

From Compliance to Performance: Assessing the Financial Effects of IFRS 9 on Nigerian Deposit Money Banks

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Abstract: The implementation of International Financial Reporting Standard nine (IFRS 9) become effective from 1st January 2018, this was mandated by the International Accounting Standards Board (IASB), believing that the 2008 financial crisis was caused by the deficiency of International Accounting Standard (IAS 39), which was criticized for its backward looking and rule base. In line with this, the study examines the effect of IFRS 9 on the financial performance of eight (8) out of the thirteen (13) listed money deposit banks in Nigerian Stock Exchange, for the period of seven (7) years (2018 to 2024). Findings shows capital adequacy ratio (CAR), non-performing loan (NPL) and loan to asset ratio (LAR) are negatively insignificant (ROA), also LDR and NPL has no significant association with ROE. While loan to deposit ratio (LDR) is positively and significantly associated to ROA at 5% significant level. On the other hand, both CAR and LAR shows significant association with ROE, while CAR is positive; LAR is negative. Therefore, it is concluded that implementing IFRS 9 has effect more on ROE than ROA.

Keywords: Capital Adequacy Ratio, Non-Performing Loan, Loan to Asset Ratio, Loan to Deposit Ratio, Return on Assets, Return on Equity.

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I. INTRODUCTION

Value maximization is an integral part of the aims and objectives of any business organization in which financial performance plays a vital role in achieving. Financial performance is an essential criterion in achieving business goals, adapting to changes in the market, improving ways for doing businesses and tackling problems that may possibility arise in the business environment (Güngör et al., 2020). It involves executing financial activity which is very important to various stakeholders such as credit institutions, suppliers, managers, employees, customers, investors, competitors and government and each of them have its particular interest in tracking the financial performance of a company. Financial performance analysis involve scrutinizing the financial statement in order to evaluate the profitability, liquidity, solvency, stability, growth and prosperity of a company (Suresh et al., 2020).

The banking sector is one of main determinant of the economy size of any nation. It plays a very unique role in every economy which Nigerian economy is not an exception. In the developing economy much responsibilities is place on the banking sector which support various economic activities. For instead, banks are saddle with the responsibility of mobilizing required capital in facilitating production, creating job opportunities and income for running business activities (Gololo, 2018). He buttress further that the banking system is one of the main player in the money market which perform an intermediating role by mobilizing dormant funds in the Nigerian economy from surplus sectors to the deficient sectors. Also, Nwosu et al., (2020) asserted that an efficient and effective banking system is very critical in enhancing a meaningful and sustainable economic growth and development in most countries of the world since it create balance between people having funds to invest and people needing such funds.

Since adoption of International Financial Reporting Standard (IFRS) in 2012, firms in the Nigerian stock exchange are expected to comply in all ramifications in preparing and disclosing its financial statement, so as to meet up with the harmonization of accounting standard globally. Adoption of IFRS is a global issue due to the increasing demand of international trade and globalization of capital market, this increasing demand of harmonizing difference standards into a single standard is to aim at promoting growth in trade and investment within various countries of the world (Para et al., 2022). Therefore, the implementation of International Financial Reporting Standard nine (IFRS 9) become effective from 1st January 2018, this was mandated by the International Accounting Standards Board (IASB), believing that the 2008 financial crisis was caused by the deficiency of IAS 39, which was criticized for its backward looking and rule base (Gornjak, 2017). The replacement of IAS 39 gain ground at the G20 summit, this made the IASB to release IFRS 9 (Financial Instrument) on the 24th day of July, 2014 to fully replace IAS 39. IFRS 9 is believed to curtail the challenges encountered by IAS 39, since it is a forward looking and principle based standard. IFRS 9 expect organizations especially banks to set aside certain amount for unforeseen losses that may occur. The main different of IAS 39 and IFRS 9, is the way loan losses are reported. IAS 39 report loan losses only when the losses are incurred, that is why it is refer to as incurred credit loss (ICL). On the other hand IFRS 9 make provision for future losses which is known as expected credit loss (ECL). IFRS 9 covers the classification and measurement, impairment and hedge accounting of financial assets, which takes into consideration variety of information ranging from inflation, macroeconomic factors, current market conditions and their likes (Frykström & Li, 2020).

IFRS 9 has brought a significant changes in the banking sector by introducing a new approach for recognizing credit loss. The banking sector is greatly affected because of their lending activities and how they deal with financial instrument (Eriksson, 2019). According to Komolofe (2019) of the vanguard newspaper dated 19th August, 2019 that the banking sector in Nigeria lost about 1 trillion in total asset as a result of compiling to the requirement of IFRS 9 on recognition of bad loans. He buttress further that about twelve (12) banks adjusted their retained earnings to the tune of 889.33 billion naira and 202.63 billion naira on regulatory reserves. Deloitte (2019) further asserted that banks realize increase in its total IFRS 9 provisioning about 160% from 72% at the transitional level which is largely a direct reduction from its retained earnings reserves. Also, the implementation of IFRS 9 brought about comparability challenges among banks. Despite the resource put in place to keep up with IFRS 9, there are still areas that makes comparison a challenging issues between banks (Deloitte, 2019). Borne with these issues surrounding implementing IFRS 9 on the banking sector, it is imperative to study the effect of implementing IFRS 9 on the financial performance of Nigerian deposit money banks.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

➤ *International Financial Reporting Standard Nine (9)*

The International Financial Reporting Standard nine (IFRS 9), according to the largest audit firm (PwC, 2017), is a newly accounting standard implemented on the 1st of January, 2018, with some corporation implementing it much earlier. The new accounting standard deals with how corporations report their assets and liabilities. The newly accounting standard is forward looking and principle based which is introduce to answer the obsolete standard IAS 39 that is criticized of being too complicated and not reliable on the way corporation manages its risks and recognizes credit losses on loans and receivables (Albanna, 2019). The International Accounting Standard Board (IASB) segmented IFRS 9 into three phases namely; classification and measurement, impairment and hedge of financial assets. (PwC, 2017).

• *Phase I: Classification and Measurement of Financial Assets*

There are three models use in the classification and measurement of financial assets under IFRS 9 which are: Fair Value through Profit and Loss (FVPL), Amortized cost (AC) and Fair Value through Other Comprehensive Income (FVOCI). Under IFRS 9 the measurement of financial asset is based on principle approach which consider the model of the business entity in holding asset. The asset (being a debt instrument such as loan) is either ‘hold-to-collect or hold-to-collect-and-sell’ and it is characterized by a decisive factor known as solely payments of principal and interest (SPPI) which is a contractual cash flow. If assets are hold-to-collect and satisfies the SPPI requirement, they are classified at Amortized Cost (AC), but if assets are hold-to-collect-and-sell, and satisfies the SPPI requirement, they are classified at Fair Value through Other Comprehensive Income (FVOCI). While the remaining assets that fails to satisfy the condition of SPPI are held and classified at Fair Value through Profit and Loss (FVPL), with few exceptional cases.

• *Phase II: Impairment of Financial Assets*

IFRS 9 deals with Expected Credit Loss (ECL) impairment model, where banks are expected to recognize ECLs always, considering past events, current happening and forecasting information. Unlike IAS 39 which deals with incurred loss model, where credit losses are recognized only when they are incurred, which makes it “too little and too late”. The impairment loss is recognize in three stage to ensure ECL are recognize at all times.

✓ *STAGE 1:*

This is when fresh loans are initiated, a provision for ECL must be recognize over the next twelve (12) month and the credit risk has not increase significantly for existing loan since their initial recognition. Interest revenue is computed on carrying amount on gross loan.

✓ *STAGE 2:*

This is when credit risk increases significantly on the loan from its initial recognition and it is high, but no objective

evidence of impairment, ECLs are recognized over the lifetime of the loan. Interest revenue is computed same as in stage one.

✓ *STAGE 3:*

This is when credit risk increased significantly to a deteriorating level with an objective evidence of impairment the ECLs are recognized over lifetime of the loan. Interest revenue is computed on the loan at amortized cost (which is carrying amount of gross loan less loss allowance).

• *Phase III: Hedge of Financial Assets (HFA):*

HFA involves using financial instrument such as derivatives to help reduce risk of potential losses from changes in values or cash flows of a particular investment or portfolio. It is an insurance policy on one's investment, which create counter-balancing position that will gain value when the original investment losses its value and vice versa. Hedges are made up of two types namely fair value hedge and cash flow hedge. Fair value hedge helps to protect against changes in the fair value of an asset or liability due to a particular risk such as interest rate risk or foreign currency risk. While cash flow hedge helps to protect against fluctuations in the cash of an asset or liability that are due to a particular risk.

➤ *Financial Performance*

Financial performance is refer to as a tool used in measuring the current development and potential growth of an organization (Kim et al., 2021). It is an overall view of the firm's financial status reported within a specific period of time to show how successful and profitable the firm is in relation to producing revenue. According to Fatihudin and Mochklas, (2018) that there are various indicators or ratios use in measuring financial performance such as profitability ratio (which is proxy by return on asset, return on equity, return on investment and return on sales), also liquidity, solvency, efficiency, and leverage ratio and so on. Profitability ratio is the most used and, choosing the appropriate indicator depends on the objective and purpose of the study. Prior literature has reveal the use of several financial performance indicators by various authors; Mirza and Javed (2013) used return on equity (ROE) and shareholders return as determinants of financial performance, while Haile et al., (2014) selected return on equity, return on assets (ROA), cost to income ratio and net interest margin as financial performance indicators. Dufera (2010) measured financial performance using profitability which is proxy by Profit to Expenses Ratio (PER), Return on Deposit (ROD), Net Interest Margin (NIM), ROA and ROE. Many researchers believes that the use of these indicators gives valuable information about firm financial performance to various stakeholders. This study concentrated on profitability as a financial performance indicator which is proxy by return on assets (ROA), and return on equity (ROE).

• *Return on Asset (ROA)*

ROA is the returns on all assets invested in a business. ROA measures how much a company is earning after each money invested in the assets of the company. That is, it measures the net earnings per unit of a particular asset

(Dufera 2010). It evaluates managerial performance, a higher ratio indicate good managerial performance and efficient utilization of asset of the company, while lower ratio shows inefficient utilization of assets as well as poor managerial performance. It is usually computed thus: $ROA = \text{Net Profit after Tax} / \text{Average Total Asset}$.

• *Return on Equity (ROE):*

ROE is used to measure the profitability of a company by calculating its net income returned as a percentage of shareholder's equity. It evaluate the company's financial performance and its ability to generate profits from shareholder's investments.

$$ROE = \text{Net income} / \text{Shareholder's equity}$$

As profitability is use in measuring financial performance of a company, report by the Administrator II (2023) of Blueprint Newspaper dated 8th November, 2023 stated that seven banks are among the ten top most profitable companies in the Nigerian Stock Exchange for the first nine months in 2023. Zenith bank leads in the list with about 505 billion naira profit before tax which is over 177.81% increase when compared with the year 2022. Second on the list is UBA that recorded about 449.3 billion naira profit after tax (PAT) which is about 287.2% increase from 2022 record. Guaranty Trust Bank is third on the list with about 367.4 billion naira (PAT) which represent 181.9% increase from the year 2022. The fifth on the list is Access bank which made 250.4 billion (PAT) representing 83% increase compared to 2022 record. First bank Nigeria holdings made sixth on the list with about 236.5 billion naira (PAT), marking 159.1% increase from the year 2022. Eco bank and Stanbic IBTC Holding made eight and nine position on the list with about 150.2 billion and 129.5 billion naira as (PAT) respectively. Based on these facts the study tend to examine how the implementation IFRS 9 impacted financial performance of Nigerian deposit money banks.

➤ *Capital Adequacy Ratio (CAR)*

CAR is an indices used to ascertain how banks are able to meet up with their obligations. It is known as capital-to risk weighted assets ratio (CRAR). This ratio measures capital to risk weighted asset which is monitored and determine the risk associated to how banks fail. It is essential in protecting depositors, promoting stability and efficiency of the financial system. The capital is divided into two category namely; Tier 1 and Tier 2 capital. Tier 1 capital is the core fund which is readily available to manage and reduce losses suffered by the bank, and still continue operations. It consist of ordinary share capital, equity capital, intangible asset and audited revenue reserve. While the Tier 2 capital, is use to cushion losses in an event the bank is winding up. This consist of retained earnings and reserves yet to be audited, and loss reserves. In computing CAR both the Tier 1 and Tier 2 capital are added then divided by risk weighted asset. Implementing IFRS 9 will greatly increase the required provision of the banks which reduces post provision profit, this will negatively affect retained earnings which is part of capital, and thereby making it difficult for banks in Nigeria to maintain prudential national and region CAR of 10%, and

15% for banks with international authorization as required by the Central Bank of Nigeria (CBN). This negative impact was reported by John et al., (2019) of the Business day newspaper dated 16th April, 2019 that the banking sector in Nigeria lost about 1 trillion in total asset as a result of compiling to the requirement of IFRS 9 on recognition of bad loans. They buttress further that about twelve (12) banks adjusted their retained earnings to the tune of 889.33 billion naira and 202.63 billion naira on regulatory reserves. Also, a report published on December 6, 2023, by Ariemu (2023) of the Daily post newspaper state that eight banks fails to maintain the prudential capital adequacy ratio as required by the CBN. The report reveal that CAR of these banks decline to 11.2% which is below 15% the benchmark set for banks with international authorization. Based on this, the researcher seek to examine whether CAR affect financial performance of Nigerian deposit money banks.

- H01: CAR has no significant effect on the financial performance of listed DMBs in Nigeria after the implementation IFRS 9.

➤ *Loan to Deposit Ratio (LDR)*

Loan to deposit ratio is used to access the liquidity of banks. It compares the total loans of banks to the total deposit of customer within a specific period of time which is express in term of percentage. When the percentage is greatly high, this means banks lack the sufficient liquidity to meet up with any unforeseen cash requirement that may arise, while if the percentage is greatly low, it means the earnings of the bank may fall short of the requirement. It is computed by dividing total loan all over total deposit multiply by 100. The CBN minimum requirement of LDR percentage was raised in October 2019 from 60 per cent to 65 per cent, this is believe to improve lending to customers which will help to stimulate the real sectors of the economy. Also, it will help in promoting sound financial system without adversely affecting domestic banks healthiness. According to report by International Centre for Investigative Reporting (ICIR) that CBN will start from 31st July, 2023 to enforce the LDR policy and penalize those banks that fail to reach the requirement. Furthermore a report by ICIR shows that most banks fail to meet this requirement. For instead, First bank Nigerian Holdings percentage of LDR was 55% in 2020, 51% in 2021, 49% in 2022; then United Bank of Africa (UBA) was 43% in 2020, 40% in 2021 and 38% in 2022; also, Guaranty Trust Bank (GTB) was 46% in 2020, 44% in 2021 and 41% in 2022. Zenith Bank LDR percentage was 52% in 2020, 51.85% in 2021 and 45% in 2022. Access Bank PLC shows 55% in 2020, 51% in 2021, and 49% in 2022. Also in the list is First City Monument Bank (FCMB) which shows 60% in 2020, 62% in 2021 and 58% in 2022. However, Fidelity Bank PLC surpasses the CBN minimum requirement by recording 78% in 2020, 81.9% in 2021 and 82% in 2022. As most banks fails to meet up with this minimum requirement this may also negatively affect the economy growth and development of Nigeria economy by reducing consumption, employment, investment and economic activities as a whole. Borne with these issues the researcher seek to investigate whether LDR affect financial performance of Nigerian deposit money banks.

- H02: LDR has no significant effect on financial performance of Nigerian deposit money banks after the implementation IFRS 9.

➤ *Non-Performing Loan (NPL)*

Non-performing loans reflects the credit quality of banks which serve as one of the main indicator in managing credit risk. It particularly shows how banks manage their credit risk. (NPL) ratio, is computed by dividing non-performing loans to total gross loans and advances. The CBN maximum prudential requirement of NPL is 5%. If the NPL ratio is higher it indicates poor credit quality which also implies higher risk, thereby resulting to more loan loss to be charged against income. A report by the Monitoring Policy Committee (MPC) of the CBN reveal that NPL of banking sector experienced a 14% rise in the first quarter of 2020 which ends a two years consecutive decline from the third quarter of 2018. This may be attributed to covid-19 pandemic lockdown. There is also increase in the total flow of credit to the economy from 21.45trillion naira in April 2021 to 26.10trillion naira in April 2022 which represent 21.44% increase. Even with that, the NPL stood at 5.31% in ending of April 2022 which slightly above the prudential requirement of 5%, but an improvement from 5.89% in the ending of April 2021. Furthermore, the NPL decline from 5% in June 2022 to 4.1% in June 2023. The continuous decline was attributed write offs of bad debt, restricting of facilities, global standing instruction and the soundness of credit risk management. Considering these issues, the researcher seek to investigate how NPL affect the financial performance of Nigerian deposit money banks.

- H03: NPL has no significant effect on financial performance of Nigerian deposit money banks after the implementation IFRS 9.

➤ *Loan Asset Ratio (LAR)*

Loan asset ratio represents total amount of loan granted by banks in relation to the proportion of total assets. It is the risk profile of the bank. Prior literature reveals that the higher the loans granted by bank contributes to greater risk exposure the bank experienced (Al-sakini et al., 2021). In another word, the exposure of credit risk is greater for banks having larger loan to total asset ratios. A report by CBN monitoring policy committee that the banking system remained sound, stable and resilient due to its total asset that grew from 53.17trillion naira in April 2021 to 64.32trillion naira in April 2022 representing 20.97% increase. As a result the total credit flow into the economy increase from 21.45 trillion naira to 26.10 trillion naira which is about 21.66% increment. With these, the researcher seek examine the effect of loan ratio on the financial performance of listed DMBs in Nigeria.

- H04: LAR has no significant effect on financial performance of listed DMBs in Nigeria after the implementation IFRS 9.

III. METHODOLOGY

Correlational research design which is retrospective in nature was employed to investigate the effect of

implementing IFRS 9 on the financial performance of Nigerian deposit money banks. The aim is to provide understandable and reliable financial information to various stakeholders which will help in recognizing opportunities and risk involve, as well as helping banks in minimizing loses associated with credit facilitates. The population of the study constitute thirteen (13) deposit money banks in Nigeria, but eight (8) was considered as sample size base on the fact that they were listed within the period of the study and had complete relevant information required to carry out the study. Secondary data was sourced from the audited financial statement for the period between 2018 and 2024. ROA and ROE serve as proxy of financial performance as well as the dependent variable of the study. While Capital adequacy ratio (CAR), loan to deposit ratio (LDR), non-performing loan (NPL) and loan to assets ratio (LAR) were used as independent variables.

➤ *Model Specification*

$$ROA_{it} = \beta_0 + \beta_1 CAR_{it} + \beta_2 LDR_{it} + \beta_3 NPL_{it} + \beta_4 LAR_{it} + \epsilon_{it} \dots \dots \dots (1)$$

$$ROE_{it} = \beta_0 + \beta_1 CAR_{it} + \beta_2 LDR_{it} + \beta_3 NPL_{it} + \beta_4 LAR_{it} + \epsilon_{it} \dots \dots \dots (2)$$

Whereas

β_0 = constant

$\beta_1 - \beta_4$ = are coefficient of parameters estimated

ROA = Return on Asset

ROE = Return on Equity

CAR = Capital Adequate Ratio

LDR = Loan to Deposit Ratio

NPL = Non-Performing Loan

LAR = Loan to Asset Ratio

IV. RESULT AND DISCUSSION

➤ *Descriptive Statistics*

Table 1 Descriptive Statistics

	Mean	Standard Deviation	Minimum	Maximum
ROA	11.12	15.95	0.68	67.03
ROE	16.77	10.06	2.31	47.50
CAR	17.04	4.06	10	28.5
LDR	60.97	15.47	28.05	98.04
NPL	5.14	3.53	0.18	18.95
LAR	4.16	10.86	-1.10	55.64

Table 1 above shows the descriptive statistics of the variables of listed DMBs in Nigeria. From the result, ROA has an average value of 11.12 and standard deviation of 15.95, it ranges between 0.68 and 67.03. ROE has a mean of 16.77 and standard deviation of 10.06, with a minimum value of -2.31 and maximum value of 47.45. CAR average value is 17.04 and standard deviation value is 4.06, while its minimum and maximum values are 10 and 28.05 respectively. This shows that the average CAR of most listed DMBs is above the prudential requirement of the CBN of 10%. The mean of LDR is 60.97 and its standard deviation is

15.49. It ranges from 28.05 to 98.04. This implies that the average and minimum values of LDR shows that most listed banks do not meet up with the CBN requirement of 65%. NPL has an average value of 5.14 and standard deviation of 3.53, with a minimum value of 0.18 and maximum value of 18.95. This signifies that some banks may be at risk of NPL since its maximum value of 18.95 has greatly exceed the maximum prudential requirement of 5%. LAR mean value is 4.16 and its standard deviation is 10.86, and ranges from -1.10 to 55.64.

➤ *Correlation Matrics*

Table 2 Correlation Matrics

	ROA	ROE	CAR	IDR	NPL	LAR
ROA/ROE	1.0000	1.0000				
CAR	-0.0512	0.5433	1.0000			
LDR	0.4912	-0.1687	0.2349	1.0000		
NPL	-0.1621	0.0361	0.2329	0.0656	1.0000	
LAR	-0.0059	-0.2471	0.0498	-0.1650	0.3661	1.0000

Table 2 shows how dependent variables are correlated with independent variables. LDR has a positive strong correlation with ROA. NPL has a weak negative correlation with ROA. CAR and LAR has a very weak and negative

correlation with ROA. On the other hand, CAR has a positive strong correlation with ROE. While LDR and LAR has a weak and negative correlation with ROE; and NPL has a positive but very weak correlation with ROE. From the result

it can be infer that both increase in LDR and CAR result to high increase in ROA and ROE respectively. While increase in CAR, NPL and LAR result lower decrease in ROA. On the other hand, increase in LDR and LAR result to lower decrease in ROE; and increase in NPL result to a very lower increase in ROE.

➤ *Inferential Analysis*

A robust diagnostics test was conducted to enhance the variability and reliability of the statistics used in drawing conclusion from the regression results this includes multi-collinearity test, cook-Weisberg test for heteroscedasticity, hausman specification test as guide in choosing fixed or random effect model and breusch and pagan langrangian multiplier test.

The multi-collinearity test reveal absence of multi-collinearity among independent variables since the VIF is less than 10 while the tolerance value is less than 1 which poses no threat to the reliability and validity of the result, this implies appropriateness of the model fit for the study. Furthermore, the heteroscedasticity test was conducted to

➤ *Regression Result*

Table 3 Regression Result

Variable	ROA (Random Effect Model)				ROE (Pool OLS)			
	Coefficient	P-values	VIF	Tolerance	Coefficient	P-values	VIF	Tolerance
CAR	-0.3329352	0.357	1.22	0.819406	1.218571	0.000	1.08	0.927685
LDR	0.1813558	0.065	1.15	0.869457	-0.074037	0.337	1.09	0.920721
NPL	-0.4014282	0.320	1.35	0.740838	0.2261972	0.516	1.16	0.858702
LAR	-0.1222146	0.611	1.54	0.647846	-0.231693	0.049	1.21	0.827138
M/VIF			1.34				1.34	
R ²	0.4325				0.3510			
F-Stat		0.0000				0.0002		
Hettest	45.00	0.0000			1.13	0.8491		
Hausman	0.50	0.9736						
LMtest	96.74	0.0000						

From table 3, the regression result reveal that capital adequacy ratio (CAR), non-performing loan (NPL) and loan to asset ratio (LAR) are all negatively and statistical insignificant to ROA, which implies that CAR, NPL and LAR has no any association with ROA; meaning any increase or decrease in the aforementioned independent variables does not affect ROA in anyway. However, loan to deposit ratio (LDR) has a positive and significant association with ROA at 5% level of significant. This signifies that as LDR increases by 5% ROA increase by 0.18%; meaning as LDR increase it will influence increase in ROA. On the other hand, both LDR and NPL are insignificantly associated with ROE meaning that LDR and NPL has no any association with ROE. Then, both CAR and LAR shows significant association with ROE, while CAR is positive; LAR is negative. This implies that as CAR increases by 1%, ROE increases by 1.2%; and as LAR increases by 5%, ROE decreases by 0.2%.

know the variability of the error term as to whether it is constant or not. From the result there is absence of heteroscedasticity in the both cases of ROE and ROA since their probabilities are statistically insignificant showing that their data are homoscedastic, and the probability of the F-statistics is significant at 1% in the case of ROE this support that the model is good and the regression is fit for interpretation. However in the case of ROA, the probability of the F-statistics is statistically insignificant this makes it inappropriate to interpret the regression results, thereby leading to conducting fixed effect and random effect regression to address the problem. Hausman specification test was done to select between the fixed effect and random effect model. The result of the Hausman test shows a p-value of 0.9736 which is statistically insignificant, thereby resulting in the selection of random effect regression model, and Lagrange Multiplier (LM) was further conducted and the p-value (0.0000) result was significant at 1%, which result in the selection of random effect regression model. This implies that the random effect model is more appropriate and fit for interpretation.

V. CONCLUSIONS

The study examine the financial effects of IFRS 9 on Nigerian Deposit Money Banks.

The implementation of IFRS 9 has effect on banks financial performance to certain degree. From the findings CAR, NPL and LAR has no effect on ROA. Therefore, we accept the null hypotheses that says CAR, NPL and LAR has no significant financial effect on Nigerian deposit money banks. This mean that it is true that CAR, NPL and LAR have no relationship with ROA a proxy of financial performance of Nigerian deposit money banks. While LDR has effect on ROA, which make us to reject the null hypotheses that says LDR has no significant effect on the financial performance of Nigerian deposit money banks. Meaning that LDR have a relationship with ROA a proxy of financial performance of Nigerian deposit money banks. This agree with the assertion that as more bank meet up with the 65% benchmark of LDR it will go a long way to increase the return on asset. On the other hand, LDR and NPL has on effect on ROE, this make

us to accept the null hypotheses that says LDR and NPL has no significant effect on the financial performance of Nigerian deposit money banks. While CAR and LAR has effect on ROE, this result in rejecting the null hypotheses that says CAR and LAR has no significant relationship on the financial performance of Nigerian deposit money banks. Therefore, it is concluded that implementing IFRS 9 has effect more on ROE than ROA.

RECOMMENDATIONS

- Banks should leverage LDR to boost ROA, strengthen CAR to enhance ROE, control LAR to avoid erosion of shareholders' value, and continuously manage NPLs to safeguard long-term financial health.
- Regulators should sustain and refine IFRS 9 enforcement to maximize its positive impact on bank performance.

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