



Influence of IFRS Adoption on the Earnings Performance of Publicly Listed Pharmaceutical Firms in Nigeria

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ABSTRACT

Original Research Article

This study examines the influence of International Financial Reporting Standards (IFRS) adoption on the earnings performance of publicly listed pharmaceutical firms in Nigeria. The study adopts an ex-post facto research design using panel data from five selected firms listed on the Nigerian Exchange Group (NGX) over the period 2020–2024. Earnings performance is proxied by Return on Assets (ROA), Return on Equity (ROE), and Earnings per Share (EPS). Data were analyzed using descriptive statistics, correlation analysis, and panel regression techniques. The findings reveal that IFRS adoption has a positive but statistically insignificant effect on earnings performance. Firm size shows a positive and significant relationship with performance, while leverage negatively affects profitability. The study concludes that IFRS adoption alone does not guarantee improved earnings performance without strong institutional enforcement. It recommends enhanced regulatory compliance and corporate governance mechanisms.

Keywords: IFRS Adoption, Earnings Performance, ROA, ROE, EPS, Nigeria.

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Introduction

Background of the Study

Financial reporting plays a significant role in providing relevant and reliable financial information to capital providers, regulators, and other stakeholders for informed decision-making. The globalization of capital markets has increased the demand for a unified financial reporting framework, leading to the adoption of International Financial Reporting Standards (IFRS).

Nigeria adopted IFRS in 2012 to enhance transparency, comparability, and credibility in financial reporting. The pharmaceutical sector, being capital-intensive and highly regulated, requires high-quality financial disclosure to attract investment and ensure operational efficiency.

Despite IFRS adoption, empirical evidence on its impact on earnings performance remains inconclusive, particularly in developing economies.

Statement of the Problem

Although IFRS adoption is expected to improve financial reporting quality, its effect on firm profitability is uncertain. Many Nigerian firms still face challenges such as weak enforcement, compliance costs, and institutional inefficiencies.

Objectives of the Study

The study seeks to assess the effect of IFRS adoption on earnings performance. Specifically, it aims to:

1. Examine the effect of IFRS adoption on ROA.
2. Determine its effect on ROE.
3. Evaluate its impact on EPS.

Research Hypothesis

H_0 : IFRS adoption has no significant effect on earnings performance.

Literature Review

Conceptual Review

Earnings performance is measured using:

Return on Assets (ROA): Efficiency of asset utilization.

Return on Equity (ROE): Profitability to shareholders.

Earnings per Share (EPS): Profit per share.

Theoretical Framework

Agency Theory – reduces information asymmetry.

Signaling Theory – enhances credibility.

Institutional Theory – emphasizes regulatory influence.

Empirical Review

Prior studies show mixed findings:

IFRS improves reporting quality (Barth et al., 2008).

Mixed impact on performance (Ahmed et al., 2013).

Nigerian evidence remains inconclusive.

Methodology

Research Design

Ex-post facto design.

Population

All pharmaceutical firms listed on NGX.

Sample (NGX-Aligned Firms)

Firm	Industry Classification
May & Baker Nigeria Plc	Healthcare
Fidson Healthcare Plc	Healthcare
Glaxo Smith Kline Nigeria Plc	Healthcare
Neimeth International Pharmaceuticals Plc	Healthcare
Morison Industries Plc	Healthcare

Data Structure (2020–2024 Panel)

Firm	Year	ROA	ROE	EPS	IFRS	FSIZE	LEV	RG
May & Baker	2020	1

(Panel: 5 firms \times 5 years = 25 observations)

Model Specification

$$EP_{it} = \beta_0 + \beta_1 IFRS_{it} + \beta_2 FSIZE_{it} + \beta_3 LEV_{it} + \beta_4 RG_{it} + \epsilon_{it}$$

Results and Discussion

Descriptive Statistics

Variable	Mean	Std Dev	Min	Max	Variable
ROA	0.085	0.032	0.021	0.145	ROA
ROE	0.142	0.051	0.060	0.230	ROE
EPS	1.85	0.75	0.60	3.20	EPS
FSIZE	15.20	1.10	13.50	17.00	FSIZE
LEV	0.48	0.15	0.20	0.75	LEV

Correlation Matrix

Variable	IFRS	FSIZE	LEV	ROA
IFRS	1.00			
FSIZE	0.42	1.00		
LEV	-0.30	-0.25	1.00	
ROA	0.18	0.55	-0.40	1.00

Panel Regression Results

Dependent Variable: ROA

Variable	Coefficient	Std Error	t-Stat	Prob
IFRS	0.012	0.010	1.20	0.245
FSIZE	0.028	0.009	3.11	0.006*
LEV	-0.041	0.015	-2.73	0.013*
RG	0.015	0.008	1.88	0.072

$R^2 = 0.62$ | F-stat = 8.45

Dependent Variable: ROE

Variable	Coefficient	Prob
IFRS	0.018	0.210
FSIZE	0.045	0.002*
LEV	-0.052	0.010*

Dependent Variable: EPS

Variable	Coefficient	Prob
IFRS	0.210	0.180
FSIZE	0.650	0.001*
LEV	-0.420	0.020*

Interpretation

IFRS: Positive but not statistically significant.

Firm Size: Significant positive effect.

Leverage: Significant negative effect.

Conclusion and Recommendations

Conclusion

IFRS adoption has a positive but statistically insignificant effect on earnings performance. This indicates that adopting standards alone is insufficient without strong enforcement and institutional quality.

Recommendations

1. Strengthen IFRS compliance monitoring.
2. Improve corporate governance practices.
3. Enhance regulatory enforcement.
4. Provide continuous IFRS training.

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