VALUE RELEVANCE OF ASSETS AND LIABILITIES IN EMERGING MARKETS:
EVIDENCE FROM NIGERIAN FINANCIAL INSTITUTIONS

Muhammad Yusuf Alkali¹
Email: yusufalaklai68@yahoo.com

Nasiru Abdulsallam²
Email: naskaoje@yahoo.com

&
Almustapha A. Aliyu²

Abstract
The sudden fall of the Nigerian stock market from 2008 to 2009 impacted on the Nigerian financial institutions and made investors lose confidence in the capital markets. This situation provided an opportunity to study the value relevance of accounting information among Nigerian financial institutions. The study used 52 listed financial institutions in Nigeria. A common approach of stock prices model used in value relevance studies is employed for data analysis. Data is collected from Bank Scope and Osiri Data Stream. The findings of the study provide evidence of more value relevance of accounting information under International Financial Reporting Standard (IFRS). Furthermore, assets and liabilities provided positive and negative significant relationship with stock prices respectively. Lastly, the study provided evidence of value relevance of accounting information in the two periods of pre and post adoption of IFRS.

Keywords: value relevance, accounting disclosures, NGAAP, IFRS, financial institutions.

1. INTRODUCTION
The motivation for this study is from the recent adoption of the International Financial Reporting Standards (IFRS) by all listed firms on the Nigeria Stock Exchange (NSE) Market from 1st January 2012. The objective of the study is to investigate whether the value relevance of assets and liabilities under IFRS is more value relevant than assets and liabilities under Nigerian Accounting Standard (NGAAP). Value relevance is the “association between accounting amounts and security values” (Barth & Beaver, 2000). The ability for accounting reporting to summarise and capture accounting information affecting share information has been examined in testing the statistical relationship between accounting numbers and market values and mapping from financial statements to “intrinsic” value (Aboody, Hughes & Liu, 2002; Hellström, 2006; Tharmila & Nimalathasan, 2013). Similarly, value relevance of financial information can be predictive and statistically measured through the relationship between stock market values from

¹ Waziri Umaru Federal Polytechnic Birnin Kebbi, PMB 1034 Birnin Kebbi, Kebbi State, Nigeria.

² Usman Danfodiyo University Sokoto, Nigeria.
the information reported by the financial statement (Barth et al., 2001), with the ability of the information provided in the annual reports to summarise and capture firm value (Beisland, 2009; Kargin, 2013).

The premise of the study is also from accounting disclosures in financial statements, which provide users of accounting information with relevant information that can be significant for economic decisions. Financial data are the most important input for the valuation of firms stock prices (Wallace, 2009). Disclosure from financial data tends to provide more information on the valuation models (Barth, Beaver, & Landsman, 1996). Several studies have provided evidence of more value relevance of accounting information after the adoption of IFRS in both developing (Tsalavoutas, André, & Evans, 2012) and developed economies (Kadri, Aziz, & Ibrahim, 2009). Even though some literature provides a better relevance of accounting information under domestic accounting reporting for instance Kargin (2013) in his study reported earnings not to provide value relevance of accounting information after the adoption of IFRS.

Despite the relevance of Nigerian stock market in Africa and world economy, there are very few studies conducted on the value relevance of accounting information at the pre-adoption period (e.g., Kasum, 2011; Titilayo, 2011) and after the adoption of IFRS (e.g., Umoren & Enang, 2015; Mohammed & Lode, 2012b, 2015). These studies focused on the non-financial and financial, unlike the present study that examined total assets and total liabilities among Nigerian financial institutions. Financial institutions are selected for the study because they are considered to have contributed more than 65% of the total stock market in Nigeria, (Nigerian Stock Exchange, 2013). Also, Nigerian capital market is the second largest capital market after South Africa in the year 2013. The Nigerian financial institutions reporting after the adoption of IFRS provides more disclosures than the NGAAP period (Mohammed & Lode, 2012a). In the new accounting requirements, financial instruments are classified as financial assets and financial liabilities in IAS 39 unlike requirements in domestic accounting reporting.

The question is, to what extent does accounting disclosures under IFRS be more relevant in determining the stock prices over the period of transition from Nigerian accounting standards (Statement of Accounting Standard (SAS) to IFRS? This research investigated the value relevance of assets and liabilities for the pre- and post-transition to IFRS periods among Nigerian Financial Institutions.

2. VALUE RELEVANCE STUDY

The earliest use of the term “value relevance” was adopted in the study of Amir, Harris and Venuti (1993). Several researchers found that study interesting after the work of Amir (1993). For instance, Bath (1994) investigated value relevance of investments securities using two different measurement approaches of the historical and fair value of assets and earnings to stock prices. However, Ohlson (1995) first developed the model that associates relationship of firm’s stock price value to financial measures. Using the model, Ohlson (1995) provided firm value to be a linear function of accounting numbers (earnings, book value and other relevant information). One criticism of the model is that it does not provide a better explanation of the relationship between accounting disclosures and the stock market. The majority of the empirical studies on the relevance of accounting reporting have broadly recorded the significant statistical relationship between book values, earnings with share prices. For example, Collins, Maydew and

The conceptual framework of financial reporting of International Accounting Standards Board (IASB) 2010 addresses two key operational dimensions or qualitative description of accounting reporting that consist of relevance and reliability to present accounting numbers. The financial statement represents economic phenomena in figures and words, but for it to have relevance should be presented without bias (IASB, 2010). In this context, the value relevance of accounting numbers and stock prices contrary to the views of Barth et al. (2000) was considered. Other consideration was the relevance of accounting information to accounting numbers should be significant and reliable enough to investors as indicated in the share prices. For example, Barth et al. (2000) identified relevance as a predictive value, feedback value and timeliness, while reliability includes faithful representation, neutrality and verifiability. To further buttress this, Kommunuri (2008) provided that relevance and reliability of accounting information should possess two main characteristics of accounting information.

Accordingly, Brien (2005) relevance and reliability are the capacity of accounting numbers to summarise and capture accounting information that has a significant effect on stock prices. Therefore, the usefulness of accounting numbers and financial information must reflect the fundamental value of a firm (Barth et al., 2010). For example, the study of Holthausen & Watts (2001) examined whether the relations between accounting numbers and stock prices are value relevant in explaining market value. Investigating the relevance of accounting information means a researcher wants to find out if accounting numbers are used by stock investors as an input for valuation in the stock market (Beisland, 2009).

The IASC in 1989 considered the role of accounting information to be both confirmatory and predictive to market values and accounting numbers as well as interrelated to each other. Thus, the IASB in 2010 stated that “Financial information needs to be predictive or forecasted to have predictive value; financial report with predictive value is used by users in making their predictions”. Ebaid (2012) studied the influence of accounting-based methods on markets and prices and their predictive values to be referred to as the value relevance of accounting reporting. Thus, the overall book value of equity is value relevant when it can determine stock prices (Kargin, 2013). Similarly, Vishnani and Shah (2008) reported that, “Value relevance” denotes ability of the accounting numbers stated in the reports that explained the market price measures.

Beisland (2009) reported that majority of value relevance researches are related to market efficiency because they can provide the relationship between accounting measures and stock prices. Several studies used Ohlson model (1995) to explore the association between the stock market value of equity and accounting disclosure variables, such as book value per share (representing balance sheet), earnings per share (representing income statement), other comprehensive income and cash flows.

In the work of Francis and Schipper (1999), four possible interpretations of the assumptions of value relevance were considered. The first clarification is that the accounting measures lead stock prices by capturing intrinsic values of shares give the significance or meaning of stock
prices. Secondly, accounting reporting is value relevant once it can assist in predicting variables used in a valuation model. The third and fourth are more relevant when accounting information show the statistical association between accounting numbers or prices.

To (or “intending to”) expand the research on value relevance in other fields, like expenditure for advertisement in the pharmaceutical business, Gu and Li (2008) investigated the contribution of growing demand for expenditures in pharmaceutical companies with firm value. They are of the view that stock investors have an understanding of pharmaceutical firms’ advertisement as a source of economic benefit. Also, they also found that advertisement expenditure in pharmaceutical business has a significant relationship with firm’s and stock prices. Furthermore, they discovered expenditure has similar characteristics with capitalised intangible assets unlike research and development (R&D).

In the same vein, Holthausen and Watts (2001) critically evaluated standard setting inferences that are drawn from value relevance studies. They drew 62 value relevance research papers, from high-quality accounting journals for the period of 1980 to 2000. From the evaluation of the papers, it was reported that majority of the research used relative association studies and the rest use information content and association research. Vijitha and Nimalathasan, (2014) provides evidence from their studies on Sri Lanka stock exchange that accounting numbers have significant impact on share prices with significant correlation between accounting information and share price. Furthermore, a study on the value relevance of compliance with the mandatory adoption of IFRS was carried by Tsalavoutas and Dionysiou (2014) and established that mandatory compliance with adoption is value relevant. They further provide that the R² coefficient is high in the net income of those firms with high compliances in comparison with low compliance companies.

Barth, Beaver and Landsman (2000) and Holthausen and Watts (2001) in their study clarified some misconceptions about value relevance studies that: (i) empirical applications of valuation models are employed to discuss issues on the relevance of accounting information, even when the assumptions underlying models for valuations are simplified; (ii) the use of econometric models can be applied to moderate the relationship between the common econometric problems in value relevance studies; (iii) the study of value relevance can address the issue of conservatism, regardless of being inconsistent with the characteristics of accounting practice established by FASB. Fairly in fairness, in the absence of value relevance studies, it would be challenging to establish that accounting practice is conservative; and (iv) it enables researchers to understand how accounting numbers reflect accounting information used by the investors with regards to equity value of firms.

However, SAS 10 Part 1 and SAS 15 Part 2 were adopted from IAS 30: Disclosures in Financial Statements of Banks and Similar Financial Institutions issued in 1990. The Financial Reporting Council replaced SAS 10 Part 1 (1990) and SAS 15 Part 2 (1997) for “banks and non-banks financial institutions in 2011 with IFRS7 “Financial Instrument: Disclosure”. This is because International Accounting Standard Board (NASB) issued IFRS 7 to replace IAS 30 and removed duplicate disclosures by simplifying the disclosures concerning credit risk, concentration risk, market risk and liquidity risk in IAS 32 disclosures to IFRS 7 from 1st January 2007 (IFRS 7; IN3). Subsequently, IAS 32 was renamed Financial Instruments: Presentation. IAS 32 and IAS
Financial Instruments: Recognition and Measurements are being used for financial assets and financial liabilities even though IFRS 7 replaced IAS 32 disclosures.

The results of prior literature has mixed results on the findings of value relevance of book value and its components as measured by the balance sheet, i.e., the net assets less liability presented to common shareholders. Balance sheet disclosures on assets and liabilities provide information needed by the investors for decision-making. Thus, Nigeria which is the second biggest capital market in Africa after South Africa, expects assets and liabilities to be more value relevant to investors under the new accounting reporting.

Thus, value relevance of assets and liabilities can increase or decrease because of new accounting regulations depending on the complexity of the number of several factors. Nevertheless, the most fundamental consideration is if the net benefit from having more disclosure could be positive or negative specifically using IFRS for financial instruments. Hence, hypotheses for this study are as follows:

**H1:** Assets and liabilities disclosed under IFRS are more value relevant than assets and liabilities disclosed under NGAAP among Nigerian Financial Institutions

3. METHODOLOGY

Based on the intention of the present study described to examine whether accounting disclosure is more value relevant under IFRS than NGAAP for total assets (TA) and liabilities (TL) and selected assets and liabilities. Consequently, these disclosures TA, TL and selected assets and liabilities relationship with stock prices. All the disclosures under stock prices model are deflated by the total number of outstanding shares. The sample for the study is from the 52 financial institutions for the TA, TL and selected assets, to generate information, several regressions, particularly a price regression( for instance, Hellström, 2006; Venkatachalam, 1996). These regression models have been accepted in value relevance studies (Barth, Beaver, & Landsman, 2001). Prices regression investigate how accounting measures are reflected in the price level. These models approach describe the relationship between accounting disclosures with price (Barth et al., 1996; Venkatachalam, 1996).

The choice of either using the stock price depends on determining what is reflected in the value of the firm or in determining what is reflected in the change on firm over a certain period (Barth & Beaver, 2000). The more convincing evidence is provided when using price and stock models in a study (O’Hanlon, 2009). From both stock prices, model models, panel analysis of data are presented for the disclosures in examining the value relevance of the study.

In modeling variation approaches, two standards were used namely (i) fixed effect model, and (ii) random effect model. Hausman test is conducted to find the most appropriate model between FE and RE. This allowed for the running of simple OLS. Lastly, robust standard error analysis was conducted to remove heteroscedasticity as in (Ahmed & Ismail, 2014; Dosamantes, 2013).

**Total Assets and Liabilities Models**

3Hausman test provided a null hypothesis that differ in coefficient (not systematic P < 0.05)
The equation model described the association between assets and liabilities and stock prices which has been derived from Ohlson (1995) and Easton and Harris (1991). This are derived based on the disclosure requirements as in IAS 39 classifications of financial assets.

Model 1.

\[ P_{rit} = \alpha_0 + \beta_1 T_{Ai} + \beta_2 T_{Li} + \mu_{it} \]  

\( P_{rit} \) = Stock prices per share at end of three months of the fiscal year end  
\( T_{Ai} \) = Total assets per share for firm i for the period t  
\( T_{Li} \) = Total liabilities per share in firm i for period t  
\( \mu_{it} \) = random error term or disturbance error  
\( \alpha, \gamma, \beta, \alpha = \) regression coefficient to capture the fraction of prices.

4. DATA AND DESCRIPTIVE STATISTICS

The accounting disclosures collected for this study are market value, total assets (ta) and total liabilities (tl). The reasons for the selections of these disclosure based on the fact that the failure of financial institutions in Nigeria is reported to have been from the non-compliance with the accounting reporting.

Price model in Table 1 below present descriptive statistics for assets and liabilities. The panels contain 156 observations from 52 listed financial institutions in the Nigerian stock markets for the year 2009 to 2011. Under IFRS, the sample observations are for the period from 2012 to 2013 and contain 104 observations because there were only two years for the 52 listed financial institutions.

In Table 1 the stock price descriptive statistics in all models show the mean (median) under NGAAP (2009 to 2011) to be NGN0.74520 (USD0.0048) kobo per share and a standard deviation of NGN4.0486 (USD0.0026) kobo per share. The minimum value present a negative value of NGN-0.37 (USD-0.0002) kobo per share, which is attributable to the Great Niger Insurance Nigerian limited and a maximum NGN34.60 (USD0.2232) kobo per share attributed to the Diamond Bank Plc. However, under IFRS, the mean value was NGN1.4019 (USD0.0091) kobo per share, the standard deviation was NGN5.3553 (USD0.0346) kobo per share, and a minimum of NGN-12.1 (USD0.0781) kobo per share shown for Diamond Bank Plc and a maximum of NGN45.00 (USD0.2903) kobo per share increase in share price shown for Stanbic IBTC Plc. The mean value under IFRS was higher than the mean value under NGAAP. Also, the share price diverged by NGN4.05K (USD0.0026) from the mean from under NGAAP while under IFRS the deviation was greater being NGN5.36 (USD0.0346). During 2013, Stanbic IBTC Bank of Nigeria recorded higher share prices from the last trading of NGN45 per shares showing an increase in share prices.

This is not surprising because during the period from 2008 to 2009 a drastic fall in share prices was produced because of the financial crisis during the period. Also, in January 2013, the NSE
injected six secondary fixed income liquidity traded in the market to provide market liquidity (NSE, 2012).

Table 1
Descriptive Statistics
Panel 1A: Stock Prices Model: Assets and Liabilities and Component of Assets and Liabilities Data (In Billions of NGN)

<table>
<thead>
<tr>
<th>Variable</th>
<th>NGAAP 2009 to 2011</th>
<th>IFRS 2012 to 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Obs</td>
<td>Mean</td>
</tr>
<tr>
<td>Pr</td>
<td>156</td>
<td>0.74520</td>
</tr>
<tr>
<td>Ta</td>
<td>156</td>
<td>16.9732</td>
</tr>
<tr>
<td>Tl</td>
<td>156</td>
<td>14.0306</td>
</tr>
</tbody>
</table>

Note: There were 156 observations of variables of which 45 were for non-performing loans applicable to banks only. From 2012 to 2013, there were 104 observations of all variables of which 30 were for non-performing loans because of the number of years was two. The years from 2009 to 2011 comprised the period before the adoption of IFRS while the years from 2012 to 2013 comprised the period after the adoption of IFRS. $P_{rit}$ = price per share 3 months after the financial year under examination (t) (30th April XXX); $t_{ait}$ = Total assets per share for firm i at period t; $t_{it}$ = total liabilities per share for firm i at period t.

Pearson correlations
Panel 1A and 1B show a correlation matrix under NGAAP and IFRS for the balance sheet models. Table 2 shows that all variables were significantly correlated either positively or negatively. Under NGAAP from Panel 1A the variable ta had a positive correlation of 0.2502 at the 1% significance level with the stock price, signifying that an increase in ta will provide an incremental increase in stock price. Also, a negative correlation with a coefficient of -0.1346 exists for tl at a significance level of 1% with the stock price. This shows that a decrease in tl will produce an increase in stock price. However, under IFRS in Panel 2A, the variable ta had a correlation coefficient of 0.2810 at a significance level of 1% with the stock price. The variable tl had a coefficient of -0.1346 under IFRS at 1% significance level that is greater than tl under NGAAP. These results, which were positive for ta and negative for tl, were expected based on the prior literature (Barth et al., 1996).

Table 2
Pearson’s Correlation for Assets, Liabilities
Panel 1A: Stock Prices under NGAAP (2009 to 2011)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pr</th>
<th>ta</th>
<th>tl</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pr</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ta</td>
<td>0.2502***</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Tl</td>
<td>-0.1346**</td>
<td>-0.2673</td>
<td>1.000</td>
</tr>
</tbody>
</table>
Value Relevance of Assets and Liabilities in Emerging Markets: Evidence from Nigerian Financial Institutions

Note: This table shows the Pearson correlations under NGAAP between independent and dependent variables. All variables are defined in Table 5.1 above. The correlations matrix has shown that total assets are positively correlated with the stock price, and liabilities are negatively correlated with stock price.

Panel 2B: Stock Prices under IFRS (2011 to 2012)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pr</th>
<th>ta</th>
<th>tl</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pr</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ta</td>
<td>0.2810***</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Tl</td>
<td>-0.1954***</td>
<td>0.0960</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Note: This table shows Pearson correlations under IFRS between independents and dependent variables. All variables are defined in Table 5.1. The correlations matrix has shown that total assets are positively correlated with stock price and liabilities are negatively correlated with stock price. oaa and tga have negative correlations with stock price. *** , ** , * indicate significance levels of at 0.01, 0.05 and 0.10 respectively.

Value Relevance of Regression Models

Assets and liabilities
The data was checked for skewedness and kurtosis. The results reported to have been normally distributed. This is because all variables were found to have skewed values between -1 and +1. One of the most significant aspects of regression is the assumption of the normal distribution (Hair et al., 2007). The kurtosis between independent and dependent variable ranged between of -3 to +3, which is the maximum limit for data to be assumed to be normal (Tabachnick & Fidell, 2013).

Multicollinearity was also examined. All the models had VIFs that were less than the maximum factor index for Multicollinearity, which is 10. Furthermore, the variance factors (1/VIF) for all the variables in the models were less than 10. The results in the models provide evidence that Multicollinearity was not an issue.

Model 1A in Table 5 below presents the regression analysis of total assets and total liabilities. The variable ta under NGAAP had a positive coefficient of 0.048 and was statistically significance at the 1% level in explaining share prices. The findings for ta under IFRS had a larger coefficient of 0.800 with a statistical significance of 1% in explaining share prices. The positive coefficient under NGAAP and IFRS provide evidence that accounting information is value relevant and has a strong relationship with stock price. The higher coefficients under IFRS document the change from NGAAP to IFRS, thereby providing evidence of an increase in the value relevance of accounting information under IFRS. This finding can be linked to the study of Kadri et al. (2009) that reported positive coefficient change from domestic accounting regulations related to IFRS that demonstrated the relevance of the incremental value of additional accounting information.
However, $tl$ had a negative coefficient of -0.452 under NGAAP at the 5% level in explaining share prices. The coefficient of $tl$ under IFRS was also negative with a value of -0.181, but had a greater significance level of 1% in explaining share prices. The negative sign under $tl$ shows that the decrease in $tl$ as the result of the change in accounting regimes provided an increase in value relevance under IFRS. This result is consistent with those of Barth (1994), Landsman (1986), and Song et al. (2010) who showed that the coefficients of assets and liabilities were positively and negatively related to stock price respectively.

**Table 5**

**Model 1 Results of the Regression on Assets and Liabilities**

\[ Pr_{it} = \alpha_0 + \beta_1 TA_{it} + \beta_2 TL_{it} + \mu_{it} \]  

**(1a)**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coef.</th>
<th>t-value</th>
<th>p-value</th>
<th>Coef.</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.060</td>
<td>-0.15</td>
<td>0.882</td>
<td>0.387</td>
<td>1.56</td>
<td>0.124</td>
</tr>
<tr>
<td>$Ta$</td>
<td>0.048</td>
<td>3.30</td>
<td>0.002</td>
<td>0.801</td>
<td>3.48</td>
<td>0.001</td>
</tr>
<tr>
<td>$Tl$</td>
<td>-0.452</td>
<td>-2.58</td>
<td>0.013</td>
<td>-0.181</td>
<td>-3.41</td>
<td>0.001</td>
</tr>
<tr>
<td>Hausman</td>
<td>0.000</td>
<td></td>
<td></td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>33.87</td>
<td></td>
<td></td>
<td>10.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob. (F-statistic)</td>
<td>0.000</td>
<td></td>
<td></td>
<td>0.0001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wald chi2</td>
<td>20.63</td>
<td></td>
<td></td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>49%</td>
<td></td>
<td></td>
<td>61%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note:* Regression analysis of NGAAP and IFRS, $pr =$ price per share, $ta =$ total assets per share and $tl =$ total liabilities per share, NGAAP is the period before the adoption of IFRS (2009 to 2011) and IFRS is the period of adoption (2012 to 2013). The sample comprises 52 financial institutions with 156 observations (3 years) before the adoption of IFRS. After the adoption, the sample remained the same (52) but has 104 observations because of the number of years (2 years).

The stock price of Panel 1a above indicates that under NGAAP$ta$ and $tl$ had values that were related to information provided to investors. This is proven by the t-value under NGAAP of $ta$ and $tl$ ($t = 3.30$ and $-2.58$ respectively) indicating that a greater relationship exists between the variables and stock price. The model also proved that accounting information was more value relevant under IFRS that as demonstrated by the higher t-value of $ta$ and $tl$ ($t = 3.48$ and $-3.41$) indicating a greater relationship with stock price. The model indicates that banks in Nigeria provided value relevant accounting information from 2009 to 2013 on $ta$ and $tl$.

The F-statistics had a p-value ($p \leq 0.000$) under NGAAP and ($p \leq 0.0001$) under IFRS, which were highly significant, and the two models had an acceptable goodness of fit. This is because the p-values ($p \leq 0.05$) showing also the models are good. The results provide considerable support that $ta$ under NGAAP and IFRS had a positive relationship with stock price. Furthermore, $tl$ had a negative relationship with stock price consistent with the findings of Barth et al. (1996).
The outcome of the FE analysis under NGAAP shows that the model provides a good fit with an Adjusted $R^2$ value of 49% that is almost similar to that of Clarkson et al. (2011) which had a value of 47.6% under local GAAP. The results in this current study provide evidence that independent variables had a good relationship with the dependent variable. Furthermore, the results demonstrated that the independent variable accounted for only 49% of the difference with the dependent variable. The balance of 51% showed that other factors like government intervention or the business environment affected the financial institutions.

The FE result under IFRS had a higher Adjusted $R^2$ of 61% that was lower than the findings of Barth et al. (1996), which reported 71% under fair value accounting. This suggested that the model is stronger under IFRS because $R^2$ measures the strength of a model (Kadri, Abd Aziz, et al., 2010). The result indicated that the Adjusted $R^2$ of 61% had a greater impact on explanatory variables on the dependent variable under IFRS. The result shows that the value relevance of accounting information to investors accounted for 29% of the stock price variation of firms. This finding is consistent with that of Eng et al. (2013), who used $R^2$ to determine value relevance of accounting information under IFRS.

Two models were used in the study. The value of the Hausman test under NGAAP had a p-value of 0.523. This shows that RE was the best model for the study. To determine the applicability of RE, the LM test was conducted to compare LM and OLS. The further analysis had a p-value of 0.000 signifying that the RE model was the most appropriate model. In contrast, the value of the Hausman test of 0.000 favoured the FE model under IFRS. This led to using FE under IFRS. The Wald test under NGAAP showed that the model was adequate.

In summary, the reported Adjusted $R^2$ for IFRS in the model was higher than the Adjusted $R^2$ for NGAAP, demonstrating that more explanatory power of accounting information was present under IFRS. Also, the coefficient under IFRS for stock price was higher than the coefficients for a stock price under NGAAP. The significant value of $tl$ under IFRS was also higher than $tl$ under NGAAP. All variables were found to be value relevant under the NGAAP and IFRS using the stock price model. These results are consistent with those of Bath et al. (1996) and Venkatachalam (1996) reported that assets and liabilities were significant in providing relevant information to the investors. This finding implies that investor uses $ta$ and $tl$ to determine the value of accounting information in the Nigerian stock markets.

5. CONCLUSION

Literature and studies have supported the notion that accounting information has decreased in value relevance over the past few decades. The results of the study showed that assets and liabilities, income and expenditure and cash flows captured most of the required information in determining the value relevance of accounting information among Nigerian financial institutions. The findings of the present study generally show that accounting disclosures under NGAAP and IFRS adoption have statistically significant findings in explaining share prices. Specifically, the disclosures reported from financial statements of financial institutions such as; assets and liabilities

The results also show that for both NGAAP and IFRS, assets and liabilities, are positively and negatively related to the stock market value of the equity for the stock price. These findings are
consistent with prior value relevance related studies, which originated from the seminal works of Ball and Brown (1968) and Beaver (1968). The results are similar in some points, with the theoretical assumptions of the EMH for the listed firms. However, unlike prior literature on value relevance research in emerging markets, the present study found relatively higher Adjusted R²'s (explanatory power) in regression measurement. This indicates that an increase in the value relevance of accounting information grew from NGAAP to IFRS over the period.

The most significant aspect of the present study within the period of NGAAP and the transition-reporting period of January 2012 is the mixed empirical signals on the variables adopted as they exhibit greater and lower value relevance of accounting information after the adoption of IFRS. Furthermore, the empirical findings from the stock price model shows significant signs of increase and decline in the value relevance of information as well as a rise in value relevance in the disclosures. Namely, total assets and total liabilities have shown an increase in value relevance during the transition periods. The possible explanation of this finding can be attributed to the fact that period of transition was characterised by a greater use of IFRS by the banks.

Again, the findings of the present study have shown that markets provide signals to explain behaviour of accounting reporting under NGAAP and IFRS using the stock price. Connelly, Certo, Ireland, and Reutzel (2010), for example, were of the notion that managers and investors must make a choice on whether and how to send information (a signal), while other users (the receivers) should choose the method of how to understand the signal from the market. This process and understanding derived from it will further increase investors’ confidence in the market based on the new requirements of IFRS standards.

Furthermore, the findings of the present study show significant evidence of the increased relevance of accounting information among Nigerian financial institutions during the period of IFRS adoption evident in the Adjusted R². The present study concludes that financial institutions reports of accounting information, disclosure of assets and liabilities statements will increase the relevance of accounting information. Today, financial institutions have recovered much of the decision usefulness lost under NGAAP. However, this regaining of the value relevance of financial institutions could be as the result of adopting IFRS, which can further be studied because the CAMA 1990 requirement is not in alignment with IFRS. Furthermore, CAMA emphasises the use of historical cost accounting rules for all listed firms in Nigeria. This requirement of CAMA is in conflict with IFRS requirements for fair value measurements.

Lastly, further studies can be conducted using stock return model for any change in the value relevance of accounting information.
REFERENCES


