality using t-tests and f-test at 5% significance level. The following hypotheses are tested;

Hypothesis 1: Mean value of IFRS equals mean value of NGAAP.

Hypothesis 2: Variance value of IFRS equals variance value of NGAAP.

The decision criterion is presented as follows;

Reject the H_0 If p value is less than or equal to α

Fail to reject H_0 If p value is greater than α

In the second analysis, we tested two years pre adoption and two years post adoption period of IFRS in Nigeria. To test the statistical differences between the two standards, an independent t-test is used (Pazarskis et all 2011).

4.4 Justification for the methodology used

The selection of this method of analysis is motivated by the fact that from the review of past studies on this topic most researchers have adopted same analysis for examining the effects of IFRS adoption in different countries. For example, Blanchette et al. (2011) in his study computed and compared twenty six (26) financial ratios from financial statement prepared under IFRS and GAAP in Canada. Pazarskis et all (2014) examined IFRS adoption in Greece. Their study compared ratios representing three years pre and post adoption period of IFRS. Abdul-Baki, Uthman, & Sanni, (2014) compared the financial ratios of one firm computed from its IFRS based financial statement and the Nigerian GAAP based financial statement for seven years. Lantto and Sahlstrom (2009) investigated the economic consequences of the adoption of IFRS in Finland. This was accomplished by computing ratios from 91 sampled firms.

4.5 The Variables

We chose four key liquidity ratios, four profitability ratios, three leverage ratios and one asset quality ratio.

A. Profitability Performance

This is the most common measure of bank's performance. It examines how successful a firm utilizes its operating resources to earn income. It also provides reasonable clue to the effectiveness of bank's operation (Mensah and Sebe-Yeboah, 2014). Profitability is measured using Return on Asset, Return on equity, Asset turnover and Net profit margin ratio.

A. Liquidity performance

This is a good indicator of financial health. The following ratios would be used to measure liquidity, Current ratio, quick ratio and cash ratio. This is chosen because they are mostly used by firms to determine their financial strengths, weaknesses and ability to meet their obligation as they fall due.

B. Leverage Performance

Lenders usually use this information to determine a firm's ability meet its financial obligations. It provides information about the long term solvency of a firm. Firms that are highly leveraged are more sensitive to fall in business than firms with low leverage because of their large amount of debt relative to their net value (Lucic, 2014). Debt ratio, equity ratio and debt to equity ratio are used to measure leverage performance.

C. Asset quality Performance

Asset quality is one of the most vital key performance indicators of examining bank's asset portfolio. This is because loans and advances provide a high percentage of bank's earnings (Sebe-Yeboah & Mensah, 2014). Hence, it becomes pertinent for this study to examine the trend of the quality of assets as it affects the profitability, liquidity and survival of the bank. The non-performing loan ratio (NPL) is used to measure asset quality and the ratio is obtained from the banks financial statements.

Table 4.5: Financial Ratios used in Performance Evaluation

Ratio	Measures	Interpretation
Liquidity Ratios:	Current Ratio (CR) = Current Assets/Current Liabilities	Current ratio shows the strength of the business fulfill its debt obligation in a timely manner.
	Quick Ratio (QR) = (Current Assets – Inventory)/Current Liabilities	It measures whether or not a bank has enough short term assets to cover its liabilities without selling its inventory.
	Working Capital = Current Assets – Current Liabilities	It shows the amount of capital invested in resources that are subject to quick turnover.
	Cash Ratio = (Cash + Cash Equivalents)/ Current Liabilities	Cash ratio is most relevant for firm's facing financial distress.
Profitability Ratios:	Return on asset (ROA) = Net profit / Total assets	It shows the ability of management to make use of it deposits and invest reasonably.
	Return on equity= Net profit/shareholders' equity	It is the rate of return on investment by shareholders. The higher the better
	Asset turnover= Net sales/ Total asset.	Asset turnover ratio is an indicator of the efficiency with which a firm generates sales from its asset
	Net profit margin = Net profit/revenue.	This ratio is shows how well a company controls its cost.
Leverage Ratios:	Debt ratio = Total liabilities/ Total asset.	It measures how much the bank is relying on funds from others such as loans, payables, and obligated funds.
	Equity ratio = shareholder equity/Total assets	It measures the level of a bank's asset that is provided by the shareholders
	Debt to Equity = Total liabilities/ Shareholders equity	It shows the level of debt and equity the bank utilizes to finance its asset.

Chapter 5

EMPIRICAL RESULTS

5.1 DESCRIPTIVE STATISTICS

This study employs a descriptive financial ratio analysis to measure, compare and analyze the performance of banks in Nigeria under IFRS and GAAP standards. The first part of the analysis compares financial ratio prepared under both standard for the same time period. The second part compares two years pre adoption and two years post adoption period of IFRS.

Table 5.1 presents the accounting ratios calculated according to NGAAP and IFRS standards by taking 2011 as a base year. This was possible because in 2011 banks were required to have their financial statement in both NGAAP and IFRS form in order to help the transition from NGAAP to IFRS in 2012. This analysis is consistent with that of Blanchette, Racicot & Sedzro (2013) on IFRS Adoption in Canada.

Table 5.1: Comparison of accounting figures and ratios taking 2011as a base year.

BANK	Year 2011	Total Asset	Total Liability	Equity	Profit after tax (PAT)	ROA (%)	ROE (%)
Skye Bank	GAAP	892,856	783,752	109,102	6,640	0.7	6.1
	IFRS	876,527	777,241	99,283	2,627	0.3	2.6
Sterling bank	GAAP	504,428	463,474	40,953	6,686	1.3	16.3
	IFRS	504,048	462,991	41,057	6,908	1.4	16.8
Stanbic	GAAP	540,288	467,977	72,311	4,048	0.7	5.6
	IFRS	540,922	471,198	69,724	3,232	0.6	4.6
Diamond Bank	GAAP	722,459	629,937	92,522	-22,187	3.1	-23.9
	IFRS	714,064	629,927	84,136	-22,868	3.2	-27.2
First Bank	GAAP	2,463,543	2,089,971	373,572	18,636	0.8	4.9
	IFRS	2,471,438	2,094,194	377,244	44,785	1.8	11.9
FCMB	GAAP	601,780	484,083	117,697	11,564	1.9	9.8
	IFRS	601,617	484,223	117,394.	11,004	1.8	9.4
Unity	GAAP	370,606	326,096	44,510	2,434	0.7	5.5
	IFRS	372,927	329,105	43,821	2,792	0.8	6.4
Wema	GAAP	222,239	215,517	31,112	-8,116	-3.7	-26
	IFRS	221,157	214,889	31,112	-4,236	-1.9	-13.6
UBA	GAAP	1,655,465	1,485,407	170,058	-16,385	-0.9	-9.6
	IFRS	1,666,053	1,483,738	182,315	-7,966	-0.5	-4.4
Fidelity Bank	GAAP	741,119	603,158	137,961	5959	0.8	4.3
	IFRS	737,732	591,760	145,972	3911	0.5	2.7

Source: Financial statement of banks (2012)

As seen in the Table above, the result of the analysis are mixed, some values are greater under IFRS and lower under NGAAP vice versa. There is little difference between the total asset reported under IFRS and that of NGAAP. Banks show lower assets under IFRS than NGAAP. The reverse is the case for the liability side, more banks show greater liabilities under NGAAP than IFRS. This is consistent with the result of Blanchette, Racicot and Girard (2013), their study revealed lower asset under IFRS than GAAP.

5.1.1 Analysis of Differences

The differences between IFRS and GAAP are analyzed using the minimum and maximum values. This analysis is carried out for each accounting figure (total assets, total liabilities, operating income, operating expenses, shareholders equity, and profit after tax) and ratio (ROE, ROA and Debt to equity ratio) computed from the financial statements.

Table 5.2 shows the result of the analysis of accounting figures and ratios. The size of the sampled banks differs: total asset ranges from ₦222billon to ₦2.46 trillion in NGAAP (₦221 billion to ₦2.47 trillion in IFRS) while total liabilities range from ₦215.5billion to ₦2.1trillion in NGAAP (₦214.8billion to ₦2.1trillion in IFRS). The level of shareholders' equity extends from ₦31 billion to ₦373 billion in NGAAP (₦31billion to ₦377billion in IFRS). Operating income varies from ₦1.6 billion to ₦245billion in NGAAP (₦2 billion to ₦221 billion in IFRS) whereas the figures for operating expenses ranges from ₦13 billion to ₦135 billion in NGAAP (relative to ₦7.2 billion to ₦133 billion in IFRS). Overall, the result of this analysis shows that the range of values is mixed between NGAAP and IFRS.

Also, in Table 5.2 below, Nigerian GAAP revealed a higher mean score in accounting figure than those computed under IFRS while the mean value of the

financial ratios (ROA, ROE and Debt to equity) is higher in IFRS than in NGAAP. This was also discovered in the work of Abdul-Baki et all (2014) on IFRS adoption in Nigeria.

Table 5.2: Descriptive Statistics

PANEL A	NGAAP						
	Mean	Median	Min.	Max	Std.Dev.	Skew.	Kurt.
Total Asset (₦'bn.)	871478	662119	222238	2463543	681379	1.7	2.8
Total Liability (₦'bn.)	754937	543620	215517	2089971	584135	1.7	2.4
Operating Income (₦'bn.)	57048	33412	1611	244717	71209	2.4	6.4
Operating expenses (₦'bn.)	49415	37208	13749	134786	38420	1.6	1.9
Equity (₦'bn.)	11897	100812	31111	373572	100065	2.1	5.1
Profit after Tax (₦'bn.)	5395	6299	-16385	22187	11423	-0.5	0.4
ROA (%)	0.005	0.007	-0.037	0.031	0.018	-1.4	3.4
ROE (%)	-0.01	0.052	-0.26	0.163	0.143	-1.1	-0.1
Debt to equity Ratio	6.884	6.87	4.11	11.32	2.088	0.8	1.4

Source: Excel output

Table 5.3: Descriptive Statistics (Cont'd)

PANEL B	IFRS						
	Mean	Median	Min.	Max.	Std.Dev.	Skew.	Kurt.

Total Asset (₦'bn.)	856051	596688	221157	2471438	689642	1.8	2.9
Total Liability (₦'000)	753926	537991	214888	2094194	584951	1.7	2.5
Operating income (₦'000)	53694	37487	2028	220706	62572	2.5	6.9
Operating expenses (₦'000)	48582	34311	7161	133368	41217	1.5	1.1
Equity (₦'000)	119205	91709	31111	377244	102692	2.0	4.7
Profit after Tax (₦'000)	8592	3571	-7966	44785	15206	1.7	3.3
ROA (%)	0.009	0.007	-0.019	0.032	0.013	-0.50	2.09
ROE (%)	0.045	0.055	-0.272	0.168	0.121	-2.23	6.14
Debt to equity Ratio	6.964	7.2	4.05	11.28	2.107	0.49	1.10

From the tables above, the return on asset extends from a negative 3.7% to positive 3.07% in NGAAP (with a mean value of 0.54% and median of o.75%) and from a negative 1.9% to positive 3.2% in IFRS(with a mean of 0.90% and a median of 0.68%). Return on equity in NGAAP extends from a negative 26% to positive 16.3%(with a mean of negative 1% and a median of 5.2%) while Return on equity in IFRS extends from a negative 27.2% to positive 16.8%(with a mean of 4.5% and a median of 5.5%. Debt to equity ratio varies from 4.11 to 11.32 in NGAAP (with a mean of 6.88 and a median of 6.87) and from 4.05 to 11.28 in IFRS (with mean of 6.96 and a median of 7.2). Our result shows a more variation in the ratios computed under IFRS than NGAAP for the same period. According to Clementina & Isu, (2014), the health of a bank is not reflected by the size of its balance sheet but by the

return of its assets; thus earning power is an important indicator of bank performance. Hence, this study chose to compare ROE, ROA and debt to equity ratios.

5.1.2 Test of Equality

The equality of means and variances of the accounting figures and ratios are tested to know whether there is a statistical difference in performance of the bank between IFRS and NGAAP. An independent t-test is used to test the hypothesis that the means and variance of the two periods are the same as shown in Table 10.

Hypothesis 1

H0: There is no statistical significant difference between the mean values shown under IFRS and NGAAP.

H1: There is a statistical significant difference between the mean values shown under IFRS and NGAAP.

Hypothesis 2

H0: There is no statistical significance difference between the variance values shown under IFRS and NGAAP.

H1: There is a statistical significance difference between the variance values shown under IFRS and NGAAP.

The decision criterion is presented as follows;

Reject the H0 If p value is less than or equal to α

Fail to reject H0 If p value is greater than α

Table 5.4: Comparing the Mean of IFRS and NGAAP values

PANEL A Mean	**Mean**		**t. tests**		
	NGAAP (₦'000)	IFRS (₦'000)	Differences (₦'000)	P-value (2 tailed)	T.stat
Total Asset(₦'000)	871,478,285	870,648,646	829,639	0.997	0.0027
Total Liability (₦'000)	754,937,405	753,926,634	1,010,711	0.996	-0.004
Operating income (₦'000)	57,048,809	53,694,958	3,353,851	0.912	0.1118
Operating expenses (₦'000)	49,415,683	48,582,459	833,224	0.963	0.046
Equity (₦'000)	118,979,759	119,205,883	(226,124)	0.996	-0.005
Profit after Tax (₦'000)	5,395,683	8,592,573	(3,196,890)	0.656	-0.452
ROA (%)	0.00541	0.00897	(0.0036)	0.621	-0.503
ROE (%)	-0.01	0.045	(0.055)	0.794	-0.027
Debt to equity Ratio	6.884	6.964	(0.08)	0.932	-0.085

The results of the analysis reveal that no statistically significant difference exists between the mean value of the financial figure and ratio calculated under the Nigerian GAAP and IFRS. Based on the p values, all result shown exceed 5% significance level. Hence, we fail to reject the null hypothesis according to the decision criterion stated above. The critical value for the ratios at 5% level of significance with a total number of observations of 10(ten) is 2.10. As we can see this value is greater than all the t. stat values. We fail to reject the null hypothesis. This is consistent with the result of Abdul-Baki et all (2014) which also showed no statistical difference for all the ratios computed under the two standards (IFRS and NGAAP).

Table 5.5: Comparing the Variance of IFRS and NGAAP values

PANEL A Variances	**Standard deviation**		**F. tests**		
	NGAAP (₦'000)	IFRS (₦'000)	Differences (₦'000)	P-value (2 tailed)	F- stat
Total Asset(₦'000)	681,379,152	689,642,073	(8,262,921)	0.493	0.989
Total Liability (₦'000)	584,135,668	584,951,356	(815,688)	0.498	0.997
Operating income (₦'000)	71,209,254	62,572,759	8,636,495	0.353	1.295
Operating expenses(₦'000)	38,420,349	41,217,893	(2,797,544)	0.419	0.869
Equity (₦'000)	100,065,725	102,692,591	(2,626,866)	0.498	0.997
Profit after Tax (₦'000)	11,423,466	15,206,012	3,782,546	0.191	0.548
ROA (%)	0.0180	0.0133	0.0047	0.188	1.844
ROE (%)	0.143	0.121	0.0022	0.392	1.208
Debt to equity Ratio	2.088	2.107	(0.019)	0.489	0.982

5.2 Measuring Bank Financial Performance using Financial Ratios

The section examines the profitability, liquidity, leverage, and asset quality of banks. Figures from the balance sheet (statement of financial position) and income statement (statement of comprehensive income) were utilized. The values shown in the table below represent the ten sampled banks for two years pre adoption (2010 and 2011) and two years post adoption (2012 and 2013) period of IFRS.

Our method of analysis is consistent with that of Pazarskis et all (2014) on IFRS adoption in Greece. Their study compared data representing three years pre adoption and three years post adoption period of IFRS. The independent t-test was used to determine whether significant difference exists between the ratios.

Liquidity Ratio

The result of this analysis shows a reduction in liquidity ratio computed under IFRS. However, statistically there is no statistically significant difference between the liquidity ratios computed under IFRS and NGAAP. According to the results of the analysis, it is observed that the only significant difference at 5% is between the cash ratios (0.04). Our result is consistent with that of Latto and Sahlstom (2009) study on Finland. They also found out that liquidity ratio decrease under IFRS compared to local GAAP.

Table 5.6: Comparing Liquidity ratio's computed under IFRS and NGAAP

	LIQUIDITY PERFORMANCE						
	2010	2011	Mean Pre-IFRS (2years average)	2012	2013	Mean post- IFRS (2years average)	p-value
Current ratio	0.99	0.91	0.95	0.94	0.94	0.94	0.90
Quick ratio	0.99	0.91	0.95	0.94	0.94	0.94	0.90
Cash ratio	0.31	0.27	0.29	0.18	0.16	0.17	0.04
Working capital	-4582429	-27957166	-16269797	-20918992	-28995305	-24957148	0.61

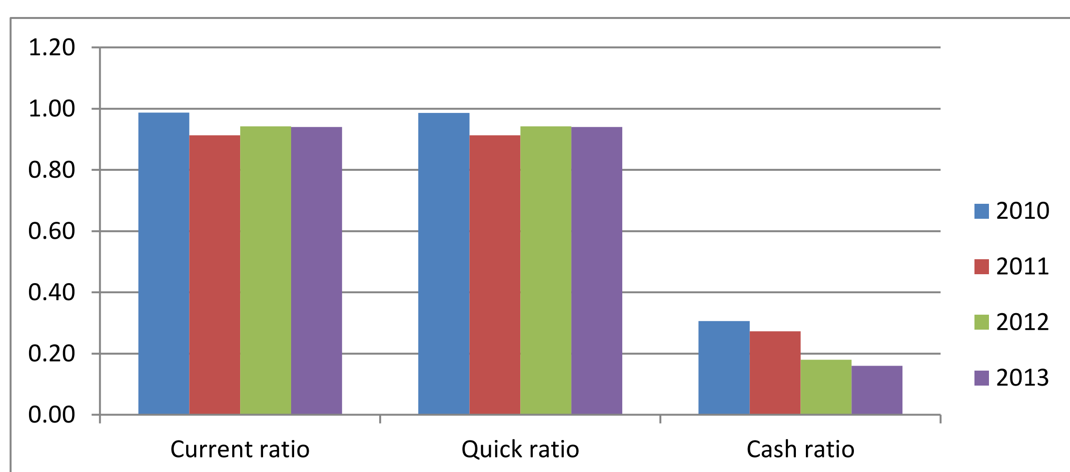


Figure 5.2.1: Chart showing liquidity performance from 2010-2013.

Profitability Ratio

From the analysis below, the profitability ratios increase under IFRS compared to Nigerian GAAP. This result is consistent with that of past researchers they also found out that profitability ratio increase under IFRS compared to local GAAP (Latto et all 2009; Marchal et all 2007). However the result of this study based on the p-values reveal that the financial ratios do not show a statistically difference at 5% level of significance. In line with Dritsas and Petrakos (2014), their study also found no significant differences for the majority of profitability ratio.

Table 5.7: Comparing Profitability ratio's computed under IFRS and NGAAP

PROFITABILITY PERFORMANCE							
	2010	2011	Mean Pre-IFRS (2 year average)	2012	2013	Mean post-IFRS (2years average)	p value(2 tail)
ROA	0.023	0.006	0.014	0.013	0.020	0.017	0.748
ROE	0.140	-0.007	0.067	0.114	0.024	0.069	0.964
Asset turnover	0.023	0.006	0.014	0.013	0.020	0.017	0.752
Net profit margin	0.280	0.066	0.173	0.495	0.404	0.449	0.153

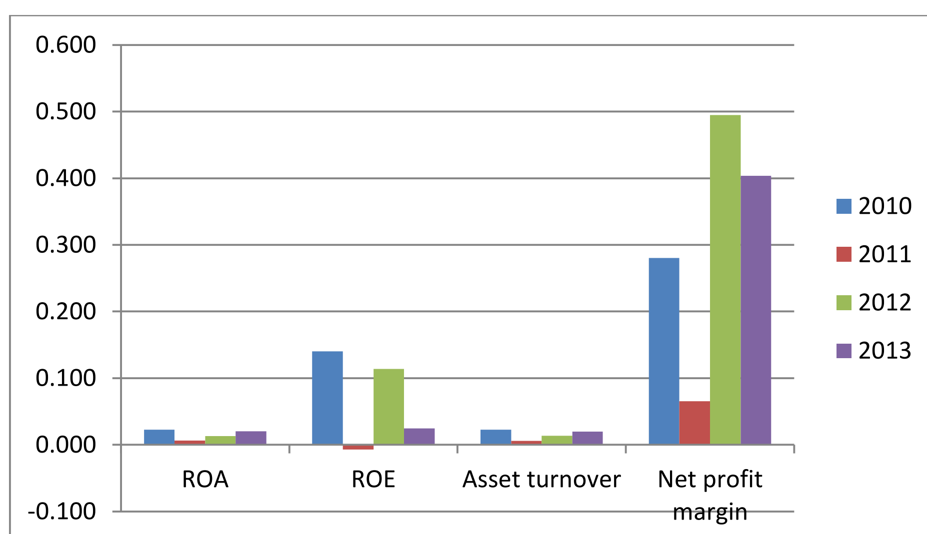


Figure 5.2.2: Chart showing profitability performance from 2010-2013.

Leverage Ratio

The result of this study based on the p values reveals that the financial ratios do not show a statistical difference at 5% significance level. Also, table 5.8 reveals a reduction in the debt ratio under IFRS but an increase in equity and debt to equity ratio. Past studies discovered that leverage ratio increased under IFRS (Lantto et all 2009; Marchal et all 2007).

Table 5.8: Comparing Leverage ratio's computed under IFRS and NGAAP

			LEVERAGE PERFORMANCE				
	2010	2011	Mean Pre-IFRS (2 year average)	2012	2013	Mean post-IFRS (2years average)	p value(2 tail)
Debt ratio	0.85	0.87	0.86	0.89	0.74	0.82	0.49
Equity ratio	0.17	0.13	0.15	0.11	0.28	0.20	0.47
Debt to equity rati	5.14	6.88	6.01	7.75	6.78	7.27	0.22

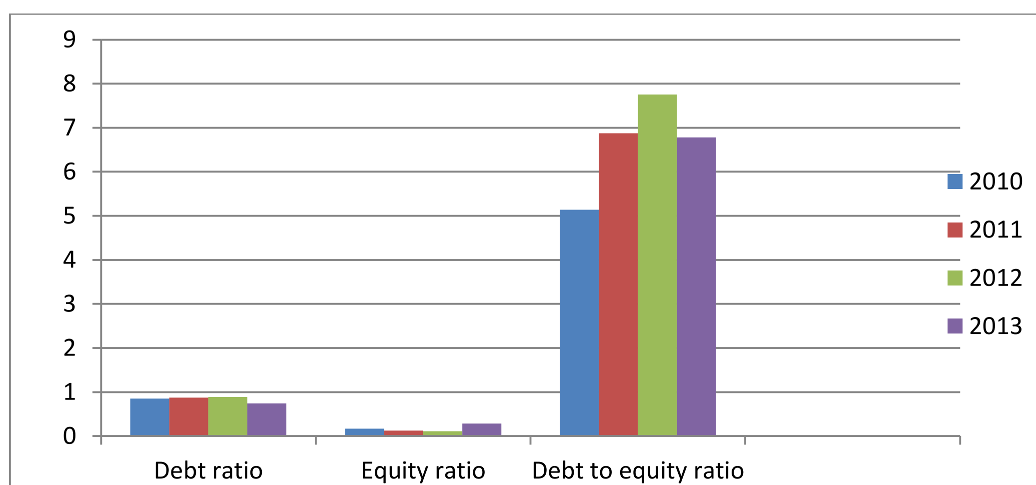


Figure 5.2.3: Chart showing leverage performance from 2010-2013.

Asset Credit Quality

The year 2011 shows a significant improvement in the credit quality of banks. The mean NPL ratio dropped significantly from 0.163 in 2010 to 0.06 in 2011. This downward trend in NPL ratios resulted in decline of cost of risk declining for most banks in the subsequent years (2012 and 2013). Out of the ten sampled banks only

Unity bank's asset quality declined significantly since its NPL increased from 5% in 2012 to 25.5% in 2013 significantly higher than the prudential limit of 5.0% set by the Central bank.

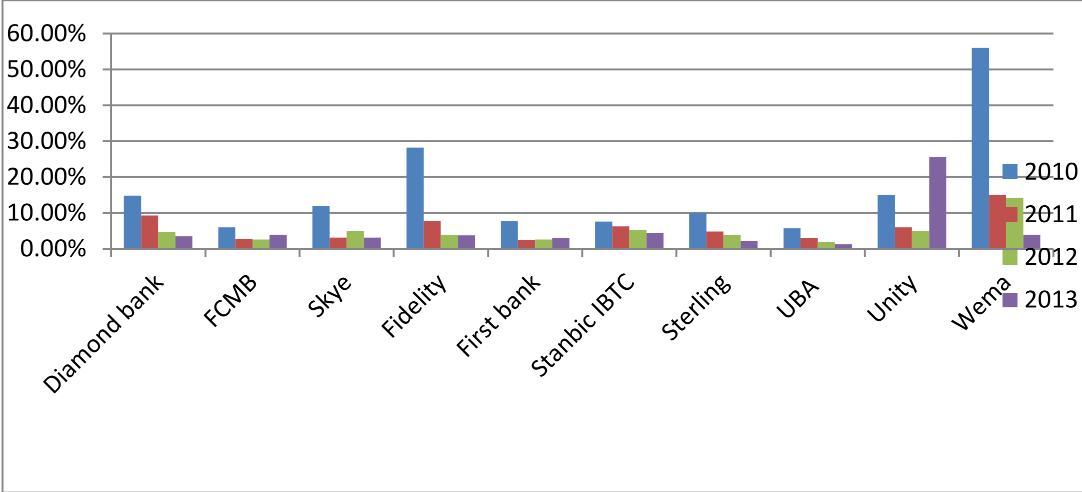
The p-value reveals that we fail to reject the null hypothesis at 5% level of significance (0.0908 is greater than 0.05). This means that statistically, there is no significant difference between mean values of NPL ratio calculated under NGAAP compared to IFRS. The post adoption period shows a reduction in the NPL ratio's which means there is an improvement in the asset quality of banks.

The steady improvement in 2011 could also be due to the opportunity provided by AMCON (before it expired in December 2011) aimed at soaking up toxic assets and purchasing the non-performing loans (NPL) in exchange for zero coupon bonds. By Oct. 31, 2011 AMCON had acquired NGN 2.78 trillion of NPLs from 21 banks at a cost of NGN 1.16trillion, representing 95 percent of all NPLs in the Nigerian banking system (Alford, 2012).

Table 5.9: Comparing NPL ratios computed under IFRS and NGAAP

			ASSET QUALITY PERFORMANCE				
	2010	2011	Mean Pre-IFRS (2 year average)	2012	2013	Mean post-IFRS (2years average)	p value(2 tail)
NPL ratio	0.163	0.060	0.112	0.049	0.054	0.051	0.091

Figure 5.2.4: Chart showing NPL performance from 2010-2013.



60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
Diamond bank
FCMB
Skye
Fidelity
First bank
Stanbic IBTC
Sterling
UBA
Unity
Wema
2010
2011
2012
2013

Chapter 6

CONCLUSION AND RECOMMENDATION

This study examined the impact of IFRS adoption in Nigeria on the performance of banks covering the pre and post adoption period. Result of our analysis showed an increase in profitability and leverage ratios, a decrease in liquidity ratios and an improved asset quality ratio. One of the reasons for the increase in profitability ratios under IFRS could be the increase in bank's operating income and reduced operating expenses compared to NGAAP. The differences between the accounting figures and ratios may be due to some adjustments that are peculiar to IFRS. An example is the calculation of cash ratio which involves determining the value of cash and cash equivalent. Under IFRS, treasury bills that have matured within 90 days or less were included while NGAAP ignores the maturity date.

Also, the application of fair value changes tends to have a great significance on bank's income statement. For example, unrealized gains or losses on items are measured at fair value under IFRS but it is measured at historical cost under NGAAP. The comparison of IFRS and NGAAP for the same time period revealed an increase in mean ROE and ROA under IFRS. The result was also consistent comparing two years before and after IFRS adoption. The mean values for ROE and ROA were still higher under IFRS.

This study believes the reduction in NPL ratios during the post adoption period of IFRS is majorly due to the intervention of Asset Management Corporation of Nigerian (AMCON) established by the CBN to soak bank's toxic asset and not significantly due to IFRS adoption. This is evident as the result of our analysis reveals a statistically significant difference between the NPL ratios computed under NGAAP and IFRS.

Our analysis revealed no statistical difference due to the IFRS adoption. All the financial ratios did not differ significantly, only the cash ratio and NPL ratio were statistically significant at 5% and 10% respectively. This study does not reveal significant difference consistent with the study of Abdul-Baki et all (2014) that conducted on Nigerian firms. The study also believes that this might due to the fact that Nigerian GAAP has always been a modification of IAS's which now IFRS. This is also in line with the study of Dimitrios et all (2013) on IFRS adoption in Greece. Their result showed no significant difference in the ratios.

However, the adoption of IFRS in banks enhanced the transparency in the financial statement and comparability of accounts for investors and stakeholders. IFRS provides more disclosure, improved accounting quality and more explanation of items in the accounts. This is evident from the noticeable difference in financial statement presentation. One major challenge in the adoption of IFRS is its use of fair values brings about changes in the reported earnings of banks.

The study contributes to the body of knowledge on IFRS adoption and shows its effect at the transition year and after the transition. The study shows how accounting figures and ratio's under the two standards. This thesis recommendation for future

studies is to extend the analysis to all the commercial banks and compare the standards for the same time period. There is also a need to be careful when analyzing ratio's during the transition to IFRS in Nigeria. Future researchers can extend their study to other sectors in Nigeria.

REFERENCES

[1] Abdul-Baki, Z., Uthman, B., and Sanni, M. (2014). Financial ratios as performance measure: A comparison of IFRS and Nigerian GAAP. *Accounting and Management Information Systems*. 13(1), 82–97.

[2] Adam, M. (2014). Evaluating the Financial Performance of Banks using financial ratios- A case study of Erbil Bank for Investment and Finance. *European Centre for Research Training and Development* UK. 2(2), 156 – 170.

[3] Adam, M. (2009). Nigerian banks: The Challenges of Adopting International Financial Reporting Standards. Zenith Economic Quarterly, .4, (2), 17.

[4] Agrawal, N. (2008). The Impact of IFRS on Corporate Governance. Available at www.livemint.com.

[5] Ailemen, I., and Akande, A. (2012). International Financial Reporting Standards (IFRS): Benefits, Obstacles and Intrigues for Implementation in Nigeria. *Research Journal of Finance and Accounting*. 3(10), 143-151

[6] Ajayi, T. and Sosan, M. (2013). The Evolution of Nigeria Banking System, Supervision and Current Challenges. *Working Paper* 1-28. Available at http://ssrn.com/abstract=2286200.

[7] Akingunola, R., Adekunle, O., and Adedipe, O. (2013). Corporate Governance and Banks Performance in Nigeria. (Post-banks consolidation). *European Journal of Business and Social Sciences* 2(8).

[8] Aksu, M. (2006). Transparency & Disclosure in the Istanbul Stock Exchange: Did IFRS Adoption and Corporate Governance Principles Make a Difference? 1-32 .Available at http://ssrn.com/abstract=965301.

[9] Alford, D. (2011). Nigeria Banking Reforms: Recent Actions and Future Prospects. *Working Paper*. 1-26

[10] Anyanwu, C. (2010). "Overview of Current Banking Sector Reforms and Real Sector in Nigerian Economy", Central Bank of Nigeria *Economic and Financial review* 48(4) 31-59.

[11] Armstrong, C., Barth, M., Jagolinzer, A., and Riedl, A. (2007). Market Reaction to the Adoption of IFRS in Europe. Stanford University *Working Paper*. 1-48.

[12] Armstrong, C., Barth, M., Jagolinzer, A., and Riedl, A. (2008). Market Reaction to the Adoption of IFRS in Europe. *Working Paper* 09-032. Harvard Business School.

[13] Bala, M. (2013). Effect of IFRS Adoption on the Financial Reports of Nigeria Listed entities: The Case of Oil and Gas Companies. *The Macrotheme Review* 2(7), 9-26.

[14] Barungi, B. (2014). Nigeria. Available at www.africaneconomicoutlook.org.

[15] Beke, J. (2011). How can International Accounting Standards Support Business Management? *International Journal of Management and Business Research*.1(1), 25-34

[16] Blanchette, M., Racicot, F., and Sedzro K. (2013). IFRS Adoption in Canada: An Empirical Analysis of the Impact on Financial Statements. Certified General Accountants Association of Canada. 1-68

[17] Cormier, D. (2013). The Incidence of Corporate Governance and IFRS on Information Asymmetry and the Value Relevance of Earning: Some Canadian Evidence**.** *Cashier de Recherche* 2014, 01-24.

[18] Challenges with International Financial Reporting Standards (IFRS) in Nigeria highlight Integration problem www.mgiworld.com. April 9th 2014.

[19] Chen, Y., and Rezaee, Z. (2012). "The Role of Corporate Governance in Convergence with IFRS: evidence from China", *International Journal of Accounting and Information*, 20(2), 171-188.

[20] Clementina, K., and Isu, H. (2014). The Rising Incidence of non-performing loans and the nexus of Economic performance in Nigeria: an investigation. *European Journal of Accounting Auditing and Finance Research*. 2(5), 87-96.

[21] Dimitrios., B., Nikolaos, E., Konstantinos, P and Dimitrios., V. (2013). Impact of IFRS on ratios of listed and new listed companies of Athens Exchange. *International Journal of Business and Social Research*, 3(5), 139-157.

[22] Dogarawa, L. (2012). Banking under the Banks and other Financial Institution Act: A Survey Compliance. *International Journal of Academic Research in Accounting, Finance, and Management Science.* 2(3), 183-191.

[23] Dritsas, S., and Petrakos, G. (2014). Historical Financial Information: An Empirical Study on the First Time Adoption of IFRS in Greece. *International Business Research.* 7(8); 47-58.

[24] Edogbanya, A., and Kamardin, H. (2014). Adoption of International Financial Reporting Standards in Nigeria: Concepts and Issues. *Journal of Advanced Management Science*. 1(1), 72-75.

[25] Ernest, I. (2012). Bank Consolidation in Nigeria: Marketing Implications and Challenges for the Surviving Banks. *Arts and Social Sciences Journal*, Vol. 2012, 1-14.

[26] Essien-Akpan, I. (2011). The International Financial Reporting Standards (IFRS). The Role of the Chartered Secretary and Administrator. A paper presented at the 35th Conference of ICSAN. Lagos Sheraton Hotels and Towers. October 26th and 27th.

[27] Emefiele, G. (2014). Entrenching Macroeconomic Stability and Engendering Economic Development in Nigeria. Press Briefing June 2014, Available at www.cenbank.org.

[28] Firoz, M., Ansari.A., and Akhta, K. (2011). IFRS – Impact on Indian Banking Industry. *International Journal of Business and Management*. 6(3), 277-283.

[29] Garba, S. (2013). IFRS and Bank Performance in Nigeria. https://www.academia.edu.

[30] Godwin, J., Karman A., and Heanly, R. (2009). Corporate Governance and the Prediction of the Impact of AIFRS Adopting. Abacus 45, 124-145.

[31] Gkougkous, X., and Mertens, G. (2010). Impact of Mandatory IFRS Adoption on the Financial Sector. *Working paper* available at http://ssrn.com/abstract=1651088.

[32] Herbert, W., and Tsegba, I. (2013). Economic Consequences of International Financial Reporting Standards (IFRS) Adoption: Evidence from a Developing Country. *European Journal of Business and Management*. 15, 28.

[33] Jermakowicz, E. (2004). Effect of Adoption of IFRS in Belgium: the Evidence from BEL-20 Companies. *Accounting in Europe*. (1), 51-70.

[34] Jimoh, J., and Iyoha, F. (2012). Stewardship and Corporate Governance in the Banking Sector: Evidence from Nigeria. *Accounting and Finance Research.* 1(1), 198-206.

[35] Kumbirai, M., and Webb, R. (2010). A Financial Ratio Analysis of Commercial Bank Performance in South Africa. *African Review of Economics and Finance*. 2(1) 30 -53.

[36] Lantto, A., and Sahlshrom, P. (2009). Impact of IFRS Adoption on Key Financial Ratios. *Accounting and Finance*, 49, 341-361.

[37] Leuz, C. (2013). A New Approach to Global Reporting Convergence: The Global Player Segment**.** Available at www.iasplus.com.

[38] Li, S. (2010). Does Mandatory Adoption of IFRS in the European Union Reduce the Cost of Equity Capital. *Accounting Review*, 85, 607 – 636.

[39] Lucic, L. (2014). Financial Ratio in the Function of Business Risk Assessment. *Online Journal of Applied Knowledge Management*. 2(3), 21-34.

[40] MarchaL, S., Boukari, M., and Cayssials, J. (2007). L’impact des normes IFRS sur les données comptables des groupes français cotés, Bulletin de la Banque de France. 163, 27-42.

[41] Mary, J., Okoye, A., and Adediran O. (2013). Accounting standards in Nigeria. The journey so far. *Research Journal of Business Management and Accounting*. 2(1) 001-010.

[42] Mensah, C., and Sebe-Yeboah, G. (2014). A Critical Analysis of Financial Performance of Agricultural Development Bank (ADB, Ghana). *European Centre for Research Training and Development* UK. 2(1), 1- 23.

[43] Muroki, F., and William B. (2008). International Financial Reporting Accounting Standards and the Continents of Africa. IABR and TLC Conference Proceeding. Available at www.adoptifrs.org.

[44] Nwokoj, C. (2014). Banking in Nigeria: Moving forward despite challenges. Nigerian Tribune Newspaper. Available at www.tribune.com.ng 03.Oct.2014.

[45] Ocansey, E., and Enahoro, J. (2014). Comparative Study of the International Financial Reporting Standards Implementation in Ghana and Nigeria. *European Scientific Journal.* 10(13), 529-546.

[46] Odia, J., and Ogiedu, K. (2013). IFRS Adoption: Issues, Challenges and Lessons for Nigeria and other Adopters. *Mediterranean Journal of Social Sciences.* 4(3), 389-399.

[47] Okoye, P., and Akenbor, C. (2014). Financial Reporting Framework in Nigeria and the Adoption of the IFRS. *International Journal of Business and Economic Development* 2(1), 52- 63.

[48] Okpala, K. (2012). Adoption of IFRS and the Financial Statement Effects. The Perceived Implication on Foreign Direct Investment and Nigeria Economy. *Australian Journal of Business and Management Research.* 2. 76-83.

[49] Olabisi, J., and Omoyele, O. (2011). Corporate Governance and the Performance of Nigerian Banking Sector. *International Journal of Development and Management Review*. 6, 1.

[50] Pat, D., and James, O. (2011). Effects of the Consolidation of Banking Industry on the Nigerian Capital Market. *Journal of Economics* 2(1) 57-65.

[51] Pazarskis. M., Alexandrakis. A., and Notopoulos, P. (2011) IFRS Adoption Effects in Greece: Evidence from the IT Sector. MIBES, 60-71.

[52] Pricewater Coopers, (2006). IFRS: The complex issues banks face. Available at https://www.pwc.com .

[53] Saidu, S., and Dauda, U. (2014). An Assessment of Compliance with IFRS framework at First time Adoption by the Quoted Banks in Nigeria. *Journal of Finance and Accounting* 2(3) 64-73.

[54] Sanusi, S. (2010). The Nigerian Banking Industry: What went wrong and the way forward. Governor's speech. Bayero University Kano.

[55] Siaga, S. (2012). Challenges to the Adoption of IFRS in Africa. Available at http://hdl.handle.net/10210/8348.

[56] Suh, J. (2012). Effects of IFRS on Korean Banks and Future Prospect. *Working Paper*. Available at www.bruegel.org.

[57] Taiwo, F., and Adejare, A. (2014). Empirical Analysis of the Effect of International Financial Reporting Standards (IFRS) Adoption on Accounting Practices in Nigeria. *Archives of Business Research*, 2(2), 1-14.

[58] Tanko, M. (2012). The Effect of IFRS Adoption on the Performance of Firms in Nigeria. *Journal of Administrative and Economic Sciences*, 5(2), 133-157.

[59] Terzungwe, N. (2012). Challenges of Converging to International Financial Reporting Standards (IFRS) in Nigeria. *International Journal of Business and Information Technology*. 2(2), 26-31.

[60] Vander, B., and Wilekens, M. (2008). Disclosure on Corporate Governance in European Union. Corporate Governance: *An International Review* 2, 101-115.

[61] Verriest. A., Gaeremynck, A., and Thornton, D. (2013). Impact of Corporate Governance on IFRS Adoption Choices. *European Accounting Review* 22(1) 39-77.

[62] Wilson, I. (2006). Regulatory and Institutional Challenges of Corporate Governance in Nigeria Post Banking Consolidation. NESG Economic Indicators 12(2) 55- 63.

APPENDICES

Appendix A: Descriptive Statistics

Table 10: Descriptive Statistics

	Ratio Name	Diamond Bank	Fidelity	First Bank	FCMB	Stanbic IBTC	Sterling Bank	Skye Bank	UBA	Unity	Wema
LIQUIDITY RATIOS	Current Ratio	1.05	1.23	1.2	1.14	1.09	0.68	0.99	0.81	0.84	0.83
		0.94	1.09	1.18	0.91	1.02	0.67	0.97	0.73	0.91	0.72
		1.07	1.09	0.86	0.82	1.11	0.83	0.93	0.94	0.75	1.04
		0.88	1.20	0.88	1.17	1.36	1.03	1.03	0.99	0.59	0.24
	Quick Ratio	1.05	1.23	1.2	1.14	1.09	0.68	0.99	0.81	0.84	0.83
		0.94	1.09	1.18	0.91	1.02	0.66	0.97	0.73	0.91	0.72
		1.07	1.09	0.86	0.82	1.11	0.82	0.93	0.94	0.75	1.04
		0.88	1.20	0.88	1.17	1.36	1.03	1.03	0.99	0.59	0.24
	Working Capital	22482619	75413	310,110	51612821	23550	-63189631	-7364	-225649	-34704686	-22201469
		-36594870	48033	342,212	-36920177	7422	-136708289	-21666	-385735	-25261080	-44077509
		61141992	61493	-310,963	-115091279	58166	-81316148	-59019	-97093	-81212892	7635828
		-134780001	162067	-323,076	143706729	722000	14594672	35730	-11771	-145689580	-168369815
	Cash Ratio	0.29	0.63	0.05	0.231	0.41	0.17	0.22	0.28	0.31	0.47
		0.28	0.59	0.1	0.125	0.37	0.19	0.21	0.19	0.45	0.22
		0.23	0.3	0.22	0.186	0.14	0.11	0.16	0.32	0.02	0.11
		0.14	0.36	0.19	0.002	0.14	0.17	0.25	0.12	0.05	0.14
PROFITABILITY RATIO	ROA	1.19%	1.22%	1.38%	1.38%	2.10%	1.61%	1.53%	0.15%	4.07%	7.99%
		3.07%	0.81%	1.93%	1.95%	0.75%	0.92%	0.76%	-0.99%	0.65%	-3.65%
		2.18%	1.96%	2.57%	1.41%	0.81%	1.20%	1.19%	2.45%	1.56%	-2.05%
		2.20%	0.71%	2.17%	4.58%	11.04%	1.17%	1.42%	2.10%	-5.59%	0.48%
	ROE	5.58%	4.33%	7.91%	5.44%	10.07%	15.88%	9.63%	1.15%	28.12%	52.19%
		-23.98%	4.37%	4.90%	9.86%	5.60%	16.30%	6.09%	-9.63%	5.47%	-26.09%
		21.50%	11.10%	19.12%	9.60%	8.26%	1.20%	11.75%	21.50%	12.01%	-2.051%
		21.51%	4.72%	17.60%	4.59%	11.58%	13.04%	13.06%	17.91%	-80.04%	0.483%
	Asset Turnover	0.012	0.012	0.014	0.014	0.02	0.02	0.015	0.002	0.04	0.08
		0.031	0.008	0.019	0.019	0.01	0.01	0.007	-0.010	0.01	-0.04
		0.022	0.020	0.026	0.014	0.01	0.01	0.012	0.025	0.02	-0.02
		0.022	0.007	0.0217	0.046	0.11	0.01	0.014	0.021	-0.06	0.00
	Net Profit Margin Ratio	9.28%	14.06%	17%	20.82%	19.23%	20.50%	16.95%	1.90%	0.25	134.99%
		28.35%	11.80%	19%	24.26%	8.66%	17.22%	9.26%	-16.28%	6.71%	-43.35%
		25.05%	87.04%	85%	232.10%	10.05%	17.73%	23.02%	38.97%	16.36%	-40.40%
		27.15%	85.52%	89%	94.63%	91.08%	14.40%	23.50%	26.26%	-55.38%	7.62%
LEVERAGE RATIO	Debt Ratio	0.79	0.72	1.00	0.75	0.79	0.98	0.84	0.87	0.86	0.93
		0.87	0.82	0.85	0.80	0.86	0.92	0.88	0.90	0.88	0.97
		0.90	0.82	0.87	0.85	0.90	0.92	0.90	0.89	0.87	0.99
		0.90	0.85	1.12	0.00	0.05	0.91	0.89	0.88	0.93	0.87
	Equity Ratio	0.21	0.28	0.17	0.25	0.21	0.101	0.16	0.13	0.14	0.07
		0.13	0.18	0.15	0.20	0.14	0.081	0.12	0.10	0.12	0.03
		0.10	0.18	0.13	0.15	0.10	0.080	0.10	0.11	0.13	0.01
		0.10	0.15	0.12	1.00	0.95	0.090	0.11	0.12	0.07	0.13
	Debt to Equity Ratio	3.69	2.56	5.7	2.94	3.80	8.86	5.30	6.63	5.91	6.05
		6.81	4.42	5.6	4.05	6.30	11.32	7.18	8.73	7.40	6.93
		8.87	4.66	6.4	5.80	9.13	11.44	8.91	7.77	6.69	7.85
		8.80	5.61	7.2	0.00	0.05	10.15	8.17	7.54	13.31	6.99

Source: Calculated by researcher from the financial statement

Appendix B: Asset Quality Measured by (NPL) Ratios of Sampled Banks

Table 11: Asset quality measured by (NPL) ratios of sampled banks

	NGAAP		IFRS	
	2010	**2011**	**2012**	**2013**
Diamond bank	14.8%	9.3%	4.7%	3.5%
FCMB	6%%	2.75%	2.55%	3.88%
Skye	11.91%	3.1%	4.9%%	3.1%
Fidelity	28.2%	7.8%	3.9%	3.7%
First bank	7.7%	2.4%	2.6%	2.9%
Stanbic IBTC	7.60%	6.22%	5.13%	4.4%
Sterling	10%	4.8%	3.8%	2.1%
UBA	5.7%	3.0%	1.9%	1.2%
Unity	15%	6%	5%	25.5%
Wema	56%	15%	14.2%	3.9%

Source: Financial statement of banks (2010-2013)