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## Board Characteristics and International Financial Reporting Standards (IFRS) Compliance among Nigerian Listed Companies: Mixed Method Approach


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**Abstract**

*Many companies claimed to have prepared IFRS financial statements but the fact differs due to varying levels of IFRS compliance which have been attributed to failure to adhere to corporate governance code particularly on-board members. The IFRS compliance variability consequently limits the potential effect of IFRS and impairs the ability of users from making rightful decisions. Having board members does not necessarily indicate their efficiency or effectiveness with regards to corporate financial reporting responsibilities but their characteristics do. Therefore, this study is motivated to examine how board member characteristics influence the IFRS compliance level among companies listed in Nigeria using a convergent parallel research design of a mixed-method approach. Quantitative and qualitative data were collected concurrently, analysed separately, and merged the results during interpretations. 609 annual reports of 87 companies listed in Nigeria from 2012 to 2017 were employed and analyzed using panel data regression. Meanwhile, qualitative data obtained through interviews of 7 staffers of FRC, NSE, CAC and Nigerian listed companies were narratively analyzed. The findings of the study revealed that board size ($\alpha$=0.00485, P<0.1), foreign board member ($\alpha$=0.0942, P<0.01), board diligence (meeting) ($\alpha$=0.0942, P<0.01) have statistically significant impact on IFRS compliance. Results were also corroborated by the qualitative findings that the IFRS compliance level is achieved where entities complied with corporate governance structure. The study concluded that the level of IFRS compliance is influenced by board size, foreign board member and board diligence (meeting). Therefore, the study recommends that the regulatory body should ensure that all listed companies in Nigeria maintain the required minimum board size, board members should regularly meet as required and sanctions should be attached in case of non-compliance.*



***Keywords:*** *IFRS compliance, Board diligence*


## 1. Introduction

A good financial reporting practice supported by quality accounting standards is a pre-condition for good decisions (Welch, 2011). The harmonization of financial reporting practices all over the world had resulted in the emergence of International Financial Reporting Standards (IFRS) (Ali, Merve & Başak, 2016). This has made investors and other users to have full confidence in companies' financial statements. The use of IFRS had gained momentum from the western world to developing countries (Asian & Dike 2015; Mulenga, 2016). The decision of the European Union to adopt IFRS on or after 1 January 2005 had resulted to uniformity of accounting standards in the developed countries and this represents an important change in financial accounting regulation (Ali et al., 2016). The compulsory adoption of IFRS in Australia, Canada, Korea, New Zealand,


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Brazil and many other countries have encouraged some countries such as United States, Japan, India, Russia, Colombia, etc. to consider adoption or convergence with IFRS (Deloitte, 2018; Paul, Peter & Dang, 2014).

These also triggered IFRS adoption in some African countries such as Ghana, Nigeria among Africa countries. As part of the effort to adopt IFRSs in Nigeria, the Federal government of Nigeria introduced significant reforms in 2010 which were aimed at promoting confidence in corporate reporting and governance practices. This led to the establishment of a committee on a road map to the IFRS adoption in Nigeria. The committee proposed the Financial Reporting Council of Nigeria (FRC) to be structured to provide a platform for ensuring the enforcement and monitoring of IFRS adoption (Nigerian Accounting Standard Board (NASB), 2010). IFRS adoption took effect on or before 1st January 2012 with companies listed in Nigeria (Augustine & Famous, 2014).

International Accounting Standard (IAS) 1 specifically requires firms to give explanations for differences in disclosure requirements after the adoption of IFRS. These explanations detailed how the implementation was performed and has been a great task for many listed companies including Nigerian listed companies (Edogbanya & Kamardin, 2014). While IFRS adoption has significantly improved the consistency of accounting information, the burden of complying with IFRS disclosure requirements is complex (Amiraslani, Iatridis & Pope, 2013). The existence of legislation (IFRS) and regulatory bodies, such as International Accounting Standard Board (IASB) and FRC does not guarantee full compliance with all the required disclosures because there is evidence that there are differences in compliance level among companies who claim to have complied with IFRS in preparing their financial statements (Tsalavoutas, 2011).

This has been attributed to the absence of "bright-line" rules on the level of compliance coupled with the failure of auditors to express an opinion regarding the extent of IFRS compliance (Daske, Hail, Leuz & Verdi, 2008; Fernandes, 2017; Verriest, Gaeremynck & Thornton, 2013). The variability in the IFRS compliance level has been identified by IASB has resulted in the production of irrelevant financial information (IASB, 2018). This has posed a significant challenge to the veracity, credibility, and utility of accounting information emanating from the IFRS financial reporting system and limits the potential effect of IFRS adoption. This consequently impairs the ability of investors and other market participants to compare financial information of different firms and results in wrong investment and business decision such as the sub-optimal deployment of capital; misallocation of resources; substantial opportunity cost and wrong investment as a result of unrealistic vision (Ahmed, 2011; Al-Mutawaa, 2010; Fernandes, 2017; Verriest et al., 2013).

Nobes (2013) and Modugu and Eboigbe (2017) noted that a company's governance practice influences the level of IFRS compliance even after the transition to IFRS. The failure of organisations to comply fully with IFRS renders the financial reports unacceptable. It could lead to litigation problems and eventual collapse of the company (Feng, 2014). Among all the corporate governance mechanisms, board membership has been recognized as the most important with regards to corporate financial reporting responsibilities (Modugu & Eboigbe, 2017). The directors of a company are in charge of the company's governance. They provide all the required resources, financial and non-financial, to guarantee that the interest of owners and other users are taking into consideration (Joseph & Ahemd, 2017). Therefore, the board serves as the internal control system that monitors top management and safeguards shareholders' interests. It is also the responsibility of the board to make sure that the financial report of the company meets the requirements of IFRS and reflect the correct financial status of the company (CAMA, 2004).

The existence of board members does not necessarily imply that the corporate reporting responsibilities are carried out in line with IFRS requirement but the characteristics of the board members might reflect their performance with regards to corporate financial reporting responsibilities (Feng, 2014). Therefore, the individual characteristics of the board members have strong decision-making power on IFRS compliance. With regards to the size of the board members, a small board size increases the degree of coordination and communication while large board members might awake some forms of managerial entrenchment (Vafeas, 2005). This implies that a large board size increases the problem of coordination and communication while limiting the ability of directors to properly oversee the affairs of management regarding the decision on the level of IFRS compliance.

The existence of an independent director is to control and check management decisions, particularly on financial reporting related matters. Their existence will not affect if such an independent director is not competent and knowledgeable on corporate financial reporting regulations, such as IFRS, to check the managers (Adegbie & Fofah, 2016). Many corporate frauds have associated with the nomination or appointments of members of the board and committee with little or no financial skills and knowledge (Cornett, Nutt & Tehranian, 2009). The absence of gender diversity in the board reduces access to an expanded pool of female candidates who have higher quality on corporate financial reporting regulation and willingness to monitor the level of IFRS compliance (Lipton & Lorsch, 2011). This calls for an increasing number of women in the top executive teams.

The inability of the board members to possess these characteristics is affecting adherence to accounting rules and regulation such as IFRS compliance (Ebrahim & Fattah, 2015). The concern of non-compliance with corporate governance mechanisms and corporate financial reporting regulation was further evidenced in a survey conducted by Nigerian Stock Exchange Commission (SEC) which reported that only 40% of the quoted companies in Nigeria fulfilled the provisions of corporate governance and other corporate disclosure requirements such as IFRS (Ahmad, 2011). And companies with weak compliance levels in corporate governance mechanisms and corporate financial reporting regulation suffer most in cases of any financial scandals (Abdullah, Evans, Fraser & Tsalavoutas, 2015).

The collapses of high-profile corporations like Enron, Worldcom, etc have redirected the focus of regulators and users to the importance of maintaining high profile board members through robust corporate governance mechanisms to promote IFRS compliance (Marshall, 2015). Previous literature on IFRS primarily focus on effects of IFRS adoption on financial statements, performances and the challenges (Adebimpe & Ekwere, 2016; Asian & Dike, 2015; Bala, 2013; Barth, Landsman, Lang & Williams, 2012; Edogbanya & Kamardin, 2014; Josiah, Okoye & Adediran, 2013; Liao, Luo & Tang, 2015) but failed to distinguish between the adoption of IFRS and IFRS compliance. This implies that the extent to which companies comply with the disclosure requirements of IFRS is largely unexplored. The literature on the effect of board member characteristics and IFRS compliance is limited especially in Nigeria.

Therefore, the current study intends to examine the influence of board members' characteristics such as the size of board member, foreign board member, board gender diversity, board member diligence, board independence and board member trained abroad on IFRS compliance level. This leads to a research question that seeks to assess the impact of board members' characteristics on IFRS compliance level among listed companies in Nigeria. Consequently, the study developed the main hypothesis which states that board members' characteristics do not significantly influence IFRS compliance among listed companies in Nigeria. This led to the development of six (6) sub-hypotheses as follows:

*H01:1: The size of board members does not significantly affect IFRS compliance level among listed companies in Nigeria.*
*H01:2: Independence of the board member does not significantly relate to IFRS compliance level among listed companies in Nigeria.*
*H01:3: The presence of foreign board member does not significantly influence IFRS compliance level among listed companies in Nigeria.*
*H01:4: Possession of international experience by board member does not significantly affect IFRS compliance level among listed companies in Nigeria.*
*H01:5: Proportion of women to men on the board of listed companies in Nigeria does not significantly associate with IFRS compliance level.*
*H01:6: Board diligence (meetings) does not significantly relate to IFRS compliance level among listed companies in Nigeria.*

The present study contributes to the sparse literature on IFRS compliance and the related influences particularly board members' characteristics. This study also redirects the attention of policymakers to the effect of IFRS compliance on the quality of financial information and business and investment decision. Meanwhile, the study focuses on all quoted companies on the Nigerian Stock Exchange (NSE) from 2012 to 2017. The choice of 2012 as the base year was that all listed companies in Nigeria were compulsorily directed to adopt IFRS on or before 1st January 2012 and the last available financial statements at the time of this study were 2017 financial statements.

Different authors had computed IFRS compliance index using disclosure requirements of different IFRS. The selection of IFRS for measuring compliance index was determined by the focus of the study. The IASB has published many standards but this study considers general presentation standards such as (IAS 1: Presentation of financial statements, IAS 7: Statement of cash flow; IAS 8: Accounting policies, change in accounting estimates and error; IAS 10: Events after the reporting period are the reporting standards; IAS 24: Related party disclosures, IAS 26: Accounting and Reporting by Retirement Benefit Plans, IAS 29: Financial reporting in hyperinflation economics, IAS 32: Financial Instruments Presentation, IAS 33 Earnings per share, IAS 34: Interim financial reporting, IFRS 1: First-time adopters of IFRS, IFRS 7: Financial instruments disclosure, IFRS 8: Operating segments, IFRS 12 -Disclosure of Interests in Other Entities and IFRS 13: Fair value measurement) regardless of industrial sectors of the listed companies are considered in the study.

## 2. Literature Review

### *2.1 Conceptual Framework*

#### Adoption and Compliance with IFRS

An accounting standard is seen as a guideline from which monetary information is prepared for various businesses, economic and investment decisions. It enhances the standardization in the published financial statements, its comparability and understandability (Yahaya, 2011). Thus, companies with poor disclosure would result in the production of inconsistencies and distorted financial reports (Josiah et al., 2013). Accounting standards are man-made-regulations on financial data for decision by investors and other users (Anao, 1996). They represent the best possible guides which change often due to influences of business practices. Therefore, accounting standard such as IFRS is the most popular changer of accounting practices coupled with the support of IASB in ensuring compliance (Josiah et al., 2013).

IASB developed IFRS rules and guidelines to provide quality and accurate accounting information. IFRS nowadays found as the global set of standards which promotes harmonization, consistency, and quality in corporate financial reporting (Godfrey, Hodgson, Tarca, Hamilton & Holmes, 2010). The adoption of IFRS was more voluntarily and was never made compulsory on any country's accountancy profession. However, there is a problem of automatic adoption regardless of the diversity of background, the tradition of each country, the needs of the countries, the economic environment and the perceived challenges (Abata, 2015). IFRS encourage professional judgment because it is comprehensive principles-based standards with fewer pronouncements (Galbraith & Kevin, 2009).

The level of compliance with disclosure requirements is of great significance in the IFRS regime for existing and potential investors and other users to appraise the relevance and faithful representation of the financial information (Barker, Barone, Birt, Gaeremynck, Mcgeachin, Marton & Moldovan, 2013). A well-constructed compliance index is a reliable device for measuring compliance levels. The most popular methods found in the literature are weighted and unweighted scores. The weighted method also known as dichotomous technique and the technique gives the same weight to information to be disclosed (Modugu & Eboigbe, 2017; Tsalavoutas, Evans & Smith, 2010). This implies that information disclosed scored 1 while not disclosed scored 0. However, as a result of a dichotomous problem that if special users were requested to weight the substance of items, there is a possibility of assigning different weights to the same pieces of information. To avert the level of bias with weights to be assigned, Al-Shiab (2003) and Raiji (2014) employed an alternative technique called the partial technique which assumes that all standards have the same importance and consequently the same weight.

**Board Member Characteristics**

The directors of a company are in charge of the company's governance and are expected to provide the required skill and expertise to ensure that best interest of owners and other users are taking into consideration in the company (FRC, 2018). The board must ensure that the financial statement complied with the prevailing accounting regulation while presenting the company's financial position (CAMA, 2004). The existence of board members does not necessarily imply that the corporate reporting responsibilities are carried out in line with IFRS requirement but the characteristics of the board members might reflect their performance with regards to corporate financial reporting responsibilities (Feng, 2014). Therefore, the following are some of the identified individual characteristics of the board members that influence IFRS compliance.

Active boards of directors ensure that corporate governance arrangements are in place to prepare high-quality financial reports. Boards with the required numbers perform their duties diligently and efficaciously, therefore, companies with a higher number of board members have a higher IFRS compliance level (Laksmana, 2008). However, they can be ineffective due to the problem of free-riding and poor communication (Bushman, Chen, Engel & Smith, 2004). The IFRS is quite different from the local GAAP in terms of definitions, recognition and measurement methods which make the language used not easily understandable even by professional accountants in some instances (Saxenian, 2006). Training abroad on financial reporting regulations affects companies' disclosure level especially if the training is received in countries with stricter accounting rules (Masulis, Wang & Xie, 2012).

The existence of foreign members with accounting and financial reporting expertise might influence the company's ability to deal with international financial reporting issues because of their foreign qualifications and experience compared with indigenous board members (Ujunwa, Okoyeuzu & Nwakoby, 2012). Therefore, they possess a high level of intercultural competence required to meet up IFRS disclosure requirements. The presence of a higher percentage of outside directors acts as an ingredient for meeting up with disclosure requirements. CAMA (2004) stated that directors are of great value in a company regardless of whether executive or non-executive directors. Their existence serves as check and balance in the organization particularly on corporate financial reporting responsibilities such as IFRS compliance. Diversity with regards to the gender of board members is an important variable to be considered for IFRS compliance. Maintaining sufficient board size with relatively female members benefits the company with respect to corporate financial reporting activities because the female is very excellent in monitoring than male counterparts (Zango, Kamardin & Ishak, 2015).

## *2.2 Theoretical Framework*

Many studies on disclosure and its determinants concluded that there is not a single explanatory and comprehensive theory for corporate disclosure, but several theories. Therefore, the study considered their mixture to provide a robust and realistic theoretical background for the study which includes resource dependency and upper echelon theories. The resource dependency theory (RDT) was developed in 1978 by Pfeffer and Salancik (Pearce & Zahra, 1992). The theory focuses on the effect of the external resources of organizations and recognizes the fact that the success of an organization is hinged on the resources available to it and also quantifies its access to power and control. Resource dependence theory proposes that the board of directors is an essential link between the firm and the financial and non-financial resources that are crucial for the firm's growth (Ibrahim, 2016). This is because "Organizations are not self-contained or self-sufficient, they rely on their environment for existence, and the core of the [resource dependence] theory focuses on how organizations gain access to vital resources for survival and growth" (Chen & Roberts, 2010). Resources dependency theory focuses on the role of the directors in providing the required resources with respect to the external environment and the board's ability in bringing resources to the company depends on board members and their composition. This was further corroborated by the upper echelons theory which characteristics such as expertise, reputation, relational capital, age, practical experience, and tenure, etc. of top management affect strategic decision-making and hence performance (Fernandes, 2017). Thus, the concept of this theory was employed in this study to explore whether the board members attributes could influence IFRS compliance level among listed companies in Nigeria.

### *2.3 Prior evidence*

Previous empirical studies on IFRS focused on IFRS voluntary disclosures and adoption. Empirical studies on IFRS compliance started after the mandatory adoption of IFRS by developed and developing countries. Some of these studies include a study by Atanasovski (2015) who assessed factors that have a potential influence on the quality of IFRS 7 compliance. The study sampled 104 listed companies out of 116 companies that made their audited financial statements for 2013 publicly available. The author constructed a self-disclosure index for each listed company and performed regression analysis with independent variables such as size, industry, type of auditor engaged, ownership concentration, profitability, and leverage. The result of the analysis supported that the level of compliance with IFRS 7 was related to the type of auditor engaged and ownership concentration. This conclusion might have changed now after many years of post-IFRS adoption.

Also in 2015, Ebrahim and Fattah (2015) assessed the corporate governance factors and the independent audit quality as determinants of compliance with IFRS recognition and disclosure requirements of income tax accounting (IAS12) in Egypt. All the 116 listed public Egyptian companies from 14 different industry sectors, whose financial statements were available for the fiscal year 2007, were selected in the study. In addition to correlation and ANOVA, the study also employed regression analysis. The results of the analyses showed that institutional ownership, foreign representation on the board and the perceived quality of the engaged auditor improved compliance with IFRS requirements. However, the study considered the 2007 fiscal year alone. The findings might have changed presently after many years of post-IFRS adoption.

Mateescu (2016) investigated the factors which influence the segment disclosure reporting practices of IFRS 8, paying special attention to the board composition. The study sampled 15 non-financial listed companies and excluded all financial listed companies to maintain the sample's homogeneity. Data from 2012 annual reports disclosed by these companies were analysed using descriptive and inferential statistics. The results are quite divergent, 34% of the studied companies present a low level of IFRS 8 compliance while 40% of them comply to a high extent with the requirements of IFRS 8. To identified the factors that account for differences in compliance level, the study investigated assets' value, the financial result, the type of auditor, the presence of institutional investors, the board's size, the percentage of independent board members, the audit committee's size and the percentage of independent audit committee members. The result of Pearson correlation proved that the assets' value, the type of auditor and the percentage of institutional investors have a significant relationship with the level of IFRS 8 Compliance. However, none of the variables related to the size and composition of the board and the audit committee is correlated with the segment reporting variable.

Fernandes (2017) examined whether firms with a more international board comply better with IFRS disclosure requirements. This was achieved through an analysis of the effect of the internationalization of the board members on the IFRS 3 compliance level in Brazil. Based on a framework that combines the Upper Echelons theory and Resource Dependence theory, the study found that Brazilian firms with more foreign board members or/and with more board members with training abroad comply better with IFRS 3 requirements. The findings revealed that a relationship exists between board members' characteristics on mandatory disclosure

In Ghana, Agyei-Mensah (2017) examined the extent, quality, and determinants of risk disclosure compliance with IFRS 7 by listed firms on the Ghana stock exchange for three years of 2011 to 2013. The study employed descriptive and inferential statistics to analyse 90 firm-year observations over the three years. The result of the analysis indicated that over the three years, the extent of compliance with IFRS 7 was, on average, 53 percent, which was very low. The quality of the disclosure was, on average, 33 percent, which was also very low. The regression results suggested that the proportion of non-executive director was significantly and positively associated with the extent of risk disclosure compliance under IFRS 7. Board size was found to be significantly and positively associated with the quality of risk disclosure compliance of IFRS 7. The data employed in the study might not reveal the true picture of the situation at the time of the study. Therefore, the author should have updated his information.

However, the findings on board size by Agyei-Mensah (2017) contradict the findings of Juhmani (2017) who also determined the relationship between corporate governance and the level of Bahraini corporate compliance with IFRS disclosure one year before the issuance of the first Corporate Governance Code (CGC) in Bahrain. The study measured corporate governance mechanisms by board composition, audit committee characteristics, and ownership structure. The study employed ordinary least-squares regressions and the results showed that three of the corporate governance mechanisms (i.e. board independence, audit committee independence, and Chief Executive Officer Duality) are associated with the level of IFRS disclosure. However, the results showed that the other five CG mechanisms (i.e. board size, audit committee size, block-holder ownership, managerial ownership, and government ownership) are not associated with the level of IFRS disclosure. However, the findings here may not apply to other countries due to the existence of different business and legal environments. Also, IFRS used to compute the disclosure index was not identified in the study.

Also in Bahrain, Al-Sartawi, Alrawahi and Sanad (2017) investigated the association between the board members' characteristics and the level of compliance by Bahraini listed firms with IAS 1. The study adopted a quantitative research design and the population of the study consists of 48 firms listed in Bahrain Bourse taken from the financial sector, the Services sector (Services and Hotel and Tourism), and the Industrial sector. However, 2 firms were excluded due to incomplete data and 7 firms were excluded due to suspension. Therefore, the final sample consisted of 39 firms listed on Bahrain Bourse. The data were collected manually from the sampled companies' annual report for 2015. The report for the year 2015 was selected because it is quite recent at the time the study was undertaken and easier to obtain. A disclosure index was computed to measure the extent of compliance with IAS 1. Using multiple linear regression models, the findings of the study indicated that there is a significant and negative relationship between CEO non-duality, board size, ownership of top stockholders, and the level of compliance with IAS 1 disclosure requirements.

Krismiaji (2019) examined the effect of corporate governance on the compliance level of disclosure for IFRS in 2013 and 2014, the two years after full IFRS adoption in Indonesia. Corporate governance mechanism was proxied by the board's structure, characteristics of an audit committee, and shares ownership structure while IFRS compliance was measured by self-constructed disclosure index. The study employed ordinary least square and found that five elements of CG characteristics which are board's independence, board's size, audit committee's independence, audit committee's size, and management's ownership positively affect IFRS compliance. Block holder's ownership negatively affects the compliance level of IFRS but government ownership does not. However, the study failed to point out which of the IFRSs employed in the computation of disclosure index and also board members' characteristics such as board gender, board diligence and foreign board member were not considered in the study.

Also in Ghana, Agyei-Mensah (2019) investigated IAS-38 disclosure compliance and corporate governance in an emerging market. The objective was to identify possible corporate governance attributes that influence companies in Ghana to disclose intangible assets in their annual reports to stakeholders. The study employed data set from 110 firms in Ghana for the year ended 2016 to obtain the level of disclosure of intangible asset information. Both descriptive and inferential analysis was conducted in the study. The result of the analysis revealed that a large proportion of companies disclosed infinite useful lives for their intangible assets (either acquired or internally generated). The study also depicted that auditor type, industry type and leverage were the factors influencing the level of compliance with IAS 38 disclosure requirements. The study failed to report the impact of corporate governance mechanism on the level of compliance with IAS 38.

Among the recent studies reviewed in the study of Jallad (2020) who determined the effects of board characteristics and ownership structures on IFRS compliance. The study employed 72 annual reports of 24 listed non-financial firms on the Qatar Stock Exchange over the years of 2015, 2016 and 2017. A self-constructed disclosure index consisting of 216 IAS/IFRS disclosure items and board members' characteristics such as gender diversity, board size, CEO duality, presence of founding family members on the board, the proportion of non-executive directors, cross directorships, institutional ownership, government ownership, and foreign ownership were employed in the study. The result of multiple regression analyses depicted that gender diversity, proportion of non-executive directors and foreign ownership were significantly and negatively correlated with the level of IFRS compliance. The CEO duality, family members and non-executive directors on board were found to be significantly positively correlated to the levels of compliance. However, the list of IAS/IFRS used to compute the disclosure index was not identified in the study and this might affect the findings of the study.

In Uganda, Nalukenge (2020) explored the effect of board role performance on compliance with IFRS disclosure requirements among microfinance institutions in Uganda. The study employed a mixed-method research design. The relationship between board role performance and compliance with IFRS requirements was analysed with partial least squares while confirmatory factor analysis and interviews were conducted to establish the performance of board roles. The findings of the study suggested that the control role of the board was the most performed among the board roles of strategic, service, and control. The study further revealed that board role performance is a significant predictor of compliance with IFRS disclosure requirements. In terms of control variables, size and membership to the association of microfinance institutions of Uganda were significant. Other control variables such as liquidity, leverage, and profitability are not significantly associated with compliance with IFRS disclosure requirements. However, the study did not itemize the IFRSs employed for disclosure index and many participants interviewed was not reported.

Also in 2020 but Canada, Mnif and Znazen (2020) studied the impact of the characteristics of the board of directors and audit committee on the level of compliance with IFRS 7 by financial institutions listed in Canada. Using a self-constructed checklist of 128 items, the study measured IFRS 7 compliance levels of 63 Canadian financial institutions listed on the Toronto Stock Exchange for three years (2014-2016). The study employed fixed effect panel regressions and the results indicated that the mean compliance level with IFRS 7 requirements was about 77 per cent and various areas of non-compliance were identified. The study also revealed that the level of compliance has a positive relationship with board size and independence. Similarly, the audit committee independence and financial accounting expertise are shown to positively affect IFRS 7 compliance level. However, CEO/chairman duality, size of the audit committee and meeting frequency are not significantly correlated with the level of compliance with IFRS 7. Conclusively, there is little or no literature on IFRS compliance in Nigeria with respect to the extent of the literature reviewed. Also, all the studies reviewed employed a quantitative approach only except for the study of Nalukenge (2020). Therefore, the present study bridges these gaps by providing empirical evidence on IFRS compliance in the Nigerian context and also incorporate a qualitative approach to obtain the opinions and perceptions of preparers and regulators on IFRS compliance.

## 3. Research Methods and data

### 3.1 Research Design

The study employed longitudinal and survey research designs. This resulted in the use of a convergent parallel research method of a mixed approach. This approach collects quantitative and qualitative data at the same time. The study analyzed the two data sets individually and merged the results during interpretations. There are one hundred and seventy-two (172) listed companies on the Nigeria Stock Exchange (NSE) from 2012 to 2017. The study excludes companies in the financial services sector due to the presence of different disclosure regulatory agencies/regulations and unique nature of their transactions (Karim & Ahmed, 2005). Therefore, the target population for quantitative analysis includes all the companies from other sectors (Agriculture, Conglomerates, Construction/Real Estates, Consumer goods, Healthcare, Information & Communications Technology (ICT), Industrial goods, Natural Resources, Oil and Gas, Utilities and Services). This resulted in a total number of 106 (One Hundred and Six) companies as the population for this study.

The study employed the annual financial statements of 106 listed companies from 2012 to 2017 for analysis but not all these companies' annual reports are available from these periods. Using purposive sampling techniques with criteria on availability of the annual reports from 2012 to 2017 and the relevance of the IFRS to the listed companies, only 87 companies meet the criteria and become the sample size. This sample size concurred with the sample size suggested by Krejcie & Morgan (1970). Details of these companies and the distributions of these companies that meet the criteria concerning the population of each sector are presented in Table 3.1 and 3.2 respectively:

**Table 3.1 Number of Listed Companies on Sectorial Basis in Nigeria**

| S/N | SECTOR | POPULATION OF THE COMPANIES | SELECTED COMPANIES FOR THIS STUDY |
|---|---|---|---|
| 1 | Agriculture | Livestock Feeds, Ellah Lakes, FTN Cocoa Processors and Presco. | Ellah Lakes, FTN Cocoa Processors and Presco. |
| 2 | Conglomerates | SCOA, AG Leventus, Chellarams, Johnholt, Transnational and UACN. | AG Leventus, Chellarams, Johnholt, Transnational and UACN. |
| 3 | Construction/ Real Estate | Roads Nig., UPDC Real Estate Investment, Arbico, Julius Berger, Sky Shelter, Smart Product, UACN Property and Unions Himes. | Arbico, Julius Berger, Sky Shelter, Smart Product, UACN Property, Unions Himes, |
| 4 | Consumer Goods | DN Tyre & Rubber, Golden Guinea Breweries, Multi-Trex Integ. Foods, Cadbury, Champion Breweries, Dangote Flour, Dangote Sugar, Flour Mills, Guinness, Honeywell, International Breweries, Mcnichols, Nascon, Nestle, Nigerian Breweries, Nigerian Enamel Ware, PZ Cussons, Unilever, Union Dicon Salt and Vitafoams | Cadbury, Champion Breweries, Dangote Flour, Dangote Sugar, Flour Mills, Guinness, Honeywell, International Breweries, Mcnichols, Nascon, Nestle, Nigerian Breweries, Nigerian Enamel Ware, PZ Cussons, Unilever, Union Dicon Salt and Vitafoams |
| 5 | Healthcare | Evans Medical, Nigerian German Chemical, Union Diagnostic & Clinical Services, Eko Corporation, Fidson, GlaxoSmithKline, May & Baker, Morison, Neimeth and Pharma Deco | Eko Corporation, Fidson, GlaxoSmithKline, May & Baker, Morison, Neimeth and Pharma Deco |
| 6 | ICT | Omatek Venture, Chams, Courteville Business Solution, CWG, Etranzact, NCR and Tripple GEE, | Chams, Courteville Business Solution, CWG, Etranzact, NCR and Tripple GEE, |
| 7 | Industrial Goods | Austin Laz & Co, Berger Paints, Beta Glass, CAP, Cement Company of North, Cutix, Dangote Cement, First Aluminum, Grief, Lafarge Wapco, Meyer, Portland Paint, Premier Paint and Northern Nigerian. | Austin Laz & Co, Berger Paints, Beta Glass, CAP, Cement Company of North, Cutix, Dangote Cement, First Aluminum, Grief, Lafarge Wapco, Meyer, Portland Paint, and Premier Paint |
| 8 | Natural Resources | Aluminum Extrusion, BOC Gases, Multiverse and Thomas Wyatt | Aluminum Extrusion, BOC Gases, Multiverse, Thomas Wyatt |
| 9 | Oil and Gas | Anino International, Rak Unity Pet, 11 plc (Former Mobil), Capital Oil, Conoil, Eterna Oil, Forte Oil, Japaul Oil, MRS Oil, Oando Oil, Okomu Oil and Total Oil | 11 plc (Former Mobil), Capital Oil, Conoil, Eterna Oil, Forte Oil, Japaul Oil, MRS Oil, Oando Oil, Okomu Oil and Total Oil |
| 10 | Services | Afromedia, Interlinked Technology, Juli, Learn Africa, Medview, Nigerian Aviation Handling Company, University Press, ABC Transport, Academy Press, C&I Leasing, Capital Hotel, DAAR Comm., Ikeja Hotel, Nacho, Newrest ASL, R.T. Briscoe, Red Star, Secure Electric, Studio Press, Tantalizer, Tourist and Transnationwide Express, | ABC Transport, Academy Press, C&I Leasing, Capital Hotel, DAAR Comm., Ikeja Hotel, Nacho, Newrest ASL, R.T. Briscoe, Red Star, Secure Electric, Studio Press, Tantalizer, Tourist and Transnationwide Express, |
| 11 | Utilities | N/A | N/A |

Source: Nigeria Stock Exchange (2018); Author's Compilation (2019)

Table 3.1 presented the total number of listed companies excluding companies from financial services on the Nigeria Stock Exchange from 2012 to 2017. However, the selected companies were those companies that author have access to their annual reports for the relevant period of 2012 to 2017.

**Table 3.2 Distribution of Listed Companies in Nigeria on Sectorial Basis**

| S/N | SECTOR DISTRIBUTION | TARGET | NO. ACHIEVED | PERCENTAGE |
|---|---|---|---|---|
| 1 | Agriculture | 4 | **3** | 75% |
| 2 | Construction/ Real Estate | 8 | **6** | 75% |
| 3 | Consumer Goods | 19 | **17** | 89% |
| 4 | Health Care | 10 | **7** | 70% |
| 5 | Industrial Goods | 14 | **14** | 100% |
| 6 | Information & Communications Technology (ICT) | 7 | **6** | 86% |
| 7 | Natural Resources | 4 | **4** | 100% |
| 8 | Oil & Gas | 12 | **10** | 83% |
| 9 | Services | 21 | **15** | 71% |
| 10 | Utilities | 0 | **0** | 0% |
| 11 | Conglomerates | 6 | **5** | 83% |
| | **TOTAL** | **106** | **87** | **82%** |

**Source: Author's Computation (2019)**

The frequency and percentage of these companies sector by sector were presented in table 3.2. However, only 87 out of the 106 companies meet the criteria which accounted for 82% response rate. It was further revealed that industrial goods and natural resources achieved a response rate of 100% which implies that all the companies in these sets met the criteria set for selection. However, companies from agriculture, health and construction sectors accounted for the significant differences in the response rate achieved. For quantitative analysis, the researcher collects pre-existing data to formulate hypotheses and test the hypotheses with the result obtained from panel data regression techniques.

Qualitatively, estimating the number of sample size for primary data to reach saturation relied on some factors such as the quality of qualitative data, the nature of the topic, volume of valuable information required, the number of questions, the use of shadow data and the participants employed in the study (Morse, 2000). With these, it implies that determining adequate sample size in qualitative research is ultimately a matter of judgment and experience. Therefore, the present study utilizes a purposive sampling technique for careful selection of participants to be interviewed as suggested by Okinono (2016). Since all the companies listed in Nigeria are expected to have their annual financial statements submitted to the financial reporting council of Nigeria (FRC), NSE, and CAC for necessary official action such as checking of the extent of compliance and the quality of the reports.

This study selects two staffers from each of these organisations. To obtain the views of preparers of financial statements concerning IFRS compliance, the study also selects an additional four (4) interviewees from listed companies giving a total of Ten (10) interviewees altogether. Meanwhile, out of the ten (10) interviews proposed, only 7 interviews were granted which accounted for 70% response rate for qualitative analysis. Primary data was collected for qualitative analysis using semi-structured questions. This qualitative analysis was adopted to incorporate the perceptions, opinion, and experiences of regulatory agencies and the preparers of IFRS financial statement regarding the level of compliance with the disclosure requirements of IFRS.

## 3.2 Computation of Compliance Disclosure Index (Dependent Variable)

The compliance index was established from the selected IFRS which was determined by the focus of the study based on the availability of the annual report for the fiscal year ending 31 December 2012 to 2017; relevance of the IFRS to the study and applicability to the listed companies in Nigeria. Following these criteria, the disclosure requirements of the following IFRS employed for this study are IAS 1; IAS 7; IAS 8; IAS 10; IAS 24; IAS 26; IAS 29; IAS 33; IAS 34; IFRS 1; IFRS 4; IFRS 7; IFRS 8 and IFRS 13 were considered necessary to compute the compliance index. However, the study excludes IAS 29, IAS 34, IFRS 1, IFRS 4 and IFRS 12 because of their peculiarities to circumstances and their inclusion will affect the consistency of data set.

**Table 3.3 IFRS Disclosure Requirements included in the Index**

| S/N | IAS /IFRS | TITLE OF PRESENTATION AND DISCLOSURE STANDARDS | APPLICABILITY TO THIS STUDY | REQUIRED DISCLOSURES | REMARKS |
|---|---|---|---|---|---|
| 1 | IFRS 1 | First-time adopters of IFRS | X | - | Applicable only in the first year of IFRS adoption |
| 2 | IFRS 4 | Insurance Contracts | X | - | Not applicable throughout the years under study |
| 3 | IFRS 7 | Financial instruments disclosure | √ | 59 | |
| 4 | IFRS 8 | Operating Segments | √ | 10 | |
| 5 | IFRS 12 | Disclosure of Interests in Other Entities | √ | - | Applicable when there is acquisition |
| 6 | IFRS 13 | Fair Value Measurement | √ | 16 | |
| 7 | IAS 1 | Presentation of financial statements | √ | 84 | |
| 8 | IAS 7 | Statement of cash flow | √ | 20 | |
| 9 | IAS 8 | Change in Accounting Policies, Estimates and Error | √ | 17 | |
| 10 | IAS 10 | Event after reporting period | √ | 6 | |
| 11 | IAS 26 | Accounting and Reporting by Retirement Benefit Plans | √ | 23 | |
| 12 | IAS 24 | Related Party Disclosure | √ | 9 | |
| 13 | IAS 29 | Financial reporting in hyperinflation economics | X | - | No hyperinflation during the year under review |
| 14 | IAS 32 | Financial Instrument Presentation (Replaced by IFRS 7) | X | - | Covered by IFRS 7 above |
| 15 | IAS 33 | Earnings per share | √ | 9 | |
| 16 | IAS 34 | Interim Financial Reporting | X | - | Applicable for an interim report |
| | | **TOTAL DISCLOSURE REQUIREMENTS** | | **253** | |

*Note:* X = Excluded; √ = Included
**Sources: Deloitte (2018); KPMG, (2017) and Author's Reviews**

Table 3.3 depicts the expected score for each standard in the last column with a total score of two hundred and fifty-three (253) items expected to be disclosed for all the selected IFRSs. To calculate IFRS compliance index for each standard for a company in a year, the researcher assigns a value of one (1) for information disclosed and zero (0) for information expected to disclose but not disclosed. Therefore, the total number of items needed to be released by the company (for all IFRSs in the study) was divided by the number of required disclosure items
This is mathematically presented as follow:

$$\boxed{Comdex} = \frac{TT_x}{AT_x} = \frac{\Sigma_y^m Tx,y}{\Sigma_y^m Ax,y}$$

Where:

Comdex is the disclosure compliance index for each of the listed companies in Nigeria for the year 2012 to 2017 and ($0 \leq$ Comdex$\leq 1$);

TTx is the total number of items disclosed by each of the listed companies in Nigeria for the year 2012 to 2017; and

ATx is the number of items required to be disclosed by each of the listed companies in Nigeria for the year 2012 to 2017.

The operational definition and measurement of board members' characteristic are presented in table 3.4. The table reveals the acronyms for each variable, definitions, variable type; measurements approach and construct validity sources for including each of the concepts.

**Table 3.4 Other Operational Measurement Variables**

| S/N | ACRONYMS | DEFINITION | TYPE OF VARIABLES | MEASUREMENT | CONSTRUCT VALIDITY SOURCE |
|---|---|---|---|---|---|
| 1 | BDSZ | Board Size | Independent variable | Numbers of Board Member | Mnif & Znazen (2020); Jallad (2020); Krismiaji (2019); Agyei-Mensah (2017); Al-Sartawi *et al* (2017); |
| 2 | BDINDP | Board Independence | Independent variable | Number of Independent Non-Executive Director divided by the total number of directors | Jallad (2020); Mnif & Znazen (2020); Krismiaji (2019); Juhmani (2017); Birjadin and Hakemi, 2015). |
| 3 | BDTARB | Board Member training abroad | Independent variable | The absolute number of Board members trained abroad | Fernandes (2017); Paul, Peter & Dang (2014); Saxenian (2006) |
| 4 | BDGD | Board Member Gender Diversity | Independent variable | The proportion of number of Women in the board to total board members. | Jallad (2020); Mnif & Znazen (2020); Juhmani (2017); Zango, *et al. (*2015) |
| 5 | BDDEL | Board Diligence | Independent variable | The absolute number of time that board held meeting within a year | Mnif & Znazen (2020); Setiany, Hartoko, Suhardjanto & Honggowati (2017) |
| 6 | FBM | Foreign Board Members | Independent variable | The proportion of foreign board member to total board size | Jallad (2020); Ebrahim & Fattah (2015); Ujuuwa *et al*, 2012; Masulis *et al,* (2012); |

**Source: Author's Conceptualization (2019)**

## 3.3 Method of Data Analysis

For quantitative analysis, the study employed descriptive and inferential statistical techniques to analyze the secondary data collected from annual financial reports of listed companies in Nigeria from 2012 to 2017. The descriptive statistics include mean, minimum, maximum and standard deviation were employed to provide a snapshot of the nature of the variables. The normality test was conducted using Shapiro-Wilk and Shapiro-Francia (a simplified Shapiro-Wilk). The inferential statistic employed was Panel data regression analysis and the choice of fixed effect or random effect depends on the Hausman specification test. If the test is significant, the study will use the fixed effect, and if not, the random effect will be appropriate. For qualitative analysis, a thematic and systematic approach was used to analyse the responses obtained from the interviews through the process of sorting and coding the data.

## 3.4 Model specification

The findings in the previous empirical reviews such as Feng (2014); Ebrahim and Fattah (2015); Mateescu (2016); Agyei-Mensah (2017); Juhmani (2017); Al-Sartawi et al (2017); Setiany et al. (2017); Fernandes (2017); Krismiaji (2019); Jallad (2020) and Mnif and Znazen (2020) suggested that corporate governance mechanisms vis-à-vis board member characteristics influence IFRS compliance level. This was also theoretically supported by the assumptions in upper echelon theory and resource dependency theory. Consequently, this study adapted models developed by previous researchers and modified to incorporate other variables like board gender diversity and board diligence as follows:

*IFRS Compliance = f (Board Members' Characteristics)*.........................................................................................................*1*

*Comdex = f (Board size, Board Independence, Foreign board member, Board International Experience, Board Gender Diversity, Board Diligence)*…………………………………………………………………...……...*2*

The result is presented in the following linear equation:

$$Comdex_{jt} = \alpha_{0jt} + \alpha_1 BDS_{jt} + \alpha_2 BDINDP_{jt} + \alpha_3 BDTARB_{jt} + \alpha_4 FBM_{jt} + \alpha_5 BGD_{jt} + \alpha_6 BGDIL_{jt} + e_{jt} \quad \text{......................................3}$$

Where:

| Variables | Definitions | Prior Expectation (Expected Sign) |
|---|---|---|
| $Comdex_{jt}$ | IFRS Compliance Index for firm j in year t | |
| $BDS_{jt}$ | Size of the Board member of the firm j in year t | + |
| $BDINDP_{jt}$ | Board Independence of the firm j in year t | + |
| $BDTARB_{jt}$ | Board Member training abroad of the firm j in year t | + |
| $FBM_{jt}$ | Foreign Board Members of the firm j in year t | + |
| $BGD_{jt}$ | Board Member Gender Diversity of Firm j in year t | + |
| $BGDIL_{jt}$ | Diligence of Board of firm j in year t | + |
| $\alpha_0$ | The intercept of equation | |
| $\alpha_1$ to $\alpha_6$ | Coefficients for independent variables. | |
| *ejt* | Error term in the model for the firm j in year t | |

## 4. Results

### 4.1 Descriptive Analysis

The descriptive analysis entails a statistical summary of the variables and tabulations for frequency and percentage distributions. This also entails the presentation of the normality test of each variable and the correlation matrix of relationships among the variables.

**Table 4.1 Result of Descriptive Statistics**

| Variable | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|
| Comdex | 0.405 | 0.127 | 0.06 | 0.66 |
| Bdsz | 8.70 | 2.55 | 4.00 | 20.00 |
| Bdind | 0.05 | 0.11 | 0.00 | 0.75 |
| Fbm | 0.17 | 0.21 | 0.00 | 0.83 |
| Bdgd | 0.09 | 0.11 | 0.00 | 0.50 |
| Bdtard | 0.75 | 1.39 | 0.00 | 8.00 |
| Bddil | 3.63 | 2.41 | 0.00 | 18.00 |

**Source: Author's Computation, 2019.**

Table 4.1 shows the results of the descriptive statistics for all the variables. These variables include the IFRS compliance index, the board size, board independence, foreign board members, board gender, board training abroad, and board diligence. IFRS compliance index averaged 0.405 points with a standard deviation of 0.127 points. While the firm with the lowest IFRS compliance index during the period has 0.06 points and the firm with the highest IFRS compliance index during the period has 0.66 points. This implies that IFRS compliance level is as low as 6% while the maximum of 66% obtained indicates the highest score concerning all the IFRS considered in the study.

The results also show that the average size of board members among the sampled firms is about nine individuals with a sample spread of about three individuals. The lowest board members obtainable in the sample are four individuals while the highest numbers of board members obtainable in the sample are 20 individuals. This implies that some Nigerian listed firms maintain board members below the required minimum number of five. A summary of board independence shows that the average proportion of independent board members is just five percent with a standard deviation of about 11 percent. The firm that has the lowest level of board independence has zero proportion of board members being independent while the firm with the highest level of board independence has about 75 percent of board members being independent. The score of zero in an indication that some of the Nigerian listed companies' board members are not independent. Therefore, they might be bias and subjective in carrying out their responsibilities.

Summary of foreign board members showed that the average proportion of foreign members in total board members is about 17 percent with a sample spread of about 21 percent. While some firms have as low as zero foreign board members, some firms have as high as 83 percent of their board being foreign individuals. Summary of the gender composition of board member shows that the average number of female out of total board members is about 9 percent with a sample spread of about 11 percent. While some firms have as low as zero female board members, some firms have as high as 50 percent of their board being female individuals which implies that the problem of gender imbalance is not pronounced. The average number of board members trained abroad among the firms in this sample is about one individual with a sample spread of about one member. While some firms do not have any of their board members trained abroad, some have as high as eight board members trained abroad. Board diligence has an average of about four meetings with a standard deviation of about two meetings. Some firms have no board meeting while others have as high as 18 meetings.

The normality test for each of the variables was conducted following the Shapiro-Wilk and Shapiro-Francia (a simplified Shapiro-Wilk) normality tests. The results are presented in Table 4.2. The test results presented the W and V values, which represent Shapiro Wilk and Francia coefficient and covariance respectively, and their respective z-statistics and p-values. Results show that the test statistics for each of the variables are highly significant at 0.01 for both tests. This indicates rejection of the null hypothesis of normality; hence, each of these variables is not normally distributed.

**Table 4.2 Test of Normality**

| Variable | Shapiro-Wilk | | | | Shapiro-Francia | | | |
|---|---|---|---|---|---|---|---|---|
| | W | V | Z | p-value | W' | V' | Z | p-value |
| Comdex | 0.957 | 15.0 | 6.522 | 0.000 | 0.958 | 15.59 | 6.042 | 0.000 |
| Bdsz | 0.944 | 19.61 | 7.167 | 0.000 | 0.944 | 21.12 | 6.71 | 0.000 |
| Bdind | 0.558 | 154.5 | 12.14 | 0.000 | 0.557 | 166.2 | 11.25 | 0.000 |
| Fbm | 0.792 | 72.81 | 10.33 | 0.000 | 0.793 | 77.56 | 9.571 | 0.000 |
| Bdgd | 0.816 | 64.45 | 10.03 | 0.000 | 0.817 | 68.74 | 9.306 | 0.000 |
| Bdtard | 0.586 | 144.6 | 11.98 | 0.000 | 0.586 | 155.3 | 11.1 | 0.000 |
| Bddil | 0.869 | 45.77 | 9.208 | 0.000 | 0.865 | 50.71 | 8.637 | 0.000 |

**Source: Author's Computation, 2019.**

Presented in Table 4.3 is the result of the correlation matrix of relationship to explore the linear relationship that exists among the explanatory variables. This analysis is useful in determining the direction as well as the strength of the relationship that exists among variables and if any two relationships are as high to lead to the presence of multicollinearity in the models.

**Table 4.3: Correlation Matrix of Relationships**

| | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Bdsz | 1 | | | | | |
| Bdind | 0.18 | 1 | | | | |
| Fbm | 0.1 | 0.1 | 1 | | | |
| Bdgd | 0.14 | 0.17 | -0.12 | 1 | | |
| Bdtard | 0.24 | 0.21 | 0.28 | 0.12 | 1 | |
| Bddil | 0.14 | 0.15 | 0.23 | 0.23 | 0.26 | 1 |

**Source: Author's Computation, 2019.**

This analysis found that the size of the board is seen to be positively related to board training abroad, board independence, board gender, and board diligence. This implies that firms with higher board members are necessarily having a higher number of board members being trained abroad, higher number of meetings, a higher proportion of their board members being independent, foreign and female. Board independence is also seen to be positively related to board training abroad, board gender, board diligence, and foreign board members. This implies that firms with a higher number of independent board members are necessarily having a higher number of board members being trained abroad, higher number of meetings, a higher proportion of their board members being foreign and female and vice versa.

As to the relationship between foreign board members and others, the findings show that the proportion of foreign board members is positively related to board training abroad, board diligence, and foreign board members but negatively related to board gender. This implies that firms with a higher proportion of board members that are foreigners are necessarily having a higher number of board members being trained abroad, higher number of meetings, higher proportion of female, and independent board member but a lower proportion of their board members and vice versa. The proportion of board members being female individuals is positively related to board training abroad and board diligence. This implies that firms with a higher proportion of their board being female are necessarily having a higher number of board members being trained abroad, higher number of meetings, higher proportion of female, and independent of board and vice versa. The proportion of board members being trained abroad is positively related to board diligence. The correlation results generally show that the correlation coefficients of the relationships among the variables are well below the rule of thumb threshold of 0.8.

## 4.2 Result of Inferential Statistics

The study's main objective is to determine the impact of characteristics of board members on the IFRS compliance using findings from quantitative and qualitative analysis. Quantitatively, the fixed and random effects model results presented in Table 4.4 showed the impacts of board member characteristics on IFRS compliance. The standard F-test of homogeneity conducted to determine if the ordinary least square (OLS) method is applicable is also presented in the Table. The F-test shows a statistic value of 9.42 and a p-value of 0.000 which indicates that the statistic is significant. The significance of this statistic is also suggestive of the fact that the OLS method is not applicable in this case since the null hypothesis of homogeneity among panel members is rejected. This implies that models that capture heterogeneous panel like fixed and random effects are also required in this case. Hausman test was also presented in Table 4.4 to make an appropriate choice between the fixed and random-effects models. The Hausman test shows a chi-squared value of 14.74 and a p-value of 0.195 indicating that the statistic is significant. This reveals that the null hypothesis which states that the difference in both models is not systematic is not rejected. This implies that the random-effects model is more appropriate in this case.

The result of the random effects model exhibits the first-order autocorrelation. This is evident from the Wooldridge test of the first-order autocorrelation which shows a value of 69.4 and a p-value of 0.000 indicating it is statistically significant. Its significance implies the rejection of the null hypothesis that no first-order autocorrelation. Hence, autocorrelation exists in the model. This prompted an estimation of the model based on the autocorrelation-corrected random effects which accommodate first-order serially correlated disturbances.

**Table 4.4: Regression Results – Board Member Characteristics and IFRS Compliance**

| VARIABLES | Fixed Effects | | | Random Effects | | | AR(1) Random Effects | | |
|---|---|---|---|---|---|---|---|---|---|
| | Coefficient | t-value | p-value | Coefficient | t-value | p-value | Coefficient | t-value | p-value |
| Bdsz | 0.000867 | 0.22 | 0.826 | 0.00379 | 1.25 | 0.213 | 0.00485* | 1.88 | 0.060 |
| Bdind | -0.00874 | -016 | 0.874 | 0.0492 | 0.96 | 0.337 | 0.0486 | 0.95 | 0.341 |
| Bdtard | -0.00280 | -058 | 0.565 | -0.00333 | -0.84 | 0.400 | -0.00201 | -0.46 | 0.647 |
| Fbm | 0.136** | 2.38 | 0.020 | 0.112** | 2.44 | 0.015 | 0.0942*** | 2.69 | 0.007 |
| Bdgd | 0.0310 | 0.43 | 0.671 | 0.0306 | 0.47 | 0.638 | 0.0235 | 0.42 | 0.671 |
| Bddil | 0.00728** | 2.05 | 0.043 | 0.00940*** | 3.35 | 0.001 | 0.00829*** | 3.50 | 0.000 |
| Constant | 0.352*** | 8.71 | 0.000 | 0.309*** | 8.70 | 0.000 | 0.305*** | 9.75 | 0.000 |
| Observations | 609 | | | 609 | | | 609 | | |
| Number of firms | 87 | | | 87 | | | 87 | | |
| R-squared | 0.178 | | | 0.246 | | | 0.254 | | |
| F/Wald Chi$^2$-statistic | 3.26*** | | | 51.40*** | | | 50.98*** | | |
| F-test of Homogeneity | 9.42*** | | | | | | | | |
| Hausman Test | 14.74** | | | | | | | | |
| Wooldridge AR Test | 69.4*** | | | | | | | | |

*Note:* *** p<0.01, ** p<0.05, * p<0.1
**Source: Author's Computation, 2019.**

The Wald Chi-squared statistic presented for the AR(1) random effects model shows a value of 50.98 and p-value of 0.000 which indicates the statistical significance of the model. This implies that the overall model is statistically significant at 1 percent level of significance. R-squared shows a value of 0.254, indicating that 25.4 percent of the difference in the IFRS compliance level is explained in the model. The AR(1) random effects model shows that board size, foreign board member, board diligence (meeting), have a statistically significant impact on IFRS compliance while board independence, board member training abroad, board gender, do not have a statistically significant effect on IFRS compliance. Foreign board members and board diligence are statistically significant at 0.01 level while board size is statistically significant at 0.1 level. This implies that the number of individuals in the board, the number of foreign members in the board and the number of meetings held by board are important determinants of the level of firms' compliance with IFRS standards. Meanwhile, the proportion of independent and female directors in the board, the number of board members that receive training abroad do not determine the extent of firm compliance to IFRS standards.

## 5. Discussion, Conclusion and Recommendations

### *5.1 Discussion of Findings*

The result of the analysis reveals a significant positive relationship ($\alpha$=0.00485, P<0.1) between board size and IFRS compliance. The positive coefficient of the board size indicates that an increase in the number of directors in the board by an individual will result in an increase in the level of IFRS compliance by about 0.005 points, and vice versa. This aligns with a prior expectation of the study and supported by Agyei-Mensah (2017); Krismiaji (2019); Nalukenge (2020) and Mnif and Znazen (2020) studies that size of the board member has a significant positive relationship with IFRS compliance. However, the finding of this study is not in line with the conclusion of Mateescu (2016); Juhmani (2017) and Al-Sartawi et al (2017). They concluded that board size does not influence IFRS compliance.

The positive relationship established between board size and IFRS compliance is also corroborated with the response from an interview conducted. The participants believe that "IFRS promotes disclosure on how money made are spent while corporate governance promotes disclosure on how the company has been managed and the most important factor is the responsibilities of the board. What corporate governance does is to put in place a board that can run the company transparently and effectively well". This result was supported by the resource dependency theory that the success of an organization is hinged on the resources available and part of the resource is human capital (board of directors). It further explains that directors play an essential role in ensuring that essential resources required by the organization are available, therefore, board's ability in bringing such resources to the company depends on board members' characteristics (Fernandes, 2017).

Similarly, the study also found that foreign board member significantly ($\alpha$=0.0942, P<0.01) influence the IFRS compliance. This implies that a percentage point increase in the proportion of foreign individuals in board members will lead to a rise in the IFRS compliance level by about 0.094 points, and vice versa. The finding was qualitatively supported with the general comment that "IFRS compliance with the composition of the Board vis-a-vis disclosure requirements is very pertinent in good ethical corporate governance because the level of compliance with IFRS disclosure will give reasonable assurance to reliability on financial statements for stakeholders to make informed decisions". The findings also aligned with the results of Ebrahim and Fattah (2015); Fernandes (2017) and Jallad (2020) that more foreign board members or foreign representation on the board influence the level of compliance with IFRS. The effect of foreign board members is still young in IFRS compliance studies. Theoretically, the result is supported by the resource dependency theory that the ability of the board to bring the resources to the company depends on board members and their composition (Fernandes, 2017).

The result of the analysis also reveals a positive significant relationship between the board's diligence and IFRS compliance. The findings of the quantitative analysis show that significant positive relationship ($\alpha=0.0942$, $P<0.01$) exist between board diligence and IFRS compliance. This implies that as the number of meetings held increases, there is an increase in IFRS compliance index by about 0.008 points and vice versa. The frequency of the meetings indicates that board member is active and eager to pursue their corporate financial responsibilities such as IFRS compliance. The finding is in line with a prior expectation of this study but contrary with previous studies such as Juhmani (2017) and Mnif & Znazen (2020) who concluded that board meeting does not influence IFRS compliance.

Out of the six board members' characteristics employed in this study, it is only board size, foreign board member, and board diligence (meeting) that influence the IFRS compliance among listed companies in Nigeria. This implies that existence of independent and female board members as well as board members with training on corporate financial regulations from abroad does not determine the extent to which listed companies in Nigeria comply with IFRS disclosure requirement. Therefore, the implication of the findings is that relevant stakeholders such as listed companies, board of directors, IFRS regulators and standard setters are exposed to board members' characteristics that influence IFRS compliance in Nigeria. The findings of this study are of great concern to all users of annual reports because of the implication on the quality of financial information used for decision making. There is a need to improve the quality of financial and corporate reporting practices by considering necessary attributes, expertise and characteristics of board members that influence the quality of accounting information through IFRS compliance.

### *5.2 Conclusion and Recommendations*

The decision to adopt IFRS is one of the most influential changes in accounting rule but while IFRS has significantly led to greater consistency in recognition and measurement of accounting information, the burden of complying fully with the disclosure requirements is complex and impacting upon corporate financial reporting activities of listed companies across the globe. These consequently affect the quality of financial information, limit the potential effect of IFRS, and impaired the ability of investors and other market participants from making rightful decisions. Therefore, the study investigates the impact of board members' characteristics on the IFRS compliance level among listed companies in Nigeria.

Based on the findings obtained from both quantitative and qualitative analyses, the study concludes that the board sizes of companies listed in Nigeria influence the IFRS compliance level. IFRS compliance is a function of board members' diligence during the board meeting because the number of meetings held shows how board members actively pursue their corporate financial reporting responsibilities and presence of foreign board member is very important for IFRS compliance. Therefore, the study recommends that the regulatory body should ensure that all companies listed in Nigeria maintain the minimum and the required board size and also ensure that board members are meeting regularly to effectively and efficiently carry out their corporate financial reporting responsibilities.

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