FINANCIAL RATIOS AND BANK EFFICIENCY IN NIGERIA: A NON-PARAMETRIC ANALYSIS

Abstract. The study examined the efficiency of banks Nigerian using financial ratios in pre and post IFRS regime. Specifically, the study was conducted through comparison of the ratios that were computed from IFRS- financial statements based and Nigerian GAAP-based financial reports of ten (10) commercial banks quoted on the floor of the Nigerian Stock Exchange as at 2015 (before IFRS commencement and after). Three financial ratios were selected from each of the four major categories; profitability, liquidity, leverage and investment. The paired sample t-test and Mann-Whitney test were employed in testing whether significant differences exist between the pair of ratios after the normality test has been ascertained by the Jarque-Berra tests through descriptive statistics. In all, the result shows major difference between profitability, liquidity, leverage and investment ratios of the sampled firms before and after IFRS adoption at 5% level. It is was recommended that longer years in the post-IFRS adoption period are required to ascertain IFRS benefits to Nigerian firms, in relation to financial ratios.

Keywords: Post-IFRS adoption, NGAAP, Ratios, Pre-IFRS, IFRS

1. Introduction

International Financial Reporting Standards (IFRS) is the whole body of authoritative literature dispersed by the Accounting International Standard Board (IASB). It includes standards setting, interpretation and frameworks of reference, and which affect financial reports in four conceptual areas, namely, presentation, disclosure mechanism, recognition and measurement.
Odia and Ogiedu (2013:389) posited that “over 120 countries are reported to have adopted or converged with IFRS” including Nigeria. The basic target of financial statements, as listed in IASB framework system is to give data on financial reality position, performance and changes in financial position of an enterprise that is useful to a wider variety of users in making economic decision (Oseni, 2013).

The manners and ways of financial reporting of firms have experienced a drastic shift over the last few decades. In this respect, most countries in the globe have changed their accounting practices especially amid the last little decades of the 21st century (Hoyle, Schaefer & Doupnik, 2009).

These changes started in 2002 at the instance of European Union who mandated publicly traded firms to present consolidated financial reports in compliance with IFRS starting from January 01, 2005 (Apostolos, Despina & Christos, 2010). Thus, Nigeria joined the League of Nations that approved IFRS conversion and adoption in anticipation of its perceived inherent benefits. The IFRS implementation roadmap was unveiled by the Commerce and Industry Minister on Thursday 2nd September 2010 (Akande & Ikpefan, 2013).

Prior to the commencement of International Financial Reporting Standards (IFRS), Nigerian companies have always reported their financial activities in compliance with Statement of Accounting Standards (SAS) and Generally Accepted Accounting Policies (NGAAP); notwithstanding, the theoretical foundations underpinning NGAAP and IFRS are not by and large comparative. It is against this scenery that this paper examined whether the benefits of IFRS adoption extend to a higher performance of Nigerian firms in relation to computed financial ratios.

2. Review on IFRS

IFRS are benchmarks for reporting financial results and are pertinent to universally useful financial reports and other financial books or reports of all profit oriented entities. IFRS represent a distinct set of soaring quality, universally acknowledged accounting standards that can enhance equivalence of financial books or reporting across the globe. This expanded comparability of financial information could bring about better investment decisions and guarantee a more ideal allotment of resources across the international economy (Jacob and Madu, 2009).

Also, Cai and Wong (2010) conjectured that having a lone set of internationally acceptable financial reporting standards that will dispense with the requirement for restatement of financial statements, yet guarantee accounting diversity among countries, consequently encouraging cross-border movement of capital and greater amalgamation of the worldwide financial markets.
2.1. IFRS plus accounting quality

Accounting number quality may be established in several contexts: “on capital market effects (cost of equity capital or measures of liquidity); on attributes of analysts’ forecasts (dispersion and accuracy); or on the extent of institutional ownership” (Chua and Taylor, 2008). Barth et al. (2008) observed that countries totally 21 that have adopted IAS manifest less earnings management, well-timed loss recognition, and more value relevance of accounting amounts than matched firms adopting standards that is non US.

Consequently, they arrived at that firms who adopted IAS proof advancement in accounting number quality. However, they cautioned that their outcome may not be link to a change in reporting style but fairly “to changes in organisational or firm’ incentives and the economic environment” (Barth, 2008).

Tendeloo and Vanstraelen (2005) utilizing an example of 636 firm-year observations of German listed companies adopting IFRS within the periods 1999-2001, observed that “IFRS-adopters do not show diverse earnings smoothen behaviour compared to companies reporting under German GAAP” (p. 155).

Correspondingly, Christensen et al. (2008) in their research discovers that voluntary acceptance or adoption of IFRS is connected with diminished earnings smoothens and well-timely loss identification. Be that as it may, they concede that such findings cannot be reached out to firms that were forced or mandated to adopt or join IFRS.

Jeanjean and Stolowy (2008) analyzed the force of mandatory introduction of IFRS on earnings manipulation in Australia, France and UK. They found that earnings manipulation did not lessen in the sampled countries after the commencement of IFRS, rather it expanded in France.

2.2. Factors affecting the adoption of IFRS

Iyoha and Faboyede (2011) claim that the adoption of IFRS is largely driven by a number of factors, which include among others, professional support with IFRS experience and self-enforcement by companies. Similarly, Mir and Rahman (2005) examined these factors that influence the recent decision of Bangladeshi government and accounting profession to adopt IASs.

In their study legitimization institution was established as the main contributing factor that influence or push the decision of the commencement or adoption of IASs. Zeghal and Mhedhbi (2006) opined that accounting style or system determinant could be linked internal factors as well as exogenous external factors i.e. pressure of key institutions. It suggest that such factors include economic expansion, rank of wealth, the level or rank of inflation, level of education, and the entire legal system, history of a given and geography, the financial system.

In this study, to answer the question of factors that could affect the adoption of IFRS by Nigerian companies, element such as government policy, professional bodies, company size,
capital market, and educational level were considered responsible for a radical shift in the accounting world of practice.

2.3. Adoption of IFRS in Nigeria

The quality of financial reporting is indispensable in order to meet the need of users who require them for investment decision purposes. Financial reports can only be regarded as useful if it represents the “economic reality” of an organization in major attributes of relevance, reliability, comparability and aiding firm’s interpretation (Kenneth, 2012).

Prior to IFRS adoption era, most countries had their own local standards with designated bodies saddled with the responsibility of embryonic and issuance of accounting standards that will take into consideration country’s peculiarity.

As a result of increasing global demand for quality financial books or reports, it becomes imperative that countries and companies alike address issues that will engender them to become highly attractive to investor which is like the adage of the beautiful bride (Essien-Akpan, 2011).

Accordingly, commencement of high global quality financial reporting standards began in the year 1973 when the IASC was formed by 16 professional bodies from different countries such as United States of America, United Kingdom, France, Canada, Germany, Australia, Japan, Netherlands and Mexico (Garuba and Donwa, 2011).

According to Ezeani and Oladele (2012) this body was well acknowledged in 2001 and later transformed into the renowned IASB which developed standards for accounting practice and allied interpretations now referred to as the IFRS.

2.4. Challenges of adopting IFRS

Though, benefits of adopting financial style of IFRS exists, adoption of IFRS has countless challenges. lyoha and Faboyede (2011) identified the ethical environment and the ability to protect qualified and competent employees from being poached by other companies as main trials opposing Nigerian entities.

Also, lack of accounting infrastructure posed a major challenge to the adoption, while others attribute education wise and training as major challenges militating against the adoption or convergence of IFRS (Wong, 2004). As evidenced by the global experience, convergence with IFRS would have significant challenges common to all countries and companies.

Additionally, there exist certain specific challenges that are unique to particular countries (Robyn and Graeme, 2009). With the commencement of the implication IAS Regulation, demanding EU listed entities to arrange their consolidated accounts in compliance with IFRS, EU publicly listed organisations are facing loads of challenges, in form of fair value dimensions or measurements to be well thought-out to a greater extent (Jermakowicz, 2004; Alexander, 2003).

IFRS would also present a challenge by way of more complex financial reporting requirements and resultant increase in costs; and availability of resources with expertise in
IFRS. Also, from an overall perspective, amendments to regulatory requirements and tax laws would be required; and impact on IT systems and compensation ranks or structure would need to be evaluated (Apostolos et al., 2010; Jermakowicz, 2004; Alexander, 2003).

2.5. Benefits of Adopting IFRS

Ikpefan and Akande (2012) noted that scheduled companies have a bundle of benefits to draw from conversion to IFRS. Companies do not merchandized in isolation. In addition, fulfilment with foreign reporting desires could help companies’ global access to financial institutions and streamline their financial reporting.

They pointed out further that the benefits to be derived from IFRS include: minimizing reporting costs because of common reporting systems and consistency in statutory reporting, enabling comparison/benchmarking with foreign competitors, offering companies an edge over competitors in the eyes of users, transcending national boundaries/cross border listing thereby making possible for acquisitions, joint venture and easy access to foreign capital, making it possible for companies to trade their shares and securities on stock exchanges globally, and finally providing a platform for management to view all companies in a group on a common platform.

Meeks and Swann (2009) revealed that firms that converted to IFRS exhibited upper accounting quality in the prior-adoption era than they did in the after-adoption time. Similarly, with reference to Barth investigation of financial data of firms cut across 21 countries, established that firms plasticising IAS/IFRS reporting style experienced an advance in accounting numbers quality between the before-adoption and after-adoption era.

Latridis (2010) found that IFRS implementation has favourably affected firms listed in the London Stock Exchange in relation to financial performance. Similarly, Kenneth (2012) noted additional benefits foreseen from the transition as companies can follow uniform accounting standards instead diverse, comparability of financial books will increase for investors all around the world, and companies will have the ability to offshore their accounting work.

3. Theoretical framework

The theory study is rooted in the value maximization theory. The value maximization theory holds that the primary objective of an organisational existence is the maximization of profits in the squat run and shareholders wealth priority maximization in the long run (Friedman, 1970; Jensen, 2001). The theory, therefore explains that all the activities of organization are profit-seeking.

The theory explains further that in the long run wealth maximization does not indicate the maximization of shareholders’ wealth alone but also the maximization of other financial
applicants. So, we argue that the essence of firm’s disclosure of IFRS financial books is to maximize firm’s value; hence, this study is anchored on value maximization theory as buttressed.

3.1. Methods and Materials

Research Design

This study adopts a descriptive research design using a quantitative and comparative approach. The data is hand-extracted (data mined) secondarily in a pre and post (IFRS adoption) from selected banks published financial statements quoted in the Stock Exchange in Nigeria up to 2015. The total of four strata of financial ratios, including profitability, liquidity, leverage and investment were computed.

Our population comprises of all the fifteen quoted banks in the financial sector of the Stock Exchange in Nigeria as at 2015. A total of 10 banks constituted the sample size. Sample of 10 percent (and above) of the population has been proven to be more than adequate in research projects (Ogolo, 1996). This study used ten banks as the sample size through the use of data filtering application as sampling techniques.

4. Results and Discussions

The results are presented in Tables 1, 2 and 3 below. The statistics of financial ratios as offered in Table 1 (a & b), it summarizes the four (4) year mean values of the sampled financial ratios under each of the four studied categories (profitability, liquidity, leverage and investment).

Cumulatively, the overall profitability and liquidity ratios showed higher mean value during the IFRS era compared to Nigeria GAAP. However, the whole financial ratios calculated for leverage showed higher mean value under Nigeria GAAP than the IFRS.

On the computed investment ratios, the results were mixed as EPS (earnings per share) under has higher value than during Nigeria GAAP, while dividend payout ratio (DPR) and dividend per share (DPS) were higher under Nigeria GAAP than IFRS.

Regarding normality, the table shows that the thirteen (13) out of the twenty four (24) ratios computed from the sample do not obey normal distribution. The skewness plus kurtosis showed high values, and large discrepancies were evident between means with medians.

Hence, since the Jarque-Berra tests reject significantly the normal distribution of only 54% of all the computed ratios (IFRS and NGAAP) taken together, we can establish that $H_0$ is accepted significantly in both of the two samples. Thus, the paired sample t-test (parametrical test) and Mann-Whitney test (non-parametrical test) are both applied to the two dependent samples financial ratios (IFRS and NGAAP) to determine if the above observed differences are significant.
### Table 1(a) Descriptive Statistics of Nigerian GAAP Ratios

<table>
<thead>
<tr>
<th>NGAAP</th>
<th>Mean</th>
<th>Median</th>
<th>Max</th>
<th>Mini</th>
<th>Std. Dev.</th>
<th>Skew</th>
<th>Kurt</th>
<th>Jarque-Bera</th>
<th>Sig.</th>
<th>N</th>
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<tbody>
<tr>
<td><strong>Profitability</strong></td>
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<tr>
<td>Gross Profit Margin</td>
<td>0.180</td>
<td>0.117</td>
<td>0.950</td>
<td>0.001</td>
<td>0.257</td>
<td>2.322</td>
<td>7.057</td>
<td>31.689</td>
<td>0.000*</td>
<td>20</td>
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<tr>
<td>Net Profit Margin</td>
<td>0.136</td>
<td>0.057</td>
<td>0.620</td>
<td>0.001</td>
<td>0.189</td>
<td>1.573</td>
<td>3.892</td>
<td>8.910</td>
<td>0.012*</td>
<td>20</td>
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<tr>
<td>Return on Equity</td>
<td>1.217</td>
<td>0.404</td>
<td>13.786</td>
<td>0.006</td>
<td>3.079</td>
<td>3.690</td>
<td>15.435</td>
<td>174.24</td>
<td>0.000*</td>
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<tr>
<td><strong>Overall Mean</strong></td>
<td><strong>0.511</strong></td>
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<td><strong>Liquidity</strong></td>
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<tr>
<td>Current Ratio</td>
<td>0.737</td>
<td>0.812</td>
<td>1.959</td>
<td>0.013</td>
<td>0.527</td>
<td>0.750</td>
<td>3.209</td>
<td>1.912</td>
<td>0.384**</td>
<td>20</td>
</tr>
<tr>
<td>Acid test ratio</td>
<td>0.555</td>
<td>0.526</td>
<td>1.004</td>
<td>0.018</td>
<td>0.338</td>
<td>-0.030</td>
<td>1.707</td>
<td>1.396</td>
<td>0.497**</td>
<td>20</td>
</tr>
<tr>
<td>Cash Ratio</td>
<td>0.708</td>
<td>0.778</td>
<td>1.351</td>
<td>0.109</td>
<td>0.342</td>
<td>-0.151</td>
<td>2.158</td>
<td>0.667</td>
<td>0.716**</td>
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<tr>
<td><strong>Overall Mean</strong></td>
<td><strong>0.667</strong></td>
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<td><strong>Leverage</strong></td>
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<tr>
<td>Total debt ratio</td>
<td>0.662</td>
<td>0.823</td>
<td>0.995</td>
<td>0.032</td>
<td>0.321</td>
<td>-0.905</td>
<td>2.107</td>
<td>3.395</td>
<td>0.183**</td>
<td>20</td>
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<tr>
<td>Gearing ratio</td>
<td>0.779</td>
<td>0.709</td>
<td>1.787</td>
<td>0.01</td>
<td>0.577</td>
<td>0.522</td>
<td>2.210</td>
<td>1.429</td>
<td>0.489**</td>
<td>20</td>
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<tr>
<td>Debt to shareholders</td>
<td>0.991</td>
<td>0.680</td>
<td>7.627</td>
<td>0.015</td>
<td>1.603</td>
<td>3.786</td>
<td>16.278</td>
<td>194.69</td>
<td>0.000*</td>
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<td>fund ratio</td>
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<td><strong>Overall Mean</strong></td>
<td><strong>0.811</strong></td>
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<td><strong>Investment</strong></td>
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<tr>
<td>Earnings per share</td>
<td>2.636</td>
<td>1.355</td>
<td>9.486</td>
<td>-0.082</td>
<td>3.191</td>
<td>0.905</td>
<td>2.568</td>
<td>2.887</td>
<td>0.236**</td>
<td>20</td>
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<tr>
<td>Dividend per share</td>
<td>25.132</td>
<td>6.503</td>
<td>163.000</td>
<td>-56</td>
<td>51.582</td>
<td>1.275</td>
<td>4.221</td>
<td>6.658</td>
<td>0.036*</td>
<td>20</td>
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<tr>
<td>Dividend payout ratio</td>
<td>29.156</td>
<td>0.349</td>
<td>100.000</td>
<td>0</td>
<td>38.233</td>
<td>0.689</td>
<td>1.822</td>
<td>2.738</td>
<td>0.254**</td>
<td>20</td>
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<tr>
<td><strong>Overall Mean</strong></td>
<td><strong>19.0</strong></td>
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### Table 1(b) Descriptive Statistics of IFRS Ratios

<table>
<thead>
<tr>
<th>IFRS</th>
<th>Mean</th>
<th>Median</th>
<th>Max</th>
<th>Mini</th>
<th>Std. Dev.</th>
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<th>Kurt</th>
<th>Jarque-Bera</th>
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<tr>
<td><strong>Profitability</strong></td>
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<tr>
<td>Gross Profit Margin</td>
<td>0.197</td>
<td>0.115</td>
<td>0.811</td>
<td>-0.437</td>
<td>0.296</td>
<td>0.738</td>
<td>3.814</td>
<td>2.367</td>
<td>0.306**</td>
<td>20</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>0.241</td>
<td>0.087</td>
<td>1.000</td>
<td>0.015</td>
<td>0.337</td>
<td>1.486</td>
<td>3.454</td>
<td>7.537</td>
<td>0.023*</td>
<td>20</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>1.180</td>
<td>0.365</td>
<td>6.376</td>
<td>-0.679</td>
<td>1.832</td>
<td>1.674</td>
<td>4.805</td>
<td>12.057</td>
<td>0.002*</td>
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<tr>
<td><strong>Overall Mean</strong></td>
<td><strong>0.539</strong></td>
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<td><strong>Liquidity</strong></td>
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<tr>
<td>Current Ratio</td>
<td>0.956</td>
<td>0.699</td>
<td>3.109</td>
<td>0.007</td>
<td>0.893</td>
<td>1.391</td>
<td>3.968</td>
<td>7.231</td>
<td>0.027*</td>
<td>20</td>
</tr>
<tr>
<td>Acid test ratio</td>
<td>0.846</td>
<td>0.847</td>
<td>3.026</td>
<td>0.016</td>
<td>0.698</td>
<td>1.486</td>
<td>5.806</td>
<td>13.926</td>
<td>0.001*</td>
<td>20</td>
</tr>
<tr>
<td>Cash Ratio</td>
<td>0.777</td>
<td>0.736</td>
<td>1.808</td>
<td>0.184</td>
<td>0.428</td>
<td>1.018</td>
<td>3.394</td>
<td>3.586</td>
<td>0.166**</td>
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<td><strong>Overall Mean</strong></td>
<td><strong>0.860</strong></td>
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</table>
### Table 1(b)

<table>
<thead>
<tr>
<th>Leverage</th>
<th>Total debt ratio</th>
<th>Gearing ratio</th>
<th>Debt to shareholders fund</th>
<th>Overall Mean</th>
<th></th>
<th>Investment</th>
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<tbody>
<tr>
<td>Leveraged</td>
<td>0.540</td>
<td>0.578</td>
<td>0.523</td>
<td>0.547</td>
<td></td>
<td>Earnings per share</td>
<td>16.909</td>
<td>3.451</td>
<td>121.020</td>
<td>-42.000</td>
<td>37.052</td>
<td>1.559</td>
<td>5.070</td>
<td>11.674</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>0.640</td>
<td>0.627</td>
<td>0.339</td>
<td></td>
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<td>Dividend per share</td>
<td>12.903</td>
<td>4.680</td>
<td>50.010</td>
<td>-1.000</td>
<td>17.370</td>
<td>1.345</td>
<td>3.324</td>
<td>6.118</td>
</tr>
<tr>
<td>Debt to shareholders fund</td>
<td>1.006</td>
<td>0.937</td>
<td>5.303</td>
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<td></td>
<td>Dividend payout ratio</td>
<td>0.588</td>
<td>0.063</td>
<td>5.049</td>
<td>-0.105</td>
<td>1.293</td>
<td>2.669</td>
<td>8.992</td>
<td>53.669</td>
</tr>
<tr>
<td>Overall Mean</td>
<td>0.332</td>
<td>0.059</td>
<td>-1.334</td>
<td>1.218</td>
<td></td>
<td>Overall Mean</td>
<td>10.133</td>
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</table>

### Guide:

- **N** = Number of Observations, **Skew** = Skewness.
- **Kurt** = Kurtosis, **Sig.** = Probability, Null hypothesis: computed ratios are normally distributed.
- **** Insufficient evidence to suggest the computed ratios are not normally distributed.
- * Null hypothesis rejected at the 5% level.

In table 2, computed ratios were subjected to parametrical (paired t-test) and non-parametrical tests (Mann-Whitney test) to ascertain if significant differences exist among the individual ratios under IFRS and Nigeria GAAP respectively.

In all, no major differences were found for the majority of ratios with the exception of DPR (investment) on both tests (t-test and Mann-Whitney) at 1% and 5% level respectively; and debt to shareholders fund (Leverage) at 5% level in the non-parametrical tests alone.

It could be observed from the table that results of both the parametrical and non-parametrical tests are almost the same; this suggests that the change from NGAAP to IFRS by Nigerian quoted banks is not significant regarding the major financial ratios.

**Source: Researchers Computation, 2017.** Significant at 95% (5%) level of confidence.
Table 3
Summary of Paired Sample T-Test on each category of ratios prepared from NGAAP and IFRS

<table>
<thead>
<tr>
<th>Financial Ratios (IFRS vs NGAAP)</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>T</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair 1 IFRS PROFITABILITY - NGAAP PROFITABILITY</td>
<td>0.02831</td>
<td>0.07164</td>
<td>0.04136</td>
<td>0.685</td>
<td>2</td>
<td>0.564</td>
<td>n.s.</td>
</tr>
<tr>
<td>Pair 2 IFRS LIQUIDITY - NGAAP LIQUIDITY</td>
<td>0.19267</td>
<td>0.11373</td>
<td>0.06566</td>
<td>2.934</td>
<td>2</td>
<td>0.099</td>
<td>n.s.</td>
</tr>
<tr>
<td>Pair 3 IFRS LEVERAGE - NGAAP LEVERAGE</td>
<td>-0.26395</td>
<td>0.18087</td>
<td>0.10443</td>
<td>-2.528</td>
<td>2</td>
<td>0.127</td>
<td>n.s.</td>
</tr>
<tr>
<td>Pair 4 IFRS INVESTMENT - NGAAP INVESTMENT</td>
<td>-8.84106</td>
<td>21.6206</td>
<td>12.48266</td>
<td>-0.708</td>
<td>2</td>
<td>0.552</td>
<td>n.s.</td>
</tr>
</tbody>
</table>

n.s. = Not significant at 95% confidence level.


Shown in summary of paired sample T-Test, the p-value of profitability has a value of 0.56 which exceeds 0.05 under the 2-tailed test. Based on our decision rule, no evidence against the null hypothesis. This implies that profitability ratios under NGAAP and IFRS adoption do not differ significantly.

Also the p-value of liquidity has a value of 0.99 which exceeds 0.05 under the 2-tailed test. Based on that, no evidence against null hypothesis of which liquidity ratios before and after IFRS adoption do not differ significantly; thus the null hypothesis in hereby accepted.

Similarly, the p-value of leverage has a value of 0.127 which exceeds 0.05 under the 2-tailed test. Hence, no evidence to deny null hypothesis that leverage ratios under NGAAP and after IFRS adoption do not differ significantly.

Implicationally, there is no significant variance amid financial ratios computed under NGAAP and that of the new IFRS. The table also indicated that investment ratios with 0.552 (p-value) exceeds 0.05 (5% level of significance) under the two-tailed test. Hence, we accept no significant difference exists between investment ratios calculated under NGAAP and that of IFRS.

4.1. Discussion of Findings

Overall mean value of profitability and liquidity of the sampled firms showed they performed better during IFRS regarding ratio comparison than NGAAP; this corroborate the findings of Serkan, Recep & Ilker (2013).

The reverse was, however, the case in long term solvency (leverage) and investment ratios as the computed ratios under NGAAP in the two categories cumulatively showed higher value besides IFRS based ratios. The reason could be due to dividend assessment under the two accounting standards. Normally, proposed dividends are dealt with as liability under NGAAP while they are not regarded as risk under IFRS.

The finding supports results of Zayyad, Ahmad & Mubaraq (2014) whose descriptive statistics on long term solvency and investment ratios of top Nigerian oil company (Oando)
showed higher values during NGAAP than IFRS. Regarding individual ratios, significant differences were only identified between Nigerian GAAP-based and IFRS-based financial statements ratios on debt-to-shareholders fund (t-test) and dividend payout ratios (on both t-test and Mann-Whitney tests). Hence, these ratios were affected by the transition from NGAAP to IFRS.

In effect, financial ratios primed under the four major categories of ratios (profitability, liquidity, leverage and investment) in conformity to Nigerian GAAP and IFRS were statistically not different from each other. This finding supports results of Zayyad et al, (2014) and Blanchette, Racicot & Girard (2011) who, using Canadian listed firms concluded that while the means of IFRS ratios differ from means of similar ratios under Canadian GAAP, the differences were not significant overall or when pooled together.

5. Conclusion and Recommendations

This study basically analyzed the differences between Nigeria-GAAP and IFRS-based financial information of 10 banks listed on NSE using four major categories of financial ratios. The study came up with findings that would be of salient value to business managers, financial analysts, regulatory agencies and creditors as it relates to IFRS harmonization in Nigeria.

The study found that the overall profitability and liquidity ratios of firms calculated under IFRS showed higher value in comparison to NGAAP; while that of leverage and investment ratios showed lower value under IFRS than NGAAP.

In all, no significant difference in financial ratios of the respective NGAAPs and IFRS, in other words, the overall ratios of the sampled companies behaved significantly in a similar way during the transition from NGAAP to IFRS. A possible reason could perhaps be the fact that NGAAP has always been an adaptation of IASs (now IFRS).

It is therefore recommended that:

1. Though IFRS adoptions have guaranteed uniformity of accounting standards internationally, findings on its impact on financial ratios remained uncertain. Longer years in post-adoption period are required to ascertain IFRS benefits to the adopters, by significantly improving profitability, leverage, liquidity and investment ratios.

2. Financial analysts and other users of financial statements are encouraged to adopt a cautious approach when examining financial ratios during this early post-IFRS adoption in Nigeria banks. This is because, the recent bank recapitalization by the apex bank was geared towards improving performance; hence, financial statements user need to distinguish reported performance changes caused by the transition to IFRS from those caused by changes in business management.
3. More so, the generalizability of these findings could be hampered as only a single sub-sector (banking) of Nigeria stock exchange was examined, further studies in order sectors covering wider spectrum is highly recommended. There is possibility that the outcome of similar studies in coming years (comprising more accounting periods) as the years of implementation advances would differ, which will enable us obtain more reliable results on the subject matter.

Conclusively, provided comparison of major financial ratios of listed banks in Nigeria Stock Exchange, it can be said that no significant difference exists under Nigeria-GAAP and IFRS. However, while IFRS ratios do not differ significantly overall, there were notable significant differences at level of individual ratios as confirmed by a conspicuous increase in debt to shareholders fund and dividend payout ratios.

Bibliography


