

The Effect of Ifrs Adoption on the Mechanics of Loan Loss Provisioning For Nigerian Banks.

Eneje¹, Beatrice Chinyere Obidike², Paul Chukwujekwu³

^{1,2,3}*Department of Accountancy, Federal University Ndufu Alike Ikwo, Ebonyi State, Nigeria*

Abstract: *This study aims at examining the effect of IFRS adoption on the mechanics of loan loss provisioning for Nigerian Banks. Specifically, it analyses how the change in the recognition and measurement of loan loss provision affects the accounting quality of banks thereby reducing the income smoothing behavior of the money deposit banks. In the model specified, loan loss provision for the current year was used as the dependent variable while non-performing loans at the beginning of the year, current changes in non-performing loans, current changes in total loans, earnings before taxes and loan loss provisions alongside with IFRS*Ebtllp were used as the independent variables. In line with the objectives of this study, secondary data were obtained from the deposit money banks annual reports and accounts covering the period of 2005 to 2015. Descriptive statistics and the ordinary least square multiple regression analytical method was used for the data analysis. It was found that the limitation to recognize only incurred losses under IAS 39 significantly reduces income smoothing and delay recognition of future expected losses. Based on the sampled bank dataset and results, this paper has shown that the post-IFRS has had significant effects on the mechanics of loan loss provisioning compared to the pre-IFRS era in the Nigerian Money Deposit Banks. It was recommended that banks CEO's should actively sensitize fresh accountants and auditors who are yet to be acquainted with IFRS guidelines and standards.*

Keywords: *IFRS adoption, non-performing loans, loan loss provisions, income smoothing.*

I. Introduction

The birth of (IFRS) International Financial Reporting Standard brought about by the whole issue of globalization. Globalization forces changes. As the world keeps turning, so the way in which things are done need to keep turning as well. Though, a change brings about a form of discomfort, but it opens door to endless opportunities which can be exploited for long term benefits (Camacho, 2011). This was supported by Adekayo (2011) that, "globalization is an idea whose term has come, our world is increasingly becoming a unified world and the only thing we can do is to take advantage of many opportunities that would come from it while overcoming the challenges that will also come from globalization". Globalization of financial reporting is an irreversible process, and there are many potential benefits to be gained from mutually recognized and respected international accounting standards. The adoption of uniform standards cuts the costs of doing business across borders by reducing the need for supplementary information. They make information more comparable, thereby enhancing evaluation and analysis by users of financial statement (Adekayo, 2011).

The recent global business failures, scandals and financial meltdown have attracted attention to the manner of financial reporting in the banking sector. Banking is essentially an international business, especially now that domestic financial markets in many countries are being internationalized. One implication of international banking is the necessity to develop and continuously review the reporting system which allows for a high degree of comparability of banking performance across national borders. Such systems have been evolved in such areas of banking practice as credit/loan classification, disclosure and provisioning. The burning issue around the globe centered on one aspect of bank accounting especially fair value accounting. Fair value accounting has been suspected to be the cause of bank crisis. Many contributors to the issue refused to accept the fact that loans represent the largest assets of bank total assets (Wallandkoch, 2000). Prudential guidelines for licensed banks issued by Central bank of Nigeria (CBN) and new IFRS measures loans on cost basis. Nonperforming loans on the books of accounting are being taken care of by loan loss provisioning by applying the impairment rules of the respective accounting years. Loan loss provisioning is a major accounting practice that mostly impacts the reported earnings of banks (Gebhardt and Novotny-farkas, 2011). The mandatory adoption of IFRS by licensed banks in Nigeria represents a major change in the recognition and measurement of the loan loss provision. There is totally a great difference from the IFRS measurement and recognition of incurred loss model and that of provision which existed in Nigeria before the IFRS adoption.

The incurred loss approach of IAS 39 requires banks to make provision only for incurred losses as of the balance sheet date. More so, losses expected as a result of future events (IAS 39.59) may not be recognized. But before the introduction of IFRS the situation was totally different in that local regulations allow banks to anticipate the losses likely to occur in future as a result of non-performance of the loan and allowed managers to

use their discretion in loss provisioning. The practice has been where licensed banks categorize a non-performing loan into three classes namely, sub-standard, doubtful or loss on the basis of criteria below:

- i) Objective criteria: loan on which unpaid principal and/or interest remain outstanding for more than 90 days but less than 180 days. Provision should be made of 10% of the outstanding balance.
- ii) Doubtful: Here both objective and subjective criteria should be used to identify doubtful loan facilities. This are loans on which unpaid principal and/or interest remain outstanding for at least 180days but less than 360 days and are not secured by legal title to leased assets, provision should be made of 5% of the outstanding balance.
- iii) Lost loan is one on which unpaid principal and/or interest remain outstanding for 360 days or more and are not secured by legal title to collateral, provision should be made of 100% of the outstanding balance.

Generally, each licensed bank is required to make a general provision of at least 1% of risky credit facility not specifically provided for.

The fundamental change in recognition measurement in loan loss provision on the reported earnings of banks prompted this study. Therefore this study seeks to investigate how the mandatory adoption of IFRS in the Nigerian banking industry most especially the change from anticipated to the incurred loss method affects the accounting quality of banks thereby reducing the income smoothing behaviour of Nigerian banks. The rest of the paper is structured as follows; following this introduction is the review of related literature. Methodological framework and data issues were the concerns of the section three while the presentation, analysis of data as well as discussion of findings are the concerns of section four. Section five concludes the study while itemizing policy implications from the study.

II. Literature Review

Several researchers have studied the effect of International Financial Reporting system (IFRS) adoption on the accounting quality of banks. Gunther and Zoltan (2010) examine the implication of mandatory IFRS adoption on the accounting qualities of banks in 12 EU countries. Analyzing how the change in the recognition of loan loss provision among others affects income smoothing behavior of the banks they report that the restriction to incurred losses under IFRS significantly reduces the ability of banks to engage in income smoothing. They however conclude that the effect is less pronounced in countries with widely dispersed ownership structures and strict banking supervision and that application of the incurred loss approach results in less timely loan loss recognition.

Isemla and Adeyemo (2013) investigated the perceived impact of Nigeria institutional infrastructure on the mandatory adoption of IFRS adopting a survey method while applying multiple regression techniques in testing two formulated hypotheses. The result shows that four of the five institutions namely educational institutions, professional Accounting bodies, legal framework, SEC and NASB are ready and strong enough to support the mandatory adaptation of IFRS. In Belgium, Jermakowicz (2004) examined the application and adoption of International Financial Reporting Standards (IFRS) by BEL-20 companies in Belgium and its effect on the consolidated financial statement of Belgium publicly traded companies. Adopting a survey study, they provide insights into IFRS implementation problems based on a survey of BEL-20 companies. They noted that implementing IFRS will change dramatically the way the companies design and handle both their internal and external financial reporting activities.

Barth Landsman and Lang (2008) found out that firms adopting IFRS have less earning management, more timely loss recognition, and more value relevance of earnings all of which they interpret as evidence of higher financial reporting quality. Bartovetal (2005) tested the effect of voluntary adoption of IFRS on German firms between 1998 and 2000 and found out that there was a non-significant improvement in the relationship between returns and earnings following the adaptation. Jermakowicz E. K., Prather- Kinsey. J. and Wulf, I (2007) reported an increase in the explanatory power of the book value of earning and equity with market value after the voluntary adoption of IFRS for a sample DAX-30 firm from 1995 to 2004.

Gjerde O., Knivsfla, K. and Sactem, F (2008) study using Norwegian setting, found that the book value of equity is more relevant under IFRS, whereas earning is more value relevant under Norwegian GAAP (NGAAP) measures based on a sample of 145 listed firms that voluntarily adopted IFRS.

Lee E., Walker, M. and Zeng, C (2013) evaluated the effect of IFRS - Converged Chinese Accounting Standard (CAS) by comparing the value relevance of financial statements issued before and after 2007. Value – relevance analysis examines the association between the share price of firms and the accounting information they issue. The result confirms that the mandatory of IFRS – Converged CAS from 2007 onwards has increased the informativeness of reported earnings in the Chinese equity market.

Wang, X., Young, D. and Zhuana, Z. (2008) and Horton (2008) Horton, J., Serafeim, G. and Serafeim, I. (2008).studied the information environment surrounding the mandatory introduction of IFRS. Their findings show that analyst forecast properties like forecast accuracy, analyst following the forecast dispersion, as well as the relative information content of earnings announcements, improve after the mandatory adoption of IFRS. In the same vein, Hail, Leuz and Wysocki (2009) in studying the global accounting convergence and the potential adoption of IFRS in the United States by analyzing the economic and policy factors. Their analysis shows that the decision to adopt IFRS mainly involves a cost benefit trade-off between

- 1) Recurring albeit modest
- 2) Recurring future cost savings that will largely accrue to multinational companies and
- 3) One-time transition cost borne by all firms and the U.S economy as a whole.

Iseunmila and Adeyemo (2013) carried out a study aimed at eliciting the opinion of shareholders in financial reporting in Nigeria regarding the necessity for the ongoing mandatory adoption of IFRS in Nigeria adopting a survey method and through the employment of one way repeated measurement analysis of variance and the likelihood ratio test. The study reveals out that there is a statistical difference in the perception of the shareholders about the desirability of the mandatory adoption of IFRS.

Daske, etal (2007) also found that company's adoption of IFRS creates unassailable economic gains in countries with uncompromising regulation over financial reporting. Bath, Landsman and Land (2008) in an attempt to determine whether IAS was affiliated with financial reporting quality found out that companies that apply IAS were of higher quality than non U.S companies that do not. Ezeani and Oladele (2012) adopting a survey study reported on the adoption of IFRS to enhance financial reporting in Nigerian Universities. Their finding indicated that there are a lot of accounting areas that the accountants and auditors should focus in discharging their duties. It was recommended that accountants and auditors should be acquainted with IFRS guidelines and standard.

Jannis (2009) reported on the effect of IFRS 7 adoption on bank disclosure in Europe. Using a sample of 171 banks from 28 European countries, the research analyzed the effect of the standard's first time adoption on disclosure quality. Findings show that the disclosure quality has generally increased both in financial statement and risk reports. It further shows that it is not only the content of IFRS 7 but also the enforcement of the standard that accounts for the increase in disclosure quality. Demerjan (2011), Christensen and Nikolaev (2012) found out that increased fair-value accounting in the U.S has eroded the use of balance sheet based debt covenants. Barth and Church (1998) also support the contracting view of using fair values as compared to the valuation view. Also, Costello and Wittenberg-Moerman (2011) find the accounting based covenant use fall when internal control weaknesses impede financial statement liability while Nikolaev (2010) finds evidence that accounting covenant use is associated with the degree of timely loss recognition. Gautam (2011) conducted a research titled "Mandatory adaption of IFRS: its effect on Accounting quality, information environment and cost of equity capital - The case of Swedish banks. He examined among others, earning management, loss earning and value relevance and finds little evidence of less earning management and unclear evidence regarding loss recognition and value relevance.

Dimos (2011) in a study tried to find out whether the disclosed fair value estimate of loans and advances held to maturity investment, deposit and other debt, as well as the recognition of derivatives of fair value, are value relevant and whether the adoption of IFRS led to a reduction in results. Their results show that the fair value of loans and advances and other debts are value relevant as is the recognition of derivatives of fair value.

Most empirical findings on banks support the view that five value estimates of most financial instruments are value relevant (Nelson< 1996, Armerd and Takeda, 1995, Bath etal, 1996, Seow and Tam, 2002),Sankar (2012) conducted a study to examine the impact of IFRSs in India banking Industry. The study concludes that IFRSs in India banking will bring many benefits to the industry along with some challenges like changes to existing law, skilled manpower and increasing cost which are to be taken care of in the future. Gebhardt and Novotny- Farkas, (2011) examine the implications of mandatory IFRS adoption on the accounting quality of banks in twelve EU countries. They analysed how the change in the recognition and measurement of banks' main operating accrual items, the loan losses provision affect income smoothing behavior and timely loss recognition. Findings show the restriction to recognize only incurred losses under IAS 39 significantly reduces income smoothing and that the application of the incurred loss approach results in less timely loan recognition implying delayed recognition of future expected losses.

III. Methodology

The research was designed to examine the effect of mandatory adoption of IFRS by Nigerian banks on the loan loss provisioning and income smoothing of the banks and as such adopts an ex post facto research design using data from the twenty two banks in the industry for eleven years study period thus qualifying it as a

panel data series study. Asika (2005) underscored the importance of ex post facto research by pointing out that such research provides a systematic and empirical solution to research problems, by using data which are already in existence. Importantly, the outcome of the analysis can provide considerable insight into future outcomes.

The variables used in the study and the model specification were based on established theoretical relationships, their use in previous studies and the availability of data. All the required data were sourced from the audited annual reports of the banks in which the financial statements were downloaded from the banks' websites for a period starting from 2005 up to 2015. All data are hand-collected from the financial statements. Hand-collection is necessary as most of the key variables used relates especially to non-performing loans and loan loss allowances.

Descriptive statistics and the ordinary least square multiple regression analytical method was used for the data analysis. Some statistical tools were employed to test the statistical significance of the variables. The analysis started with the test of stationarity of the time series data.

To test the general hypothesis that IFRS reduces income smoothing behaviour of banks, we follow existing literature and a modified multiple model of Günther and Zoltan (2010) and estimate the following model while including period and firm fixed effects in order to control for unobserved factors that might have an influence on the loan loss provisioning decision of Nigerian banks:

$$LLPit = \alpha_0 + \alpha_1 NPLit-1 + \alpha_2 \Delta NPLit + \alpha_3 \Delta Loansit + \alpha_4 RegCapit-1 + \alpha_5 REG * RegCapit-1 + \alpha_6 Ebtllpit + \alpha_7 IFRS + \alpha_8 IFRS * Ebtllpit + \Sigma Firm\ fixed\ effects + \Sigma Period\ fixed\ effects + \epsilon it(1)$$

Where:

LLPit are current year's loan loss provisions,

NPLit-1 are the non-performing loans at the beginning of the year,

$\Delta NPLit$ are the current changes in non-performing loans (*NPLit* - *NPLit-1*),

$\Delta Loansit$ are current changes in total loans (*Loansit* - *Loansit-1*). These variables capture the level (*NPLit-1*) and changes in banks' credit risk ($\Delta NPLit$; $\Delta Loansit$) and are included to control for the non-discretionary portion of loan loss provisions.

We include the lagged regulatory capital ratio, *RegCapit-1*, to control for the potential use of loan loss provisions for the purpose of capital management. Further, we incorporate the interaction term *REG*RegCapit-1* in order to account for the different regulatory treatment of general loan loss provisions across banks. Specifically, *REG* takes the value 1 for countries (i.e. France, Ireland, Portugal and UK) that treat the general loan loss provision as part of regulatory capital. Hence, we control for cross-country and cross-sectional differences in capital management incentives.

Ebtllpit is earnings before taxes and loan loss provisions and captures the extent to which banks provide for future expected loss and/or smooth their income before IFRS adoption. Given wide empirical evidence that banks smooth earnings through loan loss provisions, we expect a positive α_6 coefficient. *IFRS* is a dummy variable that has the value 1 (0) for IFRS (local GAAP) bank year observations. The interaction term *IFRS*Ebtllpit* is our main variable of interest. If IFRS adoption is effective in reducing income smoothing behaviour then we should observe a negative α_8 coefficient.

Apriori Expectation.

Variable	Expected sign of Coefficient
<i>NPLit-1</i>	+tive
$\Delta NPLi$	+tive
$\Delta Loansit$	+tive
<i>RegCapit-1</i>	
<i>REG*RegCapit-1</i>	
<i>Ebtllpit</i>	+tive
<i>IFRS</i>	
<i>IFRS*Ebtllpit</i>	-tive

The following accounting identity applies: $LLAt = LLAt-1 + LLPt - GCOt + Othert$, where *LLAt* is the ending balance of loan loss allowance, *LLAt-1* is the opening balance of the loan loss allowance, *LLPt* is current loan loss provision which effects net income, *GCOt* is current gross charge off and *Othert* represents other adjustments due to changes in the scope of consolidation and/or currency adjustments.

Testing for stationary

A variable was considered non-stationary if its calculated value was less than the critical value hence the justification for the existence of a unit root. On the other hand, a variable was considered stationary if its calculated value was higher than the critical value and this confirmed the absence of unit root. Hence, before

running the regression analysis, the properties of the time series were checked for unit root problems using the Augmented Dicky Fuller (ADF) test statistic and the result of the test are presented in the table below:

Table 1: Analysis of Stationarity Test.

Variable	Test Critical values			ADF	Status	d(y) ADF
	1%	5%	10%			
LLP	-1.332347	-1.444769	-1.687465	-1.134766	1(1)	-4.456379
NPL	-1.453638	-1.498374	-1.543639	-1.023433	1(1)	-4.445536
Δ NPL	-1.085345	-1.167264	-1.177860	-1.000333	1(1)	-4.202929
Δ Loans	-1.234529	-1.332735	-1.349389	-1.837491	1(1)	-5.006475
Ebtllp	-1.546639	-1.544533	-1.601294	-1.337423	1(1)	-4.645740
IFRS*Ebtllp	-1.620088	-1.622068	-1.700264	-1.300155	1(1)	-5.748391

Source: Author's Eviews output.

Where:

LLP = Loan Loss Provision for the current year

NPL = Non-performing loans at the beginning of the year

Δ NPL = Current changes in non-performing loans

Δ Loans= Current changes in total loans

Ebtllp = Earnings before taxes and loan loss provisions

IFRS*Ebtllp = International financial reporting standard, earnings before taxes and loan loss provisions

From the above diagnosis, the null hypothesis of a unit root is $H_0: a = 0$ versus the alternative: $H_1: a < 0$. The ADF unit root test result presented above shows that Loan Loss Provision; Non-performing loans at the beginning of the year; Current changes in non-performing loans; Current changes in total loans; Earnings before taxes and loan loss provisions and IFRS*Ebtllp are having unit root problems which are not stationary at level. However, by differencing, the non-stationary time series, they became stationary at 1st difference as their ADF test statistic is greater than their critical values at different levels of significance.

IV. Results And Discussions

As could be seen from this fig. 1 in the appendices, which shows the trend in the loan loss provision, loans and non-performing loans, it was observed that while the loans value maintained a steady growth, the values for loan loss provision showed a high inclination during the pre-IFRS era. This was one of the worst periods in the banking history of Nigeria.

The above is the time serial line graph representing the movement in Non-performing loans, loans and loan loss provisions after the adoption of IFRS. It was observed vividly that the provisions for loan loss by bank managers reduced drastically after the adoption of IFRS compare to the first graph where the cost was very high. The table below presents the descriptive statistics for the dependent and explanatory variables used in the study for the pre and post IFRS period of the Nigerian banks.

Table 2: Descriptive Statistics of the bank specified variables Pre-IFRS Adoption

	Δ LOAN	Δ NPL	EBTLLP	IFRS_EBTLLP	LLP	NPL
Mean	0.2448708	3930963.	14355786	3560199.	39265877	1.4596832
Median	0.1919699	1564516.	1953436.	56167.00	16818096	1.1294484
Maximum	48636708	18542216	87851598	33952264	4.859308	1.315608
Minimum	10358344	6874.000	18734.00	4236.000	2000471.	1032528.
Std. Dev.	1.147608	4578503.	20453267	7652078.	68591846	26317247
Skewness	1.469388	1.239718	1.661237	2.485487	4.504232	2.456567
Kurtosis	4.149167	3.740879	5.522485	8.353210	27.47542	9.402777
Jarque-Bera	29.04121	19.53146	50.75515	155.6550	1983.912	189.9754
Probability	0.000000	0.000057	0.000000	0.000000	0.000000	0.000000
Sum	7.431909	2.751308	1.00E8709	2.49E4308	2.751209	1.540509
Sum Sq. Dev.	9.011617	1.451115	2.89E1216	4.040615	3.252117	4.782216
Observations	70	70	70	70	70	70

Source: Eviews Output, 2016

Table 3: Descriptive Statistics of the bank specified variables Post-IFRS Adoption

	Δ LOAN	Δ NPL	EBTLLP	IFRS_EBTLLP	LLP	NPL
Mean	0.3425608	4983540.	31822252	2893895.	18958832	1.4713916
Median	0.3048708	2546782.	31280782	22283.00	13080622	1.1139748
Maximum	9.256108	16904300	84996482	43519651	1.189808	61764163
Minimum	2175156.	7684.000	39627.00	7998.000	1020534.	1752232.
Std. Dev.	1.783408	4729843.	30196360	9353626.	24933790	11157197
Skewness	1.187714	1.242468	0.658458	3.192089	2.698175	1.867314
Kurtosis	6.778066	3.603097	2.262657	12.07866	9.878190	8.369841
Jarque-Bera	35.68361	11.71504	4.081317	220.6970	136.9372	76.65222
Probability	0.000000	0.002858	0.129943	0.000000	0.000000	0.000000
Sum	1.476510	2.149808	1.373209	1.242108	8.150908	6.331108
Sum Sq. Dev.	1.323218	9.404314	3.831416	3.672215	2.612216	5.232115
Observations	43	43	43	43	43	43

Source: Eviews Output, 2016

The descriptive statistics as shown in table 1 & 2 in appendix shows that banks in Nigeria experience a significant growth in their loan portfolio during IFRS period with the mean value of 34.2% and median of 30.4%. Non-performing loans (NPL_{it-1}) remain relatively stable over the whole time period, and represent, on average of 1.47% and median of 1.11% of loans after IFRS adoption. The diagnosis of the earnings before taxes and loan loss provisions ($EBTLLP_{it}$) showed a slight increment, however, this increase is statistically not significant. Besides the impressive loan growth the most significant change between the two time periods relates to our dependent variable the level of loan loss provisions (LLP_{it}). Our result shows that the mean of LLP_{it} decreases significantly after IFRS adoption. On the aggregate, the descriptive statistics analysis suggests that although expected credit risk in Nigerian banks' balancesheets increased in the IFRS period, as indicated by significantly higher loan growth, bank managers decreased their loan loss provisions.

Table 4: Least Square Regression Results

Dependent Variable: LLP				
Method: Least Squares				
Date: 04/05/16 Time: 14:54				
Sample: 1 113				
Included observations: 113				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
NPL	3.846308	0.923412	4.165320	0.0001
Δ LOANS	-1.035958	0.099727	-10.387939	0.0191
EBTLLP	2.056080	0.575933	3.569998	0.0026
IFRS_EBTLLP	12.603584	3.840179	3.282030	0.0034
C	36408959	18915147	1.924857	0.0569
R-squared	0.540431	Mean dependent var		70003196
Adjusted R-squared	0.694095	S.D. dependent var		1.39E+08
S.E. of regression	1.31E+08	Akaike info criterion		40.26212
Sum squared resid	1.85E+18	Schwarz criterion		40.38280
Log likelihood	-2269.810	Hannan-Quinn criter.		40.31109
F-statistic	4.411103	Durbin-Watson stat		1.046927
Prob(F-statistic)	0.002426			

Source: Authors' Eviews Output, 2016.

The estimate in table 3 above indicates clearly that all the model variants estimated are statistically significant. As confirmed from the adjusted coefficient of multiple determinations which shows that 69.40% of the variations in the dependent variable were explained by our model. At F-statistic of 4.41% our model is significant as the probability of the F-statistic which is $0.0024 < 0.05$ significant values. The table also reveals that Non-performing loans being the key determinant of loan loss provisions have positive and significant relationship with the loan loss provision. This implies that the Loan loss provisions increase with the beginning level of non-performing loans (NPL_{it-1}) and the current change in non-performing loans, ΔNPL_{it} ($\alpha_1 > 0$ and $\alpha_2 > 0$).

The result also showed that there is a negative but significant relationship between Loan growth (Δ Loans) and loan loss provision (LLP). The coefficient on loan growth (Δ Loans) which is negative in this

output is contrary to our expectations. This variable should capture the change in risk inherent in the performing loan portfolio, i.e. loan growth implies increases in risk, and thus we would expect a positive coefficient. However, the result is in line with Laeven and Majnoni (2003), who also find a significantly negative coefficient on loan growth. They posit that the negative coefficient results from the pro-cyclical behavior of banks.

The above diagnosis also shows that earnings before tax is positively and significantly related to loan loss provision. This output is consistent with the income smoothing and in line with our apriori expectation.

V. Conclusions

This paper examines the effect of International Financial Reporting Standard adoption on the mechanics of loan loss provisioning for Nigerian Banks. The regression result provides empirical evidence on the accounting quality implications of the application of IFRS (IAS 39) within the Nigerian deposit money banking sector. It was found that the non-performing loans have positive and significant relationship with the loan loss provision. This implies that the Loan loss provisions increase with the beginning level of non-performing loans. The study also found that the application of stricter impairment rules reduces discretion in the main operating accrual in banks' accounts and the loan loss provision during the IFRS era. Based on the sampled bank dataset and results, this article has shown that the adoption of IFRS has had significant effects on the mechanics of loan loss provisioning in Nigerian Money Deposit Banks.

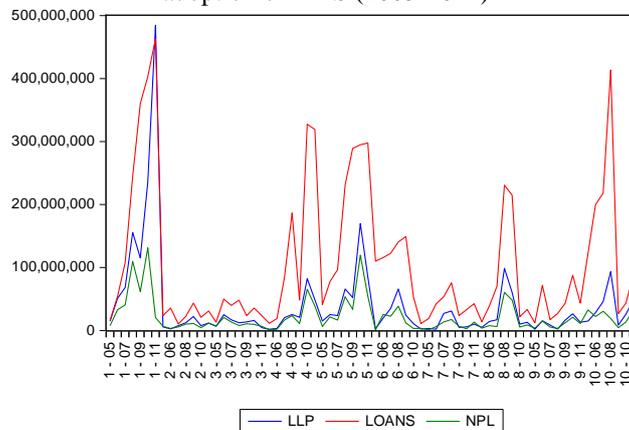
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Appendices

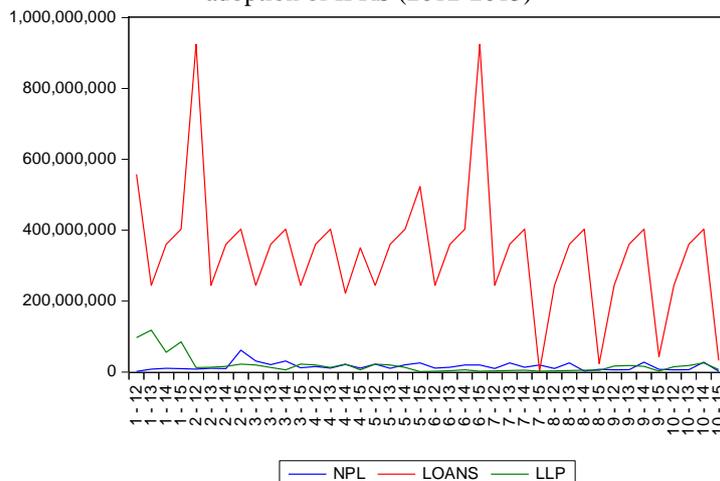
Fig. 1 Graphical Representation of the trends in NPL, Loans and LLP of Money Deposit Banks before the adoption of IFRS (2005-2011)



Source: Authors’ Eview Output.

Note:NPL = are the non-performing loans at the beginning of the year; Loans = are the current total loans; LLP = are the current year loan loss provisions.

Fig.2 Graphical Representation of the trends in NPL, Loans and LLP of Money Deposit Banks after the adoption of IFRS (2012-2015)



Source: Authors’ Eview Output.

Note:NPL = are the non-performing loans at the beginning of the year; Loans = are the current total loans; LLP = are the current year loan loss provisions.