Compliance Level with IFRS 7 by Deposit Money Banks: Whither Nigeria

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ARTICLE DETAILS
History
Revised format: Aug 2022
Available Online: Sep 2022

Keywords
IFRS 7, Compliance Level, Disclosure Requirement, Financial Instrument, Proprietary Cost Theory

JEL Classification
G20, G21

ABSTRACT
Purpose: The study examines the compliance level with IFRS 7 by deposit money banks in Nigeria for the period between 2017-2020.

Design/Methodology/Approach: The study adopts an un-weighted disclosure index method to test the two hypotheses and using Qualitative Grading System (QGS) to rank the level of compliance with the aid of explorative research design.

Findings: The study found that in average, the over-all compliance by DMBs at commencement year stood at 51.04% and this implies that as at the commencement year DMBs weakly complied with the requirements of IFRS 7.

Implications/Originality/Value: The study concluded that though DMBs in Nigeria do not totally comply with the provisions of IFRS 7 throughout the study period yet, there have been significant improvements in the level of compliance with the standard disclosure in the annual reports of DMBs in Nigeria. It’s therefore recommending that banks should strive to ensure full compliance with the standards as this will add more confidence in the economy. This must be done with the enforcement of regulatory bodies. The FRCN should intensify its mandate to ensure banks strictly comply with the provisions of IFRS.

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Introduction
Demands for more globally comparable financial reporting have increased as a result of the financial markets’ quick globalization and the expansion of multinational firms. This has caused international organizations to facilitate the replication and spread of particular accounting and accountability standards throughout the world (Chand & White, 2007). International Financial Reporting Standards (IFRSs) must be adopted by many nations worldwide due to the increasing globalization of trade between nations.
A path for implementing this set of consistent accounting standards, initially for public interest entities, was urged to be approved by the Nigerian government (Kenneth, 2012). Since its founding, the International Accounting Standard Board (IASB) has grown to have significant influence in the business world. In order to promote comparability in financial reports published by entities regardless of their country of origin, it issues International Financial Reporting Standards (IFRS) (Choi, Forst & Meek, 2002). The IASB is a London-based, non-governmental organization that develops accounting standards. After taking over from the International Accounting Standard Committee (IASC), which had been in existence for more than twenty-seven (27) years, it started operating in 2001 (Adegbie, 2011). According to IASB (2019), over 200 nations claimed to have enacted International Accounting Standards (IAS) as of 2021. The IASB created a set of accounting rules known as IFRS, which are quickly taking over the world as the standard for preparing financial statements for public companies.

According to Martins-kuye (2010), it is generally acknowledged that governments who are genuinely interested in progressing would now want to liberate their nations from the constraints of the current system of financial standards. It makes logical that Nigerian financial statements are based on international standards for financial reporting. Nigerian quoted companies are required by law to disclose all material facts regarding their business operations to the stock market (Goddy, 2010). Quarterly, semi-annual, and annual financial reports are among the necessary financial data. The FRC is a single, independent regulating organization for actuarial valuation, corporate governance, accounting, and auditing. Because the Financial Reporting Council of Nigeria now regulates financial statements generated in Nigeria, it is anticipated that more insightful and high-quality reports will result from these financial statements.

Many financial instruments, from primary to different types of derivatives, are now widely used as a result of the evolving character of the global financial market. The goals of IFRS on Financial Instruments are to create guidelines for classifying and appraising financial assets and liabilities as well as to increase users' understanding of the significance of financial instruments to an entity's position, performance, and cash flows (Kirk, 2005). Financial instruments are contracts that result in one side receiving a financial asset, while the other receives a financial obligation or equity instrument. The statement of financial position instantly comes to mind when discussing assets, liabilities, and equity instruments. Financial assets, financial liabilities, and equity instruments are all fundamentally contracts because they are also known as contracts.

The market for exchange-traded derivative financial instruments, which witnessed a turnover for financial futures, has grown significantly, drawing a lot of attention to accounting for financial instruments. This rapid expansion also led to an increase in worries about significant losses in businesses around the world (Guerrera, Parker & Pretzlik, 2003). AWA Ltd. in Australia lost $49.8 million on foreign currency contracts. The case of Barings PLC, when the corporation lost more than US$1 billion due to significant derivative losses, is likely the most well-known. Developing countries did experience losses too. In 2009, Nigerian financial institutions did experience losses and almost a total collapse of its stock market. Financial instruments did play a vital role to the losses suffered by Nigerian banks, where some banks had to be taken over by the apex bank while some total dissolution of the board of directors. In August of 2009, however, the Central Bank of Nigeria was forced to inject $2.6 billion (N377 billion) into the banking system amidst fears concerning the stability of the system (Sanusi, 2010).

Prior to the IASB’s efforts in 2002, the idea of universally enforceable accounting and reporting standards remained a pipe dream because every nation had its own financial reporting system. A huge gap in the hunt for international commerce and investments is created by the lack of open and comparable information in financial accounts. Despite the reports being well-packaged, investors were limited in their ability to transact across borders due to unfamiliar accounting and reporting terminology (Zango, Kamardin & Ishak, 2015). Lack of openness in financial reports may have prevented investment groups from expanding their foreign portfolios (Amoako & Asante, 2012). This means that jurisdiction-specific standards may prevent or impair the development of international stock trading (IASC, 1996). Particularly

(Adwoa, Andrew & Valarie, 2014).
in the wake of the well-publicized corporate derivative disasters and the 1997 South East Asian currency crisis, the significance of disclosing financial instrument risk exposures has received considerable attention (McCarthy, 2000). IASB have through the years separated a standard that deals with financial instrument disclosure. In 2005, IFRS 7 was introduced to deal with Financial Instruments disclosure.

Deposit Money Banks (DMBs) are crucial to a country's growth and development. DMBs' main responsibility is to facilitate the transfer of money among economic units and ensuring that there are sufficient financial flows to cover deficits across all economic sectors (Ufot, 2004). The huge expansion in DMB direct lending to individuals and private organizations over the past few years has been one of the most significant aspects of institutional credit in Nigeria. However, the prevalence of non-performing loans has increased over the past ten years, indicating that the majority of the banks' credit instruments may have fallen into the wrong hands (Ogege & Boloupremo, 2014).

Financial reporting has been dealing with the question of how much information is revealed in annual reports for users of financial information, particularly investors and shareholders, for a number of years. Current debates in financial economics center on the use of financial instruments in businesses and whether managers are providing adequate information about these instruments, which are employed by financial corporations to control financial risks. The financial instrument-aided bankruptcies and near-collapses that characterized the 1990s and 2000s gave rise to these ideas (Dunne & Helliar, 2002). This case includes Enron case, Barings Bank’s loss of £927 million, Metallgesellschaft AG’s losses of $1 billion (Hogan, 1997).

Examine the compliance level with IFRS 7 by deposit money banks in Nigeria has become necessary in view of the fact that corporate business are been established to be in existence and compete globally as well as expand their mode of operation beyond the border of their country of operation and increasing the earnings which can only be achieved via total compliance with international financial reporting standard 7 as most of the DMBs in Nigeria prepared their financial reports based on the premises that firm’s financial statement will be assessed globally. In lieu of this, the study investigates the compliance level with IFRS 7 by the Nigerian deposit money banks.

During the course of this study, the following research questions were addressed:

What is the level of compliance by deposit money banks in Nigeria with the provision of compliance of financial instruments disclosure (IFRS 7)?

What are the levels of disclosure improvements by deposit money banks in Nigeria?

Substantial empirical studies have documented reporting of financial instruments use in companies from developed and developing countries other than the examiner country (Nigeria). Dominated this body of knowledge are studies by (Roulstone, 1999; Marshall & Weetman, 2002; Glaum & Street, 2003; Al-Shammari, Brown & Tarca, 2008; Amoaka & Asente, 2012; Jonker, Maroun, Joosub & Segal, 2003; Rajhi, 2014; Lipunga, 2014; Demir & Bahadir, 2014) to mention but few. However, few of such studies were documented in the developed and developing countries under various regulatory regimes.

**Literature Review**

Standard is that which is acceptable or recognized. Standard is important and as such cannot be ignored and, in this line, Kingsley, Gina and Vivian (2014) defined standards in accounting as essential and of utmost significant and as such should not be ignored or neglected in accounting related businesses. Accounting standards are policy guidelines issued by renowned accountancy bodies relating to the measurements, treatments and disclosures of accounting figures (Ebimobowei, 2012). This implies that regulatory bodies enforce to set standards must be accepted by all entities. The standards setters function by accessing existing accounting principles and practices and suggest the best through standards. Consequently, accounting standards can be thought of as instructions for financial accounting, including how a firm compile and presents its business revenue and expenses, assets, and liabilities. Companies were expected to report financial statements in accordance with the requirements of their home country,
as well as the standards of all other nations that were listed as exchanges (The unification of international accounting standards, 2007).

In Nigeria, Nigerian Accounting Standard Board (NASB) have been responsible for the adoption and formulation of standards that will govern the accounting information in Nigeria (Mary, Okoye & Adediran, 2013). Accounting standards therefore have come a long way and the bodies responsible for such standards have also transform from merely Associations to regulatory bodies empowered by their countries' laws. The IFRS have been highly given priority due to its explicit and details on how issue should be treated in an organization. This led to the acceptance of the standards by many countries abandoning their local standard which competitively help comparability easier and more advantageous. Nigeria started adopting IFRS in July 2010 when the Federal Executive Council adopted the Road Map for Nigeria's implementation of the standards. Following this, the Nigeria Accounting Standards Board was given permission to become the Financial Reporting Council of Nigeria under the Financial Reporting Council of Nigeria Act, which was passed in 2011. (Komolafe, 2013; Sadoh, 2010). Nigeria's adoption of IFRS has made it mandatory for all entities to adhere to the deadlines in order to allow for the recognition of their economies and business dynamics on a worldwide scale in accordance with international standards.

**IFRS 7: Financial Instruments Disclosure**

IFRS 7 was defined by the IASB “as a disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms”. However, how much disclosure is necessary depends on how much the company uses financial instruments and how exposed it is to risk.

According to Amoaka (2010), banks are highly exposed to specific categories of risk due to their significant concentration of certain sorts of transactions. A bank is susceptible to the risks associated with financial instruments, including liquidity risk, foreign exchange risk, interest rate movement, and changes in market pricing (Kirk, 2005). These, therefore, pose crucial considerations about the function of financial reporting and about whether present financial instrument accounting and disclosure practices enable investors to accurately estimate a company's exposure to risk from its financial instruments (Amoaka, 2010; Matolcsy & Petty, 2001; Crawford, Wilson & Bryan, 1997; Young, 1996; Hancock, 1994; Walker, 1990).

Financial risk has seen tremendous transformation in recent years. The volatility of unforeseen results, which can reflect the value of assets, equity, or earnings, is referred to as financial risk (Jorion 2007). But this growth is the result of two things. The first is the expansion of financial instruments and the products they comprise, as well as the expansion of financial risk (Kevelam & Ter Hoeve 2008). For instance, treasury bonds and interest rate swaps are financial instruments (McDonnell, 2007). The methods for managing this rise in financial risk have also advanced. The IASB attempted to counteract this by raising the level of disclosure with the introduction of IFRS 7 due to the rise in financial risks and the complexity of the reports (Bischof, 2009).

For the first time in their accounting periods starting on or after January 1, 2007, all businesses compiling their financial statements in line with IFRSs were required to apply IFRS 7 "Financial Instruments: Disclosures." This important new disclosure standard incorporated a number of new or improved standards along with many of the disclosures that were previously part of IAS 32, "Financial instruments: Presentation and disclosure" (Pryde, 2005). The standard is therefore relatively new, as a result. The fundamental requirements of the standard presented difficulties for the nations that adopted IFRS after 2005, but as time passed, the institutions came to understand them.

The approval of the standard led to the replacement of IAS 30, Disclosures in the Financial Statements of Banks and Similar Institutions. IAS 30 only covers certain financial instruments, whereas IFRS 7 covers
all financial instruments, with the exception of those covered by other, more specialized standards, such as post-employment benefits, share-based payments, insurance contracts, and interests in subsidiaries, associates, and joint ventures (Pryde, 2005). The IASB states that IFRS 7 relates to the disclosure of details regarding the significance of financial instruments to a company as well as the kind and extent of risks connected with such financial instruments, both in qualitative and quantitative terms.

However, how much disclosure is necessary depends on how much the company uses financial instruments and how exposed it is to risk. Therefore, a company that uses financial instruments frequently, like a bank, would provide more information than, say, a manufacturer whose only financial instruments are accounts receivable/debtors and accounts payable/creditors (Pryde 2005). The disclosures mandated by IFRS 7 give a general picture of how financial instruments are used by the entity and the risks they expose it to. Therefore, IFRS 7 is referred to as a universal, complete disclosure standard. It gives the market more details regarding a company's financial assets, financial liabilities, and related risks (IFRS Workbook, 2011).

In Nigeria, Kantudu (2006) explained that, despite numerous provisions, bodies, and Acts that regulate the conduct of firms (especially banks) in the preparation of financial statements, still, the financial statements of some banks prove to be inappropriate and misleading as shown in many banking crises in Nigeria. This leads to a lot of debates on whether or not banks in Nigeria comply with the requirements of Accounting Standards. Compliance to accounting standards has created a debate of two different schools of thought. The first school emphasizes that firms generally comply with requirements of Accounting Standards such as El-Gazzel and Jacob (1998), Klumpes and Stuart (2000) and Amoaka (2010).

The second school comprising of Street & Sidney (2001), Bradshaw & Gregory (2002) Karim (2008), Abdullahi (2012), and Zango et al, (2015) argued that firms do not comply with the requirements of Accounting Standards. Given these scenario, it indicates that, there is always a gap between claiming to have complied with specific accounting standards and the level of compliance by corporate bodies. Amoaka and Asente (2012) study reveal that banks in Ghana comply with the provision of IFRS 7 for the period of 2008 and 2009, using a self-constructed compliance checklist. The study was limited in its data collection, where one senior official was selected from all the six sample banks was interviewed and result analyzed.

The Proprietary cost theory: With this theory, the entity is viewed from the perspective of the absent owner. This implies that the proprietor is the main interested party and that the owners and the business are quite similar (Kantudu, 2006). According to the proprietary cost theory, corporations may decide against adopting a complete disclosure approach because of the expenses associated with disclosure, or proprietary costs. Due to the initial preparation expenses, subsequent costs of dissemination and distribution, as well as the most significant cost, the costs of exposing the information, these proprietary costs are necessary (Bamber, 2011). These include the possibility of reputational capital damage occurring or the fact that the material being revealed is relatively harmful from a competitive perspective.

Methodology
This study is an explorative research design. This is because the study reveals the extent to which DMBs listed in Nigeria have complied with IFRS 7. This study collected and utilized secondary data from the financial statements of the sampled deposit money banks for the period 2017 -2020. The rationale behind this is that, the disclosure requirements of IFRS 7 was directly observable on the financial statements and was compared to determine the extent of compliance. In carrying out this study, the researchers adopted an un-weighted disclosure index method to test the two hypotheses and using Qualitative Grading System (QGS) to rank the level of compliance. The problem of mistakenly giving more weight to a requirement with more items in the index is avoided by using an unweighted disclosure index, which equally weights all applicable requirements of the standard. Similar to earlier compliance studies like those by Barde
(2009) and Siyanbola et al. (2014), this study utilized a scoring system that assigns 1 when a condition is met and 0 when it is not. Thus:

\[ PC_j = \frac{\sum_{i=1}^{X} R_j}{1} \]

Where \( PC_j \) is the total compliance score for each bank, \( iX \) is the level of compliance with each standard’s mandatory disclosure requirements by each bank. Subsequently, the sum of these compliance scores (\( iX \)) is divided by the total number of relevant/applicable standard requirements for each Bank \( R_j \) to be multiplied by 100 to determine in percentage. This method was previously used by Street & Gray, (2001); Alshaib (2008); and Abdullahi (2012). Using a compliance index comparable to Siyanbola et al. (2014) will be used to rank compliance with the requirements of IFRS 7 qualitative grading. The standards to be applied for judging the general degree of IFRS 7 conformity in financial reporting by Nigerian banks are listed in Table 1.

Table 1: Criteria for Grading Compliance with the Requirements of IFRS 7 by DMBs in Nigeria

<table>
<thead>
<tr>
<th>S/N</th>
<th>PERCENTAGE SCORE</th>
<th>POINTS</th>
<th>GENERAL REMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>80-100%</td>
<td>80-100</td>
<td>Strongly Complied</td>
</tr>
<tr>
<td>ii</td>
<td>60-79%</td>
<td>60-79</td>
<td>Semi Strongly Complied</td>
</tr>
<tr>
<td>iii</td>
<td>40-59%</td>
<td>40-59</td>
<td>Weakly Complied</td>
</tr>
<tr>
<td>iv</td>
<td>0-39%</td>
<td>0-39</td>
<td>Non-Compliance</td>
</tr>
</tbody>
</table>


The decision rule by which the computed compliance index will be used to determine whether the study's hypothesis is accepted or rejected is provided by the criteria listed in table 1. The decision rule will be applied to the computed compliance index, which is 80% level of conformity with the norm (IFRS 7). Similar to earlier compliance studies like Barde (2009), Bashir (2012), and Siyanbola et al. (2014).

Data Analysis and Interpretation of Results

Table 2 below describes the number of disclosure checklist items contained in IFRS 7 for 2017, 2018, 2019 and 2020. Included also are those not applicable to Nigerian banks.

Table 2: Disclosure Requirements of IFRS 7

<table>
<thead>
<tr>
<th>Year</th>
<th>Disclosure Items</th>
<th>Not applicable</th>
<th>Applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>167</td>
<td>13</td>
<td>154</td>
</tr>
<tr>
<td>2018</td>
<td>186</td>
<td>13</td>
<td>173</td>
</tr>
<tr>
<td>2019</td>
<td>186</td>
<td>13</td>
<td>173</td>
</tr>
<tr>
<td>2020</td>
<td>186</td>
<td>13</td>
<td>173</td>
</tr>
</tbody>
</table>

Source: Ernst and Young IFRS core tools (2017-2020)

The table 2 shows a total of 154 disclosure checklists applicable to DMBs in Nigeria were used for the period of 2017. While for the remaining periods (2018-2020), owing to the review of the disclosure checklist by the IASB, a total of 173 disclosure checklists were used. IFRS 7 disclosures reviewed by the board were: categories of financial assets and financial liabilities (IFRS7.10A, IFRS7.11C, IFRS7.11d, and IFRS7.11A). The nature and extent of risk arising from financial instruments, areas newly introduced here are, offset financial assets and financial liabilities (IFRS 7.13C, IFRS7.13E, IFRS7.13F), extinguishing financial liabilities with equity instruments (IFRS 7.44I, IFRS 7.44J, IFRS 7.44T, IFRS 7.44U, IFRS 7.44V and IFRS 7.44W).

Categorization of IFRS 7: IFRS 7 was categorized into four (4) groups as it relates to the standard. Each group comprises of items that relates to its category. Table 3 shows how each category is presented in the standard.

Table 3: Categorization of IFRS 7

<table>
<thead>
<tr>
<th>S/N</th>
<th>IFRS7 Categories</th>
<th>Number of Items Applicable in 2017</th>
<th>Number of Items Applicable in 2018</th>
<th>Number of Items Applicable in 2019</th>
<th>Number of Items Applicable in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Statements of Financial Position</td>
<td>70</td>
<td>81</td>
<td>81</td>
<td>81</td>
</tr>
</tbody>
</table>
Table 3 explains the categorization of IFRS 7. Each category has certain requirements which are vital in the standard, see appendix II. In 2017, Statements of financial position had 70 items to be disclosed. While in 2018, after the amendments of the standard, the items increase by 11 requirements. It is also applicable to Statements of comprehensive income and nature of risk from financial instruments; all had increase of 3 and 24 respectively. It was observed that only other disclosure items reduced from 43 to 24. This is as a result of reduction on the items of fair value disclosure from 29 checklists recorded in 2017 to 12 disclosure checklists in 2018. Majority of items listed under this sub-head were eliminated and some merged to other sub-heads. This was as a result of review by the IASB in 2013.

**Un-weighted Analysis on IFRS7 Compliance by DMBs in Nigeria:** This research work adopted the disclosure index of Ernst and Young, (2017 - 2020) as amended by the IASB to determine the levels of compliance with IFRS 7 by DMBs in Nigeria.

<table>
<thead>
<tr>
<th>Banks</th>
<th>R1</th>
<th>R2</th>
<th>R3</th>
<th>R4</th>
<th>Total Compliance Score</th>
<th>Percentage of Total Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access bank</td>
<td>28</td>
<td>12</td>
<td>35</td>
<td>12</td>
<td>87</td>
<td>56.49</td>
</tr>
<tr>
<td>First Bank</td>
<td>22</td>
<td>12</td>
<td>35</td>
<td>10</td>
<td>79</td>
<td>51.30</td>
</tr>
<tr>
<td>FCMB</td>
<td>26</td>
<td>12</td>
<td>34</td>
<td>7</td>
<td>79</td>
<td>51.30</td>
</tr>
<tr>
<td>Fidelity Bank</td>
<td>25</td>
<td>12</td>
<td>36</td>
<td>10</td>
<td>83</td>
<td>53.90</td>
</tr>
<tr>
<td>GTB</td>
<td>27</td>
<td>12</td>
<td>39</td>
<td>10</td>
<td>88</td>
<td>57.14</td>
</tr>
<tr>
<td>UBA</td>
<td>16</td>
<td>12</td>
<td>36</td>
<td>11</td>
<td>75</td>
<td>48.70</td>
</tr>
<tr>
<td>Union Bank</td>
<td>11</td>
<td>12</td>
<td>34</td>
<td>6</td>
<td>63</td>
<td>40.91</td>
</tr>
<tr>
<td>Zenith Bank</td>
<td>20</td>
<td>12</td>
<td>36</td>
<td>9</td>
<td>77</td>
<td>50.00</td>
</tr>
<tr>
<td><strong>Average Score</strong></td>
<td>31.62%</td>
<td>100%</td>
<td>82.32%</td>
<td>31.26%</td>
<td>51.04</td>
<td></td>
</tr>
</tbody>
</table>

From the Table 4 compliance of banks in Nigeria as against the IFRS 7 disclosure requirements revealed that compliance to R1(Statement of financial position) disclosure, averagely stood at 31.62% for the period; Compliance with R3 (other disclosures) such as accounting policies, fair values, recorded an average of 82.32% which implies strongly complied; where, GTB had the highest score of 39. The outcome of disclosure of R3 was impressive for the period as items recorded where familiar items. R4 (Nature and extent of Risk from Financial Instrument) with a total of 29 disclosure items had an average compliance of 31.26% meaning Non-compliance. Access bank had the highest of 12 scores each, followed closely was Fidelity, and GTB banks with 10 respectively.

In average, the over-all compliance by DMBs in Nigeria at commencement year stood at 51.04% and this implies that as at the commencement year DMBs in Nigeria weakly complied with the requirements of IFRS 7. The major contributions to weakly compliance by DMBs in Nigeria as at commencement year were statements of financial position (R1) and Nature and extent of risk from financial instruments (R2).
Table 5 shows the level of compliance with IFRS 7 by DMBs in 2018. The overall average compliance level by DMBs stood at 55.45%. Coupled with the additional disclosure checklist in year 2018, a total 186 disclosure items as against commencement year checklist of 154 items. From the table 5, Fidelity bank had the highest score with 51, while Zenith bank had the least score with 39 on R1 disclosure. An average of 53.57% was the compliance level of DMBs in Nigeria in 2018 for R1. This result shows that, there have been significant improvements in disclosure as against 2017.

The compliance to disclosure requirement is weakly complied as against Non-compliance in year 2017. R2 had 15 scores as against commencement year with 12 scores. The three additional were financial assets measured at amortized cost, financial liabilities that are not at fair value and also Trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans. Statements of comprehensive income (R2) had an average score of 80% as against 100% in year 2017. First bank, FCMB, Fidelity bank, and Zenith bank all had 13 scores while GTB Bank had the least scores 11. R2 still maintain a strongly compliance grading. Other disclosures (R3), as compared to commencement year’s disclosure, the requirement reduced from 43 downward to 24. However, the result revealed that access bank and Gtb had 13 each topping the other banks. R4 had an average of 43%. The total disclosure items stood at 51 as against commencement year with 29; hence, Access bank and GTB had the highest score of 35 each while Unity bank recorded the least scores with 19. In average, the over roll compliance of DMBs in Nigeria as at 2018 stood at 55.04%; duo weakly complied but with significant improvements as against year 2017. Also contrary to commencement year, in 2018, the major contributors to weakly compliance with IFRS 7 were R3 and R4 respectively.

Table 6: Level of Compliance with IFRS 7 in 2019 Financial Years

Source: IFRS 7 Compliance Checklist and Banks annual reports of 2019

<table>
<thead>
<tr>
<th>Banks</th>
<th>R1</th>
<th>R2</th>
<th>R3</th>
<th>R4</th>
<th>Total Compliance Score</th>
<th>Percentage of Total Compliance Score %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Access bank</td>
<td>62</td>
<td>14</td>
<td>19</td>
<td>38</td>
<td>133</td>
<td>76.88</td>
</tr>
<tr>
<td>2 First Bank</td>
<td>57</td>
<td>13</td>
<td>18</td>
<td>40</td>
<td>128</td>
<td>73.99</td>
</tr>
<tr>
<td>3 FCMB</td>
<td>59</td>
<td>13</td>
<td>17</td>
<td>37</td>
<td>126</td>
<td>72.83</td>
</tr>
<tr>
<td>4 Fidelity Bank</td>
<td>57</td>
<td>13</td>
<td>17</td>
<td>37</td>
<td>124</td>
<td>71.68</td>
</tr>
<tr>
<td>5 GTB</td>
<td>61</td>
<td>14</td>
<td>17</td>
<td>37</td>
<td>129</td>
<td>74.57</td>
</tr>
<tr>
<td>6 UBA</td>
<td>55</td>
<td>14</td>
<td>19</td>
<td>41</td>
<td>129</td>
<td>74.57</td>
</tr>
<tr>
<td>7 Union Bank</td>
<td>55</td>
<td>13</td>
<td>17</td>
<td>39</td>
<td>124</td>
<td>71.68</td>
</tr>
<tr>
<td>8 Zenith Bank</td>
<td>56</td>
<td>14</td>
<td>18</td>
<td>35</td>
<td>123</td>
<td>71.10</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td>69.244</td>
<td>91.111</td>
<td>74.11</td>
<td>75.82</td>
<td>73.76%</td>
<td></td>
</tr>
</tbody>
</table>

From table 6, the over roll average level of compliance to IFRS 7 by DMBs in Nigeria stood at 73.76%. R1 had an average of 69.24%, where Access bank had the highest scores with 62 while UBA, and Union
bank had the least scores with 55 respectively. R1 disclosure significantly improve from 53.57% recorded in 2019 to an impressive 69.24% which led to a semi strongly compliance. R2 had an average of 91.11% with a disclosure check list of 15. The major issue DMBs had in 2019 with regards to R2 was the disclosure of showing separately gains and losses arising from de-recognition and reasons for de-recognizing those financial assets. This disclosure was also not disclosed in year 2018. But as compared to 2018 average of 80%, compliance to R2 had increase by 11.11% leading to 91.11%.

Although, both were strongly complied, still we recorded a significant improvement in 2019. Other disclosure (R3) recorded an average of 74.17% in 2019 as against 2018 result of 49%. In 2019, disclosures will be made regarding how the entity met the requirements in IFRS 9.4.2.2 for such designation as at fair value through profit or loss, how the entity met the requirements in IFRS 9 paragraph 4.5 (issued in 2010) for such designation, and whether regular purchases and sales of financial assets occur at trade date, settlement date, or both (IFRS 9.3.1.2). Unlike in 2018, when nothing was disclosed, these items were completely disclosed in 2019. The criteria for writing off amounts charged to all allowance accounts against the carrying amount of impaired financial assets are certain gray areas that have existed since 2018 but have not yet been clarified (refer IFRS 7.16).

In essence, R3 did semi strongly comply with requirements in 2019. R4 in 2019 had an impressive result as against 2018 with 75.82% as against 43% respectively. First bank had the highest score with 40 while Zenith bank had the least score with 35. Therefore R4 in 2019 recorded a semi strongly compliance. In average, the over roll compliance of DMBs in Nigeria as at 2019 stood at 73.76%; which signifies improvement as against 2018. DMBs in year 2019 did semi strongly comply with the IFRS 7.

<table>
<thead>
<tr>
<th>Banks</th>
<th>R1</th>
<th>R2</th>
<th>R3</th>
<th>R4</th>
<th>Total Compliance Score</th>
<th>Percentage of Total Compliance Score %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access bank</td>
<td>83</td>
<td>15</td>
<td>24</td>
<td>51</td>
<td>127</td>
<td>73.41</td>
</tr>
<tr>
<td>First Bank</td>
<td>48</td>
<td>13</td>
<td>18</td>
<td>41</td>
<td>120</td>
<td>69.36</td>
</tr>
<tr>
<td>FCMB</td>
<td>51</td>
<td>13</td>
<td>21</td>
<td>44</td>
<td>129</td>
<td>74.57</td>
</tr>
<tr>
<td>Fidelity Bank</td>
<td>47</td>
<td>13</td>
<td>19</td>
<td>36</td>
<td>115</td>
<td>66.47</td>
</tr>
<tr>
<td>GTB</td>
<td>52</td>
<td>14</td>
<td>23</td>
<td>42</td>
<td>113</td>
<td>75.72</td>
</tr>
<tr>
<td>UBA</td>
<td>52</td>
<td>13</td>
<td>18</td>
<td>39</td>
<td>122</td>
<td>70.52</td>
</tr>
<tr>
<td>Union Bank</td>
<td>45</td>
<td>14</td>
<td>20</td>
<td>41</td>
<td>120</td>
<td>69.36</td>
</tr>
<tr>
<td>Zenith Bank</td>
<td>49</td>
<td>13</td>
<td>19</td>
<td>41</td>
<td>122</td>
<td>70.52</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td>58.95%</td>
<td>88.57%</td>
<td>81.85%</td>
<td>79.27%</td>
<td><strong>70.69%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 7 shows the level of compliance by DMBs in Nigeria to IFRS 7 for the year end 2020. An average of 70.69% compliance level was achieved in the year. This result shows that DMBs in Nigeria semi strongly comply with the requirements of IFRS 7. R1 (Statement of Financial Position) recorded an average of 58.95% where Access bank had the highest scores with 54 and Union bank had the least scores of 45. R1 therefore, weakly complied with the requirements.

R2 (Statements of Comprehensive Income) had an average of 88.57% which maintain its strongly compliance since commencement of implementation of IFRS 7 in 2017 to 2020. R3 (Other Disclosures) slightly increase compared to 2019, with 7.68%. GTB had the highest scores with 23 while the least bank was First bank and UBA with 18 scores. R3 with an average of 81.85% strongly complied with the requirements. R4 (Nature and extent of Risk from Financial Instrument) had an average of 79.27%. Although semi strongly complied with the requirements, this result was the highest from commencement
of the implementation. FCMB had the highest score with 44 while Fidelity bank had the least score with 36.

Conclusion and Recommendations
The study concludes that though DMBs in Nigeria do not totally comply with the provisions of IFRS 7 throughout the study period yet, there have been significant improvements in the level of compliance with the standard disclosure in the annual reports of DMBs in Nigeria. The study recommends that:

Banks as the engine of the economy should strive to ensure full compliance with the standards as this will add more confidence in the economy. This must be done with the enforcement of regulatory bodies. The FRCN should intensify its mandate to ensure banks strictly comply with the provisions of IFRS. Other regulatory bodies such as CBN, NDIC and SEC should collaborate with FRCN on ensuring DMBs comply with provisions of Accounting Standards through supervision and penalties when found defaulting.

Management of DMBs must ensure compliance to standards disclosure. Selective disclosure should be a thing of the past, where only favorable disclosures are given priority while others not given as it may affect their interest. The regulatory bodies should also assign officers mainly to investigate disclosure compliance by DMBs.

References


