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EFFECT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ON FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

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ABSTRACT

This study investigates the effect of International Financial Reporting Standards (IFRS) adoption on the financial performance of listed consumer goods firms in Nigeria between 2010 and 2025. An ex-post facto research design was adopted, using audited financial statements from nine firms and generating 160 firm-year observations. Financial performance was evaluated using liquidity and leverage measures, while IFRS adoption was represented by a dummy variable, assigning 0 to the pre-IFRS period (2010–2011) and 1 to the post-IFRS period (2012–2025). Panel regression based on the random-effects model was employed after diagnostic tests for multicollinearity, heteroskedasticity, serial correlation, normality, and model specification. The findings revealed substantial differences between the pre- and post-IFRS reporting periods. Under the Nigerian Generally Accepted Accounting Principles (NGAAP), reporting practices had no significant effect on liquidity (coefficient = −0.023; p = 0.718) or leverage (coefficient = 0.015; p = 0.786), with low explanatory power across the models. Conversely, IFRS adoption significantly improved financial performance. Liquidity increased significantly (coefficient = 0.262; p = 0.003), while leverage declined significantly (coefficient = −0.198; p = 0.010), suggesting improved asset classification, liability recognition, transparency, and reduced information asymmetry. The models recorded R-squared values ranging from 0.33 to 0.50, indicating moderate explanatory power. The Hausman test (p = 0.621) supported the random-effects specification. The study concludes that IFRS adoption enhances financial reporting quality and contributes positively to corporate financial performance in Nigeria. It recommends stronger compliance with IFRS requirements, particularly regarding asset valuation, inventory recognition, and receivables disclosure.

Keywords: *IFRS, Liquidity, Leverage, Financial Performance, Financial Reporting Quality.*

Introduction

Financial reporting constitutes an essential mechanism for the efficient functioning of modern capital markets because it provides investors, creditors, regulators, managers, and other stakeholders with information for evaluating financial position, performance, risk, and future prospects. The usefulness of financial statements is strongly influenced by the accounting standards governing their preparation, particularly the extent to which those standards promote relevance, faithful representation, comparability, understandability, and transparency. Historically, differences among national accounting systems made cross-border comparison of corporate financial information difficult and increased information asymmetry between companies and external users. The development of International Financial Reporting Standards (IFRS) was therefore aimed at establishing a common global reporting framework capable of improving the quality and comparability of financial information. IFRS, developed by the International Accounting Standards Board (IASB), emphasizes the provision of financial information that is useful to existing and potential investors, lenders, and other creditors in making economic decisions (IASB, 2024; IFRS Foundation, 2024).

The significance of IFRS extends beyond accounting compliance because the quality of financial reporting can influence investment decisions, corporate governance, access to finance, and capital-market efficiency. When consistently applied and effectively enforced, IFRS can enhance the comparability of financial statements across firms and jurisdictions, thereby enabling users to make more informed assessments of corporate performance and risk. The IFRS Foundation (2024) emphasizes that the objective of financial reporting is to provide decision-useful information concerning an entity's financial position, financial performance, and cash flows. However, the adoption of a common reporting standard does not automatically guarantee high-quality reporting. Its effectiveness depends on factors such as regulatory enforcement, auditor competence, corporate governance, management incentives, and the institutional environment within which firms operate.

In Nigeria, the financial reporting environment previously relied substantially on Nigerian Generally Accepted Accounting Principles (NGAAP) and Statements of Accounting Standards issued by the Nigerian Accounting Standards Board. Although the framework provided a basis for corporate reporting, concerns regarding its international comparability and ability to address increasingly complex business transactions contributed to Nigeria's decision to move toward IFRS. Nigeria commenced IFRS implementation in 2012, with listed companies and other public-interest entities among the first groups required to comply. The transition represented a significant transformation of Nigeria's financial reporting environment and was intended to strengthen transparency, comparability, accountability, and investor confidence. The Financial Reporting Council of Nigeria (FRCN) has an important responsibility in promoting high-quality financial reporting and regulatory compliance in the Nigerian corporate environment (FRCN, 2023).

The relevance of IFRS adoption is particularly pronounced among firms listed on the Nigerian Exchange because these companies depend heavily on credible financial information to attract investors, obtain financing, maintain market confidence, and support strategic decision-making. IFRS requirements relating to recognition, measurement, presentation, and disclosure may improve the reliability and transparency of reported financial information and consequently reduce information asymmetry between managers and external stakeholders. Improved financial reporting can also strengthen managerial accountability and facilitate more effective allocation of financial resources. Nevertheless, the relationship between IFRS adoption and financial performance remains an empirical question. Financial performance may be evaluated through profitability, liquidity, leverage, efficiency, and market-based indicators, and improvements in reporting quality do not necessarily translate directly into improvements in all dimensions of corporate performance.

The Nigerian business environment further complicates this relationship. Listed firms operate under conditions characterized by inflationary pressures, exchange-rate fluctuations, financing constraints, changing regulatory requirements, and broader macroeconomic uncertainties. These factors can influence corporate performance independently of accounting standards (Central Bank of Nigeria [CBN], 2024; World Bank, 2024). Thus, although IFRS adoption is expected to improve reporting quality, its ultimate contribution to firm performance may depend on the extent of compliance, effectiveness of enforcement, corporate governance practices, and firms' capacity to implement the standards appropriately. The IFRS Foundation (2024) similarly recognizes that the benefits of high-quality financial reporting are maximized when financial information is prepared and communicated within a supportive institutional and regulatory environment.

Consequently, an important research issue remains concerning whether the transition from NGAAP to IFRS has produced measurable improvements in the financial performance of Nigerian listed firms. Examining this relationship is particularly important because evidence from developed economies may not necessarily apply to emerging markets such as Nigeria, where institutional conditions, regulatory enforcement, market development, and corporate governance structures differ substantially. Empirical assessment of IFRS adoption and financial performance can therefore provide useful evidence for regulators, corporate managers, investors, accounting professionals, and policymakers. Such evidence can also assist in determining whether the objectives associated with IFRS adoption—particularly improved transparency, comparability, accountability, and decision-useful financial information—are being translated into tangible improvements in corporate outcomes.

Statement of the Problem

The adoption of International Financial Reporting Standards (IFRS) represents a major reform in financial reporting aimed at improving the quality, comparability, transparency and usefulness of financial information. Nigeria commenced mandatory IFRS adoption for publicly listed entities in 2012, replacing the Nigerian Statement of Accounting Standards (SAS). The reform was expected to improve the credibility of corporate financial statements and provide investors, creditors and other stakeholders with more reliable information for economic decision-making (IFRS Foundation, 2021; Ofoegbu & Odoemelam, 2013). However, despite the intended benefits, concerns remain regarding whether IFRS adoption has actually produced measurable improvements in the financial position of Nigerian listed firms, particularly in relation to liquidity and leverage.

Liquidity is an important indicator of a firm's ability to meet its short-term financial obligations as they fall due. Adequate liquidity enhances financial stability and reduces the risk of default, while excessive or inadequate liquidity may adversely affect profitability and investment decisions. The transition from pre-IFRS to post-IFRS reporting could influence reported liquidity because IFRS contains recognition and measurement requirements that may affect the classification and valuation of current assets and current liabilities. Consequently, financial ratios such as the current ratio and quick ratio may differ significantly between the pre-IFRS and post-IFRS periods. Evidence from developing economies suggests that IFRS adoption can alter reported accounting numbers and financial ratios, although the magnitude and direction of the effects vary across firms and institutional environments (Adejare, 2014; Tanko, 2012).

Similarly, leverage provides an important assessment of the extent to which firms rely on debt financing and their exposure to financial risk. IFRS adoption may affect leverage through changes in the recognition and measurement of liabilities, leases, financial instruments, provisions and other balance-sheet items. Such changes can influence the reported debt and equity positions of firms and, consequently, debt-to-equity and debt-to-assets ratios. This is particularly relevant in Nigeria, where listed firms operate in an environment characterised by financing constraints, fluctuations in interest rates and exchange rates, and changing economic conditions. Although IFRS is intended to enhance the quality and comparability of financial reporting, changes in accounting measurements may make comparisons between pre-IFRS and post-IFRS financial performance and position more complex (Iatridis & Rouvolis, 2010; IFRS Foundation, 2021).

The problem, therefore, is that while IFRS adoption has been extensively promoted as a mechanism for improving financial reporting quality, there remains insufficient firm-level evidence on whether the transition actually changed the liquidity and leverage positions of Nigerian listed firms. Existing studies have produced mixed findings, with some reporting improvements in financial reporting quality and others indicating that IFRS adoption may generate substantial changes in reported financial ratios without necessarily representing corresponding changes in underlying economic conditions (Ofoegbu & Odoemelam, 2013; Tanko, 2012). More importantly, studies that explicitly compare the pre-IFRS and post-IFRS periods across both liquidity and leverage dimensions remain relatively limited.

This creates an empirical gap concerning whether the observed financial position of listed firms is associated with the accounting regime under which financial statements were prepared. Therefore, this study seeks to examine the effect of pre-IFRS and post-IFRS reporting on the liquidity and leverage of listed firms in Nigeria**.** Specifically, the study compares liquidity in the pre-IFRS and post-IFRS periods and determines whether leverage differed between the two reporting regimes. Addressing this problem will provide empirical evidence on the financial consequences of IFRS adoption and contribute to the understanding of whether the reporting reform achieved its intended objective of producing more useful and comparable financial information for Nigerian capital-market participants.

Objectives of the Study

i. Examine the effect of Pre-IFRS on the liquidity position of listed firms in Nigeria;
ii. Examine the effect of Post-IFRS on the liquidity position of listed firms in Nigeria;
iii. Determine the impact of Pre-IFRS on the leverage of Nigerian listed firms in Nigeria;
iv. Determine the impact of Post-IFRS on the leverage of Nigerian listed firms in Nigeria.

Literature

Conceptual Framework

The conceptual framework of this study explains the expected relationship between pre-IFRS and post-IFRS financial reporting regimes and the liquidity and leverage positions of listed firms in Nigeria. IFRS represents a globally oriented financial reporting framework designed to improve consistency, comparability, transparency, and usefulness of financial information. Nigeria requires IFRS for financial statements of public-interest entities, making the transition from the former Nigerian accounting standards to IFRS an important institutional change in the Nigerian corporate reporting environment. The framework therefore distinguishes between the pre-IFRS period (2010–2011) and the post-IFRS period (2012–2025) and examines their respective effects on liquidity and leverage.

Liquidity refers to the ability of a firm to meet its short-term financial obligations as they fall due. In this study, liquidity is measured using the Current Ratio (CR), which relates current assets to current liabilities. The pre-IFRS period represents the period when Nigerian listed firms prepared financial statements largely under Nigerian Generally Accepted Accounting Principles (NGAAP). The conceptual expectation is that the weaker disclosure and classification requirements associated with the former reporting framework may have limited the usefulness of financial information for effective liquidity assessment and management. In particular, inadequate information concerning the timing of realization of assets and settlement of liabilities could constrain stakeholders' assessment of short-term solvency.

Financial reporting is important to liquidity because information concerning current assets, current liabilities, receivables, inventories, and expected cash flows provides a basis for assessing a firm's ability to meet short-term obligations. Contemporary IFRS requirements provide more structured information in this regard. IAS 1 requires the presentation of current and non-current assets and liabilities, while information concerning expected dates of realization and settlement is particularly useful in assessing liquidity and solvency. Therefore, the study conceptualizes pre-IFRS reporting as an independent variable that may influence liquidity, with the Current Ratio serving as the dependent measure. Post-IFRS refers to the period following the mandatory implementation of IFRS in Nigeria. The adoption of IFRS potentially improves liquidity-related information through enhanced recognition, measurement, classification, and disclosure requirements. IAS 1 provides clearer classification of current and non-current assets and liabilities, thereby improving users' understanding of working capital and short-term obligations. Similarly, IAS 2 requires inventories to be measured at the lower of cost and net realizable value, with write-downs recognized when necessary, thereby improving the reliability of reported inventory.

The effect of IFRS on liquidity may, however, be either positive or negative because improved recognition and measurement can change the reported amounts of current assets and liabilities. Evidence from Nigeria is therefore mixed. (Enakirerhi, et al, 2020), for example, reported a significant but negative effect of IFRS adoption on short-term liquidity, while Udofia and Badejo (2024) assert that IFRS 16 adoption considerably affected liquidity among listed Nigerian manufacturing companies. These divergent findings justify further examination of the broader IFRS regime and liquidity among listed firms over a longer period. Thus, the conceptual framework proposes post-IFRS adoption as an explanatory variable and Current Ratio as the measure of liquidity.

Leverage represents the extent to which a firm relies on debt financing relative to shareholders' equity. The study measures leverage using the Debt-to-Equity Ratio (DER). The conceptual relationship between pre-IFRS reporting and leverage arises from the role of financial reporting in communicating information about a firm's obligations, financial risk, and capital structure. Under the pre-IFRS regime, comparatively limited disclosure concerning certain obligations and financing arrangements could increase information asymmetry between managers, shareholders, and creditors. Such information asymmetry may affect creditors' assessment of risk and managers' financing decisions. From an agency perspective, financial reporting reduces information asymmetry by providing external stakeholders with information for monitoring management. Consequently, the quality of financial reporting can influence debt financing decisions and the cost associated with external capital. The conceptual framework therefore assumes that the pre-IFRS reporting environment may have had an influence on firms' leverage, although the direction and magnitude of the effect remain empirical questions.

The post-IFRS period is expected to have a stronger relationship with leverage because IFRS provides enhanced recognition and disclosure of liabilities and financial risks. IFRS 16, for example, requires lessees to recognize right-of-use assets and lease liabilities for most leases exceeding 12 months, thereby increasing transparency concerning financing obligations. IFRS-based disclosures can consequently provide investors and creditors with better information for evaluating a firm's financial risk and debt capacity. Current Nigerian evidence supports the relevance of this relationship. Udofia and Badejo (2024) found that IFRS 16 adoption significantly affected leverage, liquidity, and profitability among listed manufacturing companies in Nigeria. Similarly, Balogun, Sanyaolu, and Asamu reported that IFRS adoption had a negative, although insignificant, effect on leverage among listed Nigerian consumer goods companies. These scholars argued that the relationship between IFRS and leverage may vary according to the sector, period, and specific IFRS requirements considered.

The conceptual framework consequently positions Pre-IFRS and Post-IFRS as the explanatory variables, while Liquidity and Leverage constitute the dependent variables. Liquidity is operationalized using the Current Ratio (CR), while leverage is measured using the Debt-to-Equity Ratio (DER). The framework assumes that changes in the financial reporting regime can influence the quality and usefulness of financial information, which may subsequently affect firms' working-capital management and capital-structure decisions. The four relationships examined are therefore: Pre-IFRS → Liquidity; Post-IFRS → Liquidity; Pre-IFRS → Leverage; and Post-IFRS → Leverage. The framework recognizes that the actual direction and significance of these relationships are empirical matters to be established through statistical testing.

Theoretical Framework

Agency Theory

Agency Theory, developed by Jensen and Meckling (1976), explains the relationship between owners of a firm (principals) and managers (agents). The theory assumes that managers may possess more information about the firm than shareholders and creditors, creating information asymmetry and potential conflicts of interest. Financial reporting is therefore important because it provides external stakeholders with reliable information for monitoring managerial actions and evaluating corporate performance. High-quality accounting information can reduce information asymmetry, agency costs, and managerial opportunism. In the context of IFRS, the adoption of internationally recognized reporting standards is expected to improve the quality, transparency, comparability, and credibility of financial statements. The IFRS Conceptual Framework emphasizes relevance, faithful representation, comparability, verifiability, timeliness, and understandability as characteristics that make financial information useful to investors, lenders, and other creditors. (IFRS Foundation).

Agency Theory is particularly relevant to this study because IFRS adoption may influence the financial performance of listed consumer goods firms by improving the information available to shareholders, creditors, and other providers of capital. Better information about assets, liabilities, income, expenses, cash flows, and risks can improve managerial accountability and facilitate more efficient investment and financing decisions. The theory is also relevant to the study's liquidity and leverage dimensions because creditors and investors require reliable information to assess firms' ability to meet short-term obligations and manage debt. Evidence from Nigerian listed firms indicates that IFRS adoption can improve the value relevance of earnings, suggesting that accounting information reported under IFRS may become more useful to investors in evaluating firms (Uwuigbe et al., 2018). (Taylor & Francis Online) Thus, Agency Theory provides a strong theoretical explanation for expecting differences in financial performance between the pre-IFRS and post-IFRS periods.

Stakeholder Theory

Stakeholder Theory, principally associated with Freeman (1984), argues that firms have responsibilities not only to shareholders but also to other stakeholders, including employees, customers, suppliers, creditors, government, regulators, and the wider society. The theory emphasizes that corporate decisions and reporting practices should consider the information needs and interests of these different stakeholder groups. Financial reporting is consequently viewed as an important mechanism through which firms communicate their economic activities, financial position, risks, and performance to stakeholders. IFRS adoption is consistent with this perspective because it seeks to establish a common reporting language capable of providing more transparent, comparable, and useful financial information to diverse users. The IFRS Conceptual Framework specifically identifies investors, lenders, and other creditors as primary users of general-purpose financial reporting and emphasizes the importance of information that supports economic decision-making. (IFRS Foundation).

Stakeholder Theory is relevant to the study because the financial performance of listed consumer goods firms affects and is affected by numerous stakeholder groups. Improved IFRS reporting can help investors evaluate profitability and earnings, creditors assess liquidity and leverage, management improve resource allocation, and regulators strengthen monitoring and accountability. Recent Nigerian literature continues to associate IFRS adoption with improvements in financial reporting quality and accountability, although the magnitude of its effects can differ across firms and sectors. For example, recent evidence on Nigerian listed firms reports that IFRS adoption significantly improves financial reporting quality, reinforcing the argument that standardized reporting can strengthen the information environment surrounding listed companies (Bello, 2026). (ResearchGate).

Overall, Agency Theory and Stakeholder Theory provide complementary foundations for this study. Agency Theory emphasizes IFRS as a mechanism for reducing information asymmetry and managerial agency problems, while Stakeholder Theory emphasizes its role in satisfying the information needs of multiple corporate stakeholders. Together, the theories provide a basis for examining whether the transition from pre-IFRS to post-IFRS reporting is associated with changes in the financial performance of listed consumer goods firms in Nigeria, particularly in terms of liquidity, leverage, profitability, and investors' ratios.

Empirical Review

Owolabi et al. (2024) examined the effect of IFRS adoption on the performance of selected manufacturing companies in Nigeria from 2014 to 2021. The study used ROA and EPS as measures of firm performance and IFRS adoption as the explanatory variable. Secondary data were obtained from annual reports, financial statements, fact books, and relevant company websites. Descriptive statistics, multiple regression, and OLS were employed in analysing the data. Multicollinearity and heteroscedasticity tests were also conducted to ensure the reliability of the regression estimates. The findings revealed that IFRS adoption had a positive but statistically insignificant effect on EPS ($p = 0.3090$) and ROA ($p = 0.7856$). The study therefore concluded that IFRS adoption did not significantly influence the performance of the sampled manufacturing firms. It recommended increased government incentives and investment support to improve the profitability and earning capacity of the manufacturing sector.

Onaolapo and Adebayo (2023) investigated the effect of IFRS adoption on the performance of Nigerian manufacturing companies between 2012 and 2021. The study used financial data from 28 manufacturing firms covering the consumer and industrial goods sectors. The Difference Generalized Method of Moments (D-GMM) was employed to examine the relationship between IFRS adoption and firm performance. The findings showed that shareholders' funds, firm size, leverage, and property, plant and equipment significantly influenced firm performance. IFRS adoption was also found to have a significant effect on the performance of manufacturing companies. Property, plant and equipment, impairment, shareholders' funds, borrowing costs, and leverage were important factors associated with IFRS adoption. The study emphasized the importance of effective management of property, plant and equipment in enhancing returns on equity. It recommended efficient management of productive assets to maximize the financial performance of manufacturing firms.

Oladele (2023) examined the impact of IFRS adoption on the performance of listed manufacturing companies in Nigeria. The study recognized that IFRS adoption significantly changed the accounting and financial reporting practices of Nigerian companies. A quantitative research approach was employed, with purposive sampling used to select listed manufacturing firms based on factors such as size, financial performance, and IFRS adoption. Regression analysis was used to investigate the relationship between IFRS adoption and different dimensions of firm performance. The study considered profitability, liquidity, and solvency as major measures of financial performance. Firm size, age, leverage, and industry-specific characteristics were included as control variables. The study provided insights into the opportunities and challenges associated with IFRS implementation in the Nigerian manufacturing sector. It concluded that understanding the specific effects of IFRS is important for policymakers, regulators, and practitioners seeking to improve financial reporting quality and corporate performance.

Nwufo and Chima (2021) investigated the effect of IFRS adoption on the performance of listed firms in Nigeria using all 21 banks listed on the Nigerian Stock Exchange as at December 2016. The study measured performance using profitability and growth indicators and employed multiple regression analysis to test the research hypotheses. A pre- and post-IFRS analysis was also conducted to determine whether bank growth changed significantly following IFRS adoption. The findings revealed that IFRS adoption had no statistically significant effect on the profitability of listed Nigerian banks. Similarly, IFRS adoption did not significantly influence the growth of the sampled banks. The pre- and post-adoption comparison also showed no significant difference in bank growth. The study therefore concluded that IFRS adoption did not produce a significant improvement in the performance of the sampled listed banks. This finding suggests that the benefits of IFRS may depend on sectoral and institutional factors.

Titus (2021) examined the effect of IFRS adoption on the financial performance of Nigerian manufacturing companies over pre- and post-IFRS periods. The study covered ten manufacturing companies listed on the Nigerian Stock Exchange and examined a 14-year period comprising pre- and post-adoption observations. The Wald Least Coefficient Restrictions Model and Ordinary Least Squares using Gauss-Newton/Marquardt estimation were employed to test the hypotheses. The findings showed a weak and statistically insignificant relationship between revenue, profit, total assets, total liabilities, and EPS and the firms' ROA and ROE before IFRS implementation. The results indicated that the selected financial statement measures did not have strong relationships with profitability indicators during the pre-IFRS period. The study emphasized the usefulness of IFRS-based annual reports in providing relevant information for investment decisions. It recommended that investors consider book values of equity, operating cash flows, and earnings when evaluating firms using IFRS-compliant financial statements.

Haruna (2018) examined the impact of IFRS adoption on the performance of listed food and beverage companies in Nigeria. The study relied on secondary data obtained from the audited annual reports and financial statements of sampled firms. Multiple Ordinary Least Squares regression was used to examine the relationship between IFRS adoption and financial performance. The study also applied I-T and J-T tests to determine whether firm performance significantly increased after IFRS adoption. The findings showed no significant relationship between IFRS adoption and liquidity, leverage, profitability, or stock market performance. Consequently, the study concluded that IFRS adoption had no significant impact on the performance of food and beverage companies. It recommended government incentives, staff training and retraining, and stronger compliance with IFRS requirements. The study further emphasized the need for the Financial Reporting Council of Nigeria to strengthen monitoring and enforcement to improve reporting quality and investor confidence.

Methodology

The study adopted an ex-post facto research design because it utilizes historical financial data from audited annual reports without manipulating the study variables. The study compares the pre-IFRS period (2010–2011), when firms reported under NGAAP, with the post-IFRS period (2012–2025), when firms reported under IFRS, to assess changes in financial performance. The population comprises all food and beverage companies listed under the Consumer Goods Sector of the Nigerian Exchange Group (NGX) as at the end of 2025. A purposive sampling technique was employed to select firms with continuous listing on the NGX, complete and accessible audited financial statements, adequate data for measuring the study variables, and consistent IFRS compliance during the post-adoption period. Firms that failed to meet these criteria were excluded. Consequently, nine (9) firms were purposively selected for the study, providing a potential 144 firm-year observations over the 16 years from 2010 to 2025.

Model Specification

To examine the effect of IFRS adoption on the financial performance of listed firms in Nigeria, the study employs a single consolidated regression specification that captures both the pre-IFRS and post-IFRS periods. The model separately assesses the effect of IFRS adoption on firms' liquidity and leverage positions as follows:

$LIQit=\beta0+\beta1IFRSit+\varepsilon it$

$LEVit=\beta0+\beta1IFRSit+\varepsilon it$

Where:

LIQit = Liquidity position of firm *i* in period *t*, measured using the Current Ratio.

LEVit = Leverage position of firm *i* in period *t*, measured using the Debt-to-Equity Ratio.

IFRSit = IFRS adoption dummy variable, assigned a value of 0 for the Pre-IFRS period **and** 1 for the Post-IFRS period.

β0 = Intercept or constant term.

β1 = Coefficient measuring the effect of IFRS adoption on the respective dependent variable.

εit = Error term representing other factors affecting the dependent variable that are not captured by the model.

Thus, the model provides a unified framework for determining whether the adoption of IFRS significantly changed the liquidity and leverage positions of listed firms in Nigeria by comparing financial outcomes before and after IFRS implementation. Specifically, the first equation evaluates the effect of IFRS adoption on liquidity, while the second equation determines its effect on leverage.

List of Companies That Made Up the Population of the Study

Table 1: Listed companies in Nigerian Exchange Group

S/No.	NAME OF COMPANY	INDUSTRY
1	Nigerian Breweries Plc	Consumer goods
2	Guinness Nigeria Plc	Consumer goods
3	International Breweries Plc	Consumer goods
4	Nestle Nigeria Plc	Consumer goods
5	Dangote Sugar Refinery Plc	Consumer goods
6	Flour Mills of Nigeria Plc	Consumer goods
7	NASCON Allied Industries Plc	Consumer goods
8	Honeywell Flour Mills Plc	Consumer goods
9	UAC Of Nigeria Plc	Consumer goods

Source: Nigeria Exchange Group Publications (2025)

Measurement of Variables

Dependent Variable: Financial Performance

Financial performance is measured using four broad categories of financial ratios: liquidity, profitability, leverage, and investors' ratios. These ratios are computed separately for the pre-IFRS period (2010-2011) and the post-IFRS period (2012-2025) to enable a direct comparison of performance under the two reporting regimes.

(a) Liquidity Ratio

- **Current Ratio (CR)**

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

This ratio measures the firm's ability to meet short-term obligations as they fall due (Pandey, 2015; Brigham & Houston, 2021). The current ratio is computed using current assets and current liabilities as reported under NGAAP for the pre-IFRS period and under IFRS for the post-IFRS period.

Quick Ratio (QR) = (Current Assets - Inventory) / Current Liabilities

This ratio shows the extent to which cash and assets most readily convertible to cash can meet the demand of short-term creditors (Pandey, 2015).

Leverage Ratio

Debt-to-Equity Ratio (DER) = Total Debt / Shareholders' Equity

This ratio assesses the extent to which a firm relies on debt financing relative to owners' equity Modigliani & Miller, 1958; Brigham & Houston, 2021). IFRS adoption may affect reported leverage through revised liability recognition (IAS 37 provisions, IFRS 16 leases), off-balance-sheet item consolidation, and changes in equity measurement due to fair value adjustments and comprehensive income recognition.

Debt Ratio = Total Debt / Total Assets

Shows the extent of cover for liabilities by total assets (Harrington & Wilson, 1989).

Descriptive Statistics

The study adopted a balanced panel dataset consisting of nine (9) consumer goods firms observed over sixteen years (2010-2025), yielding 160 firm-year observations. Financial ratios were computed from audited financial statements. The IFRS variable is captured as a dummy (IFRS = 0 for the pre-adoption period 2010-2011; IFRS = 1 for post-adoption period 2012-2025). 22 firm-year pre-IFRS observations (2010 – 2011) and 138 firm-year post-IFRS observations (2012 – 2025).

Liquidity (Current Ratio): The mean current ratio improved from 1.52 in the pre-IFRS period to 1.77 in the post-IFRS period, representing a 16.4% increase. This suggests that IFRS adoption enhanced working capital management practices among the sampled firms. The wider standard deviation in the post-IFRS period (0.35 vs. 0.15) indicates greater variability in liquidity positions, possibly reflecting differential adaptation to IFRS requirements.

Leverage (DER): The debt-to-equity ratio decreased from 0.68 in the pre-IFRS period to 0.51 in the post-IFRS period, representing a 25% reduction. This indicates that firms became less reliant on debt financing after IFRS adoption, consistent with enhanced transparency reducing information asymmetry and encouraging more conservative capital structures.

Pre-IFRS Hypotheses Testing

Hypothesis 1 (H01): Pre-International Financial Reporting Standards has no significant effect on the liquidity position of listed firms in Nigeria.

Table 2: Pre-IFRS Liquidity Model Panel Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	1.520	0.089	17.08	0.000
Pre-IFRS Period	-0.023	0.062	-0.37	0.718
R-squared	0.008			
Adjusted R-squared	-0.054			
F-statistics	0.14			
Prob (F-statistics)	0.718			

Decision: The p-value (0.718) is greater than 0.05. Therefore, we accept the null hypothesis (H01) that the Pre-IFRS has no significant effect on the liquidity position of listed firms in Nigeria.

Table 2 reveals that the Pre-IFRS reporting standards had no statistically significant effect on the liquidity position of listed consumer goods firms in Nigeria. The coefficient (-0.023) is negative but statistically insignificant, indicating that the NGAAP-based reporting period did not significantly influence firms' ability to meet short-term obligations. The very low R-squared (0.008) confirms that the pre-IFRS period explains virtually none of the variation in liquidity. This finding is expected because NGAAP lacked the detailed classification and disclosure requirements for current assets and liabilities that characterize IFRS.

Hypothesis 3 (H03): Pre-International Financial Reporting Standards has no significant effect on the leverage of listed firms in Nigeria.

Table 3: Pre-IFRS Leverage Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	0.682	0.078	8.74	0.000
Pre-IFRS Period	0.015	0.054	0.28	0.786
R-squared	0.005			
Adjusted R-squared	-0.057			
F-statistics	0.08			
Prob (F-statistics)	0.786			

Decision: The p-value (0.786) is greater than 0.05. Therefore, we accept the null hypothesis (H03) that Pre-IFRS has no significant effect on the leverage of listed firms in Nigeria.

Table 3 showed that Pre-IFRS reporting standards had no statistically significant effect on the leverage of listed consumer goods firms in Nigeria. The positive but insignificant coefficient (0.015) suggests that the NGAAP period was associated with marginally higher leverage, but this effect is not statistically distinguishable from zero. The low explanatory power (R-squared = 0.005) indicates that pre-IFRS reporting did not materially influence capital structure decisions. This finding aligns with the institutional theory perspective that weak disclosure requirements under NGAAP failed to constrain managerial discretion in financing decisions.

Post-IFRS Hypothesis Testing

Hypothesis 2 (H02): Post International Financial Reporting Standards has no significant effect on the liquidity position of listed firms in Nigeria.

Table 4: Post-IFRS Liquidity Model Panel regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
IFRS	0.262	0.081	3.23	0.003
Constant	1.311	0.160	9.1	0.0

The results in Table 4 presents the panel regression results examining the effect of IFRS adoption on liquidity, measured by the current ratio. The positive coefficient of IFRS (0.262) indicates that IFRS adoption has a positive effect on liquidity among the sampled beverage firms. The associated t-statistic (3.23) and probability value (0.003) show that this effect is statistically significant at the 5% level. This implies that IFRS-based reporting significantly improves firms' ability to manage short-term assets and liabilities. The R^2 value of 0.37 suggests that approximately 37% of the variation in liquidity is explained by IFRS adoption. The statistically significant F-statistic further confirms the overall fitness of the model. This result implies that enhanced disclosure, improved classification of current assets and liabilities, and stricter reporting rules under IFRS positively influenced liquidity management in NGX-listed consumer goods.

Decision: We reject the null hypothesis and accept the alternative that post-IFRS has a significant effect on the liquidity position of listed firms in Nigeria.

Hypothesis 4 (H04): Post-International Financial Reporting Standards has no significant effect on the leverage of listed firms in Nigeria.

Table 5: Post-IFRS Leverage Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
IFRS	-0.198	0.074	-2.68	0.01
Constant	0.662	0.121	5.47	0.0

Table 5 presents the regression results for the leverage model, where the debt-to-equity ratio serves as the dependent variable. The negative coefficient of IFRS (–0.198) indicates that IFRS adoption significantly reduces leverage among the sampled firms. The result is statistically significant at the 5% level, implying that IFRS adoption encouraged firms to reduce excessive dependence on debt financing. This finding suggests that enhanced transparency and disclosure under IFRS reduced information asymmetry between firms and stakeholders, thereby promoting more prudent capital structure decisions. Firms appear to rely more on equity financing and retained earnings, improving leverage and reducing financial risk. The explanatory power of the model ($R^2 = 0.33$) indicates that IFRS adoption plays a meaningful role in shaping capital structure decisions in the beverage industry.

Decision: We reject the null hypothesis and accept the alternate hypothesis that post-IFRS adoption has a significant effect on the leverage of listed firms in Nigeria

Discussion of Findings

The study examined the effect of pre- and post-International Financial Reporting Standards (IFRS) adoption on the financial performance of selected consumer goods firms listed on the Nigerian Exchange Group (NGX) from 2010 to 2025. The discussion focused on four dimensions of financial performance: liquidity, leverage, profitability, and investor ratios, thereby providing a multidimensional assessment of the consequences of IFRS adoption. Financial performance was measured using Return on Assets (ROA), Current Ratio (CR), Debt-to-Equity Ratio (DER), and Earnings per Share (EPS), respectively. This broad measurement approach addresses the limitations of earlier Nigerian studies that frequently concentrated on profitability, used relatively short post-IFRS periods, or focused mainly on the banking sector (Adeyanju, 2020; Nwufo & Chima, 2021). It also corresponds with established financial performance measurement frameworks that recognize profitability, liquidity, leverage, and market-based indicators as complementary measures of corporate performance (Pandey, 2015; Brigham & Houston, 2021). The findings were interpreted using agency theory, stakeholder theory, and institutional theory.

The findings for the pre-IFRS period indicate that Nigerian consumer goods firms operating under Nigerian Generally Accepted Accounting Principles (NGAAP) did not experience statistically significant effects on their financial performance across the examined dimensions. During this period, firms prepared their financial statements largely in accordance with local Statements of Accounting Standards (SAS) issued by the former Nigerian Accounting Standards Board. The results suggest that the pre-IFRS reporting framework had limited capacity to influence firms' financial outcomes, particularly because of relatively weak disclosure, measurement, and enforcement mechanisms. Regarding liquidity, the result indicates that pre-IFRS reporting standards had no significant effect on the liquidity position of the sampled firms (coefficient = −0.023, t = −0.37, p = 0.718). The negative coefficient is statistically insignificant, while the R-squared of 0.008 shows that the pre-IFRS regime explained only about 0.8% of the variation in liquidity. This implies that NGAAP reporting did not materially influence firms' capacity to meet short-term obligations. The finding may be associated with the relatively limited requirements under NGAAP for detailed classification and disclosure of current and non-current assets and liabilities. In addition, the treatment of inventories and receivables under the earlier reporting regime did not provide the level of impairment and valuation information associated with contemporary IFRS requirements (Madawaki, 2012). Consequently, financial reporting under NGAAP may have provided insufficient information for managers, creditors, and other stakeholders to effectively evaluate short-term solvency.

The liquidity result is also consistent with the institutional theory perspective of DiMaggio and Powell (1983), which suggests that organizational practices are influenced by the strength of institutional pressures and regulatory expectations. The relatively weak enforcement and limited professional oversight associated with the earlier reporting environment reduced incentives for firms to improve the usefulness and transparency of financial information. Thus, financial reporting could have been viewed largely as a compliance requirement rather than an instrument for improving decision-making and stakeholder confidence. Similarly, the study found that pre-IFRS reporting had no significant effect on leverage, with a coefficient of 0.015, t-value of 0.28, and p-value of 0.786. The positive coefficient suggests a marginal increase in leverage during the NGAAP period, but the effect is statistically insignificant. The R-squared value of 0.005 further indicates that the reporting regime explained only about 0.5% of the variation in firms' leverage. Therefore, the pre-IFRS framework did not appear to materially influence the capital structure decisions of the sampled consumer goods firms.

This result supports the agency theory argument of Jensen and Meckling (1976), which emphasizes the importance of information disclosure in reducing information asymmetry and constraining managerial discretion. The relatively limited disclosure requirements under NGAAP may have resulted in inadequate information about debt obligations, debt covenants, maturity structures, and other financing commitments. Such limitations could have increased information asymmetry between managers and creditors and reduced the ability of lenders and investors to accurately evaluate firms' financial risks (Alagbe, 2021). The insignificant leverage effect therefore suggests that the pre-IFRS reporting environment provided relatively weak mechanisms through which financial reporting could influence financing decisions. In contrast to the pre-IFRS results, the post-IFRS period produced statistically significant effects across the examined financial performance dimensions. The results suggest that the adoption of IFRS was associated with substantial changes in the financial reporting environment of Nigerian consumer goods firms. The stronger post-IFRS effects can be attributed to enhanced recognition, measurement, presentation, and disclosure requirements, which provide managers, investors, creditors, and other stakeholders with more comparable and decision-useful financial information.

For liquidity, the study found that post-IFRS adoption had a positive and statistically significant effect on the Current Ratio (coefficient = 0.262, t = 3.23, p = 0.003). The finding indicates that the adoption of IFRS was associated with improved liquidity among the sampled firms. The R-squared value of 0.37 indicates that approximately 37% of the variation in liquidity was explained by the model, demonstrating a moderately meaningful relationship between IFRS adoption and liquidity performance. The improvement in liquidity may be explained by the enhanced accounting and disclosure requirements introduced under IFRS. IAS 1 improves the presentation and classification of current and non-current assets and liabilities, thereby enhancing the assessment of short-term financial obligations. IAS 2 provides more comprehensive requirements for inventory measurement and impairment, while IFRS 9 strengthens the classification, measurement, and impairment assessment of financial assets, including receivables. These requirements can improve the reliability of information used by managers and stakeholders in assessing working capital and short-term solvency. In this respect, IFRS can enhance the quality of financial information available for liquidity management and financial decision-making.

The finding agrees with Iatridis (2010), who reported improvements in short-term solvency associated with IFRS through improved recognition and disclosure of current accounts. It also supports Okafor et al. (2017), who found improved liquidity performance following IFRS adoption among Nigerian manufacturing firms and attributed the result to improved accounting treatment of inventories and trade receivables. Similarly, Ogundeyi and Siyanbola (2021) reported a significant relationship between IFRS adoption and liquidity among Nigerian deposit money banks. These findings suggest that the liquidity-enhancing effect of improved financial reporting may extend beyond a single industry. However, the finding differs from Ahmed et al. (2013), who reported insignificant liquidity effects of IFRS in environments characterized by weak enforcement. The difference may be attributable to variations in institutional environments, sectoral characteristics, enforcement effectiveness, and the length of the post-adoption period. The present study covers 2012–2025, allowing firms considerable time to develop experience and compliance capacity under IFRS. Furthermore, consumer goods firms are highly dependent on inventories, trade receivables, and working capital, making them particularly sensitive to improved IFRS requirements relating to these items.

The study also found that post-IFRS adoption had a negative and statistically significant effect on leverage, measured by the Debt-to-Equity Ratio (coefficient = -0.198, $t = -2.68$, $p = 0.010$). This result indicates that leverage declined significantly following IFRS adoption, suggesting movement toward relatively more conservative capital structures. The R-squared value of 0.33 indicates that approximately 33% of the variation in leverage was explained by the model, demonstrating that IFRS adoption had a meaningful association with firms' financing structures. Several IFRS requirements can explain this reduction in leverage. IAS 37 strengthens the recognition and disclosure of provisions and contingent liabilities, while IFRS 16 requires greater recognition of lease-related obligations that were previously less visible on the statement of financial position. In addition, IFRS 7 requires extensive disclosures concerning financial risks, debt obligations, maturity profiles, and interest-rate exposures. These requirements improve transparency and enable creditors and investors to obtain a clearer picture of the actual financial obligations and risks of firms (Alagbe, 2021). Improved disclosure can also reduce information asymmetry and potentially lower agency costs associated with external financing.

The leverage finding is consistent with agency theory, particularly the argument of Jensen and Meckling (1976) that improved information reduces information asymmetry and strengthens monitoring by external stakeholders. Greater transparency allows creditors to assess financial risk more accurately and places greater discipline on managerial financing decisions. Improved reporting may also encourage managers to avoid excessive borrowing because of greater visibility of debt obligations and potential covenant restrictions. Furthermore, improved financial information can increase investors' confidence and facilitate access to equity financing, thereby reducing excessive dependence on debt (Barth et al., 2008). The finding can also be explained through institutional theory. DiMaggio and Powell (1983) argue that organizations respond to coercive, normative, and mimetic pressures within their institutional environment. The adoption of IFRS exposed Nigerian firms to internationally recognized reporting practices and increased pressure to conform to global financial reporting norms. Large consumer goods companies, particularly firms with multinational affiliations such as Guinness Nigeria Plc, Nigerian Breweries Plc, and Nestlé Nigeria Plc, may experience additional pressure from parent companies and international stakeholders to maintain reporting and financing practices consistent with global standards. IFRS adoption therefore contributes not only to accounting standardization but also to institutional convergence in corporate financial management.

Generally, the comparison between the two periods demonstrates a clear distinction between the pre-IFRS and post-IFRS reporting environments. The insignificant pre-IFRS results for liquidity and leverage indicate that the former reporting framework had limited influence on these dimensions of financial performance. In contrast, the significant post-IFRS effects suggest that improved financial reporting requirements were associated with stronger liquidity and lower leverage among the sampled firms. The results therefore provide evidence that IFRS adoption represented more than a technical change in accounting standards; it also altered the information environment within which managers, investors, creditors, and other stakeholders make financial decisions. The findings consequently support the view that high-quality and internationally comparable financial reporting can contribute to improved corporate financial management and greater accountability.

Conclusion

The study concludes that pre-IFRS (2010–2011) financial reporting under NGAAP had no statistically significant effect on the liquidity, leverage, profitability, or investors' ratios of listed consumer goods firms in Nigeria, largely due to limited disclosure, weak enforcement, and inadequate reporting requirements. In contrast, the post-IFRS period (2012–2025) recorded significant improvements in financial performance, particularly in liquidity management, profitability, leverage, and shareholder returns. The comparative results demonstrate that the quality of financial reporting standards is important to corporate financial outcomes, as IFRS enhanced the transparency, comparability, reliability, and decision-usefulness of financial information. The findings further suggest that IFRS adoption strengthened managerial financial decisions and increased the confidence of investors and other stakeholders in the Nigerian capital market. The conclusions are consistent with agency theory, through reduced information asymmetry; stakeholder theory, through improved disclosure; and institutional theory, through convergence with international reporting practices. Overall, IFRS adoption has provided tangible benefits to Nigerian listed firms when supported by effective implementation and enforcement.

Recommendations

In line with the objectives and findings of the study, the following recommendations were made:

i. Management of NGX-listed consumer goods firms should continue to strengthen compliance with IFRS requirements, particularly in areas relating to current asset valuation, inventory recognition (IAS 2), and trade receivables disclosure.
ii. Continuous training of accounting and finance personnel on IFRS updates governing working capital items will further enhance liquidity management and financial reporting quality.
iii. Management should leverage the transparency benefits of IFRS to optimize their capital structure decisions. While the reduction in leverage indicates improved financial stability, firms should strike a balance between debt and equity financing to maximize shareholder value.
iv. Regulatory bodies should provide guidelines on optimal leverage ratios under the IFRS framework.

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