IFRS in Africa: Driving factors and consequences of adoption

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Abstract

Purpose: This paper explores accounting practices in Africa by examining the driving factors and stock market consequences of IFRS adoption.

Methodology: Regression analysis was undertaken to identify the role of national governance factors and Foreign Direct Investment on IFRS adoption in Africa, as well as the impact of adoption on the market capitalization of public stock exchanges, considering the different extents of adoption.

Findings: The findings are consistent with a neo-institutionalist framework. Jurisdictions that receive more FDI are more likely to be stronger adopters of IFRS. Jurisdictions with a stronger rule of law are more likely to be strong adopters of IFRS. There is also evidence of IFRS used as a corruption control technique, as more corrupt countries adopt IFRS. IFRS adoption is correlated with increased market capitalisation.

Implications: The findings of this research contribute to the body of research into IFRS convergence. The findings are relevant for policymakers and regulators across Africa.

Originality / Research value: There is limited research into IFRS adoption across Africa, proving this research valuable.

Keywords: IFRS, Africa, driving factors, regression analysis, national governance

1. Introduction

As the world becomes increasingly interconnected through trade and global financial markets, the adoption of International Financial Reporting Standards (IFRS) has become a pertinent discussion, presenting both challenges and opportunities at large. In 2005, EU Regulation 1606/2002 made "*compliance with IFRS mandatory for the consolidated accounts of publicly-traded companies*" (European Communities, 2002). This regulation created great pressure for nations to adapt their respected Generally Accepted Accounting Principles (GAAP). Song and Trimble (2022) describe this as a "monumental event in the history of IFRS" that prompted more notable moments in the following years, such as "convergence efforts between IFRS and U.S GAAP".

As of today, more than 140 jurisdictions have implemented IFRS (IFRSc, 2023) to varying degrees, making IFRS the de facto global standard for financial reporting. Africa, as a continent, stands out in this context being the most populated IFRS continent outside Europe (Tawiah and Boolaky, 2020) - 37 out of the 54 jurisdictions require IFRS for all or most domestic publicly accountable entities (IFRSb, 2023). IFRS compliance in Africa is a compelling and nuanced topic particularly considering the unique accounting and finance challenges the continent faces. Across the continent there are significant disparities in corruption levels, governance structures, cultural values as well as macroeconomic variables like GDP and inflation (Obeng-Odoom, 2015). These factors have significant influence in determining whether countries will adopt IFRS and to what extent.

Research specifically dedicated to Africa regarding the driving factors and consequences of IFRS adoption is very limited. This study aims to address this gap by using regression analysis to i) investigate the driving factors behind IFRS adoption in Africa and ii) the equity market implications of IFRS adoption. The analysis considers different approaches and extents of implementation, by categorising countries to determine the best accounting practices for the continent. The research aims to identify the most dominant factors associated with IFRS adoption in Africa by taking into account national governance indicators such as corruption and rule of law, as well as FDI. Secondly, the objective is to present and analyse the impact of IFRS adoption on market capitalisation, taking into account the varying implementation approaches across the continent, over the years.

The research will contribute to the growing research into IFRS convergence around the world and creates value by providing empirical evidence on the financial effects of reporting standards on African stock markets. Furthermore, this exploration contributes to existing literature by providing evidence of a correlation between national governance factors, and FDI, with the extent of IFRS adoption. There is limited literature within accountancy, that specifically studies the dynamics of the African continent; especially compared to other parts of the world (Tawiah and Boolaky, 2020). Similar research topics have previously been conducted, but at large they are focused on European nations. Additional research specific to Africa is warranted as "the journey of IFRS in Africa can be different from the global trend" (Tawiah, 2019) and the benefits of IFRS adoption in more developed Western countries might be less beneficial elsewhere (De George, Li, and Shivakumar, 2016). Contributions to this research area are valuable for policymakers, regulators, and investors helping them make more informed decisions and encouraging sustainable economic development throughout the continent.

The paper proceeds as follows. Section 2 provides a background understanding of IFRS. Section 3 provides a general discussion of some theoretical grounds that explain IFRS adoption in Africa. Section 4 discusses empirical literature and develops the hypotheses. Section 5 provides a description of the research methods employed and introduces the variables. Section 6 presents the quantitative results obtained, including regression results. Finally, Section 7 concludes the study by summarising the key findings and limitations of the study.

2. Research context and background

2.1 Background of IFRS

Accounting standards can be described as "the language by which companies communicate their performance in the financial statements" (EY, 2023). This would make IFRS, as set by the International Accounting Standards Board (IASB), the commanding language of business around the world. The term "accounting standards" is defined as the "implicit or explicit rules or conventions which define (1) the allowable data transformations used in the preparation of the financial statements, (2) the formats of the statements, and (3) the ex post facto tests of the statements used by auditors in arriving at an opinion" (Benston, 1975). The level of disclosure, quantity of accounting information, and methods of accounting differ between several accounting standards (Ding et al., 2007).

In 1973, professional accounting bodies of Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom/Ireland and the United States formed the International Accounting Standards Committee (IASC). In 1989, the IASC published "the first international conceptual framework" (IFRSc). Since then, the IASC has gone through restructuring, and evolved into the International Accounting Standards Board (IASB), operating under the oversight of the IFRS Foundation. The IFRS Foundation is an independent, not-for-profit organisation working in the public interest on the belief that better information supports better economic and investment decisions (ACCA, no date). Just 20 years ago very few jurisdictions even permitted IFRS Standards (IFRS, 2016). However today, more than 140 jurisdictions have implemented IFRS, including 15 of the G20 jurisdictions mandating the standards for all or most public companies (IFRSb, 2023) - evidence of its growing omnipresence across finance.

The remarkable growth in IFRS adoption stemmed from mandatory adoption across the EU. In 2005, EU Regulation 1606/2002 made "compliance with IFRS mandatory for the consolidated accounts of publicly-traded companies" (European Communities, 2002). This was a "monumental event in the history of IFRS" (Song and Trimble, 2022) motivated by encouraging cross-border trading and ensuring reliable, transparent, and comparable company accounts (IAS Plus, 2002). Before the mandatory adoption of IFRS, European organisations prepared reports according to local standards, i.e. GAAP, which were less consistent and comparable (Chen et al., 2010).

The vast majority of literature about IFRS adoption is centred around this event as it was so significant for the progress towards global standards. European nations took the lead in the adoption of IFRS, and others seemingly followed as global acceptance made significant progress in the subsequent years. By 2007, more than 100 countries required or permitted use of IFRS including Hong Kong, New Zealand and South Africa (IFRSc, 2023).

The mission of IFRS is to "bring transparency, accountability and efficiency to financial markets around the world" (IFRS Foundation, 2018). Disclosure, when applying the standards, is more comprehensive than most local/national accounting regulations (Ding et al., 2007). For example, IFRS "reflect economic substance rather than legal form; reflect economic gains and losses in a more timely manner, announce more about the earnings; and provide more useful balance sheets" (Duarte, Saur-Amaral, and Azevedo, 2015). Overall, the objective is to enhance the quality of financial reporting, many prior researchers have examined their effectiveness in doing so.

Barth, Landsman, and Lang (2008) found strong positive consequences when comparing pre and post adoption periods of IAS, stating that compliance leads to lower earnings management, more timely loss recognition, and more value relevance of accounting amounts. Several other studies corroborate these findings and emphasise the positive consequences of IFRS adoption to capital markets

efficiency (Leventis, Dimitropoulos, and Anandarajan, 2011) (Houqe et al., 2012) (Salewski, Teuteberg, and Zulch, 2016). Furthermore, such attributable benefits have even been found regardless of enforcement levels, management incentives, and institutional characteristics of the capital market (Abad et al., 2017) (Chen et al., 2010). Studies like these have added the pressure for all nations to converge towards IFRS as they provide a deep understanding of the benefits to financial reporting quality. It is generally accepted the primary benefits are "financial statement comparability, investor protection through increased accounting transparency and disclosure, and higher capital market liquidity" (El-Helaly, Ntim and Soliman, 2020) (De George, Li, and Shivakumar, 2016) (Soderstrom and Sun, 2007). As a result, creating a more efficient market, and thereby stimulating economic growth and development.

The above literature explores different perspectives to this paper, in their focus on reporting quality. They provide explanations for the post-adoption capital market benefits, as addressed later in the research findings, as well as provide valuable insights into the expected impacts when IFRS is implemented in an African context. When considering what strong benefits are associated with adoption, it raises the question: "Why has every country not fully embraced IFRS?"

2.2 Accounting and finance in Africa

2.2.1 African stock markets

By far the largest and most sophisticated market in Africa is the Johannesburg Stock Exchange (JSE); established in 1887, it is amongst the oldest stock exchanges in the world. Other exchanges include the Cairo and Alexandria Stock Exchanges (CASE), founded 1883, and the Zimbabwe Exchange, founded 1896 (Afego, 2015). Although these nations were early introducers of public exchanges, it took around another 100 years for other African nations to catch up. In the late 20th century, economic shifts towards more market-based economies incentivised the creation of public stock exchanges. Agreements like "The Africa Growth and Opportunity Act 2000" (AGOA) was a turning point for many African economies for their globalisation efforts as access to African exports to the USA improved greatly. However, to meet AGOA's rigorous eligibility requirements, countries must have established or made continual progress towards establishing a market-based economy (Section 104, Eligibility Requirements, Paragraph A) (Boolaky, 2004). Examples like this illustrate the expanding influence of globalism and FDI, prompting countries to form their own stock exchanges. Some of the most prominent African stock exchanges were created at this time, such as the Ghana Stock Exchange and the Abuja Securities and Commodities Exchange, that enabled companies to list and issue shares in their company, accommodating to both domestic and foreign investors.

The opportunities and challenges faced by African stock markets are unique to the continent. With the exception of the Johannesburg Stock Exchange (JSE) "markets are characterised by illiquidity, weak investor base, low market capitalisation, poor regulatory framework, and poor accounting and reporting standards" (Afego, 2015) (Mlambo and Biekpe, 2005). Broader developmental challenges exacerbate these issues, such as the low literacy rates across the continent (Afego, 2015), culminating in many misinformed investors. The information inefficiencies and gaps, hinder the efficient allocation of resources. Nevertheless, these markets have shown consistent growth in recent years.

2.2.2 Accounting practices across Africa

The rise of globalisation became a driving force for accounting standards. Since the early 1990s, the construction of economic unions and trade agreements have created demand for standardised financial information. The advent of trade agreements within communities like the East African Community and Southern African Development Community naturally created incentives to agree on

the reporting standards used to monitor contracts and hence avoid agency costs. This led to revisions of accounting practices across the continent (Boolaky, 2004).

A number of standards are used across Africa. Tawiah (2019) discusses 'accounting and auditing organization for Islamic financial institutions'. These standards are specifically designed for Islamic finance and are practised in Libya, Mauritius, Nigeria and Sudan (AAOIFI, 2023). Islamic culture where interest cannot be charged in lending, automatically creates problems for certain IFRS regulation such as revenue recognition IFRS 15. The impact of religion on IFRS adoption has many converging views, however it is outside the scope of this paper.

West-African Franc-zone countries have been revolutionary in their accounting standards. In the mid-1990s, several West African countries developed SYSCOA based on the '*French Plan Comptable*' (IAS Plus, 2012) (IFRSb, 2023) aiming to harmonise accounting practices in the West African Economic and Monetary Union (WAEMU) member states. Furthermore, in 1998 a new business framework called the '*OHADA*' was created, the purpose of which was to create a free trade area and establish new accounting practices (Boolaky, 2004).

Despite this, in recent years there has been a global trend towards IFRS convergence which African countries have also embraced. Today, 37 out of the 54 African jurisdictions require IFRS for all or most domestic publicly accountable entities. In addition, the OHADA Uniform Act on Accounting Law and Financial Reporting 2017 was adopted requiring "IFRS Standards in the consolidated financial statements of all listed companies and companies seeking financing in a public capital market in an OHADA jurisdiction" from 2019 onwards (IFRSb, 2023). This makes IFRS the most dominant accounting standard in the continent.

3. Theory

3.1 Neo-institutional theory

The neo-institutionalist framework, as developed by DiMaggio and Powell (1983), is used to understand the forces that push organisational structures to become homogeneous (Dufour, Teller, and Luu, 2014). It can be directly applied when explaining the diffusion of accounting standards, such as IFRS. The theory explores the wider social forces that have an influence on shaping organisational practices which influence institutional isomorphism. Isomorphism occurs as firms, or in this case nations, modify their characteristics in a direction of increasing compatibility with the competitive environment (Aldrich, 1979). For this reason, several studies have drawn on neo-institutional theory in the study of IFRS adoption (Osinubi, 2020). Many researchers argue that changes in reporting quality are determined by the type of isomorphic pressure in the institutional environment (Agana, Zamore, and Domeher, 2023). It must be noted that in these studies organisations are interpreted as countries. Boolaky et al. (2020) described nation-states as social actors subject to international, and national pressures.

Coercive isomorphism results from both direct and indirect pressures exerted on firms by other organisations upon which firms are dependent (DiMaggio and Powell, 1983). It is "primarily related to the political influence exerted by institutions on which organisations depend for critical resources and long-term survival" (Kholeif, 2010). Osinubi (2020) found "coercive isomorphism" as a significant driving force behind the mandatory adoption of IFRS in Nigeria, stating that international organisations such as the IMF likely demand accounting reform is enacted and that the "IMF aid is tied to demands that IFRS accounting standards be adopted" (Osinubi, 2020). Similar cases have been investigated in Pakistan, Egypt, Jordan and Bangladesh with the IMF, IASB and World Bank (Ashraf and Ghani, 2005) (Hassan, 2008) (Al-Akra, Ali, and Marashdeh, 2009) (Nurunnabi, 2015). When nations are faced with

demands from very powerful actors in the global economy, they may face little choice but to acquiesce to these demands. The endorsement of IFRS by the IMF, World Bank, and other international donor agencies has legitimised IFRS across the African continent (Elad, 2015), and growth in IFRS adoption has partly been to avoid legal or regulatory consequences that emanate from asymmetric power relationships (Nurunnabi, 2015). The existence of coercive isomorphism in the real world, would suggest that countries that receive a significant amount of foreign aid/investment, are more likely to have adopted IFRS, due to the pressures faced from foreign actors.

Normative isomorphism is a consequence of what DiMaggio and Powell describe as "professionalisation" (Mir and Rahaman, 2005). Hassan (2008) stated that "normative pressure resulting from the norms and values of the profession also influences the degree to which a nation will adopt international best practice". It stems from a desire for legitimacy, seen when countries adopt IFRS and conform to international standards to enhance their credibility and acceptance, rather than to experience the true capital market and economic benefits. Countries with weak legal systems and high corruption levels are likely to feel pressure to conform to international best practices for financial reporting as they want to be perceived as legitimate and credible jurisdictions. Judge, Li and Pinsker (2010) propose that countries "adopting IFRS do so, not necessarily for the perceived FDI growth but rather to be reckoned as a socially acceptable and legitimate environment for international business". This resonates with African nations, given that many of them "still rely on foreign aids from their former imperial rulers" (Nnandi and Soobaroyen, 2015). The capability to entice FDI is a common downfall across Africa and adoption of IFRS is viewed as a means to nullify this problem (Ajibade et al., 2019) by enhancing the reputation and bringing a sense of professionalism to institutional infrastructures like accounting bodies and regulatory agencies.

3.2 Contingency theory

Contingency theory compliments neo-institutionalism, to provide a holistic understanding of organisational behaviour and decision-making. It posits that the impact of IFRS adoption is contingent on a variety of factors that vary between countries and organisations. Contingency theory was employed by Othman and Kossentini (2015) to explain how partial adoption of IFRS can affect the development of emerging stock markets. They recognised the influence of environmental factors on IFRS implementation leading to variations in accounting practices even under uniform accounting systems. Factors such as the judicial system, rule of law and corruption index will impact the post-IFRS-adoption experience. "Contingency theory argues that environmental conditions are salient and interact with the development and requirements of a country's-specific accounting system" (Othman and Kossentini, 2015) (Larson and Kenny, 1996). Therefore, the contingency theory framework supports the idea that partial/modified IFRS adoption would be positively associated with stock market development. It posits that changes must be made to the standards to reflect each country's specific environmental needs because post-adoption consequences depend on a variety of factors.

In the African context, nations typically base their regulations on long-established colonial traditions that do not consider the unique circumstances of each nation (Elad, 2015). As Othman and Kossentini (2015) argue, the environmental circumstances of each African country will shape their post-IFRS-adoption experience.

4. Empirical literature and hypotheses development

4.1 Corruption and IFRS adoption

The term "corruption" refers to the opportunistic utilisation of a public position to obtain an illegitimate private gain (Shleifer and Vishny, 1993). Typically, it requires illegal practices including "cash payments, the misallocation of assets, and other inappropriate economically driven transactions" (Malagueno et al., 2010). The majority of extant literature recognises corruption as a significant factor affecting a nation's accounting and reporting environment, however there is a dearth of research focused on corruption levels as a determinant of IFRS adoption. Primarily, previous studies focus on the effectiveness of IFRS adoption in reducing corruption through improved accountability and transparency (e.g., Houqe and Monem, 2016). However, this does not address if corruption levels can be used as indicators to predict the extent of IFRS adoption.

Jain (2001) discusses the phenomenon of corruption as a driving force of IFRS adoption and argues that the accountability and transparency implications of IFRS prevent adoption in countries with high corruption levels. The author discusses that whenever powerful officials can gain private benefit from weak accounting standards, IFRS adoption is less likely as the authorised persons will not want their corrupt activities exposed (Jain, 2001). El-Helaly, Ntim and Al-Gazzar (2020) developed this and found evidence of corruption negatively affecting the (i) speed and (ii) extent of IFRS adoption. The authors found empirical evidence that countries with higher corruption levels are more likely to be partial adopters than mandatory. The results of El-Helaly, Ntim and Al-Gazzar (2020), are extremely insightful as they establish a connection between national corruption and the extent of IFRS adoption. However, the study lacks complete and thorough investigation into African countries, only 19 of the 54 African countries are included in the sample. This limits the direct applicability to the African continent as a whole.

The role of corruption in Africa sets it apart from other continents. Corruption levels in Africa are far above other parts of the world. Appendix 1 (Chart A) presents corruption by continent measured with the Corruption Perception Index, where 0 indicates a highly corrupt society, while 100 indicates a corruption clean society. From the graph, it is evident that Africa has a problem with corruption.

Nevertheless, using the aforementioned studies as a basis, one would conclude that Africa's high corruption levels has delayed full IFRS dissemination across the continent. This is the foundation of the first hypothesis:

> *H1: There is a negative link between level of corruption and the extent of IFRS adoption in Africa.*

4.2 Rule of law and IFRS adoption

A strong rule of law indicates a durable system of laws, institutions, norms, and community commitment that delivers accountability, just law, open government, and accessible and impartial justice (World Justice Project, 2023). In the African context many governments and authorities have not been successful in enforcing the regulations governing the securities industry (Afego, 2011). Appendix 2 (Chart B) displays the rule of law according to the World Governance Indicators, by continent in 2022. It shows Africa is significantly behind other areas of the world.

Similarly to the section above discussing corruption, a lot of research has gone into the post-adoption consequences of IFRS adoption in relation to rule of law (e.g., Afego, 2015; Ageyei et al., 2020) to find that those countries with worse adherence to the rule of law consequently reap less benefits

to IFRS adoption. However, this paper investigates if rule of law can be used as a determinant of the extent of IFRS adoption.

Soderstrom and Sun (2007) posit that a robust regulatory setting, indicative of a stronger rule of law, enhances reporting quality. Furthermore, Seligson (2002) argues that maintaining a strong financial system and political stability necessitates better accounting standards. These two viewpoints emphasise the association between a stronger rule of law and the likelihood of IFRS adoption. In summary, the authors argue that a robust legal system is not only a catalyst for improving the financial accounting information environment, but also a decisive factor in the adoption of internationally accepted accounting standards.

On the opposing perspective, El-Helaly, Ntim and Al-Gazzar (2020) discuss how nations with weak rule of law are more likely to resist IFRS adoption due to the more comprehensive disclosure and strong enforcement and regulations. This establishes the foundation of my second hypothesis:

H2: There is a positive relationship between rule of law and the extent of IFRS adoption.

4.3 Foreign direct investment and IFRS adoption

As explained in section 3 – theoretical framework – foreign direct investment (FDI) can influence IFRS adoption. In theory, a mutually reinforcing relationship exists between the two. Firstly, increased FDI stimulates IFRS adoption as the foreign investors demand the implementation of quality reporting standards. This explains FDI as a determinant of IFRS adoption. Conversely, stronger IFRS adoption can be used as a tool by nations to stimulate their FDI as it boosts the credibility of organisations, as posited by the neo institutionalist framework. This reciprocal relationship is fascinating given that enhancements in one, contributes to enhancements in the other. This section develops on from the neo-institutionalist framework to discuss empirical evidence of this relationship.

In reviewing the empirical research, it seems IFRS adoption encourages the flow of FDI.

Studies contest that adoption of IFRS has a positive influence on FDI (e.g., DeFond, Li, and Shivakumar, 2011; Hessayri and Saihi, 2018; Gordon, Loeb and Zhu, 2012). They find that the benefits of IFRS such as comparability, transparency and accountability "can be regarded as a strategy to reduce the perceived risks of investing abroad and to foster trade and FDI" (Gordon, Loeb and Zhu, 2012).

However, not all researchers are in agreement with this argument as varying results have been found (e.g., Nnadi and Soobaroyen, 2015; Agyei-Boapeah et al., 2020, Ajibade et al., 2019). For example, Nnadi and Soobaroyen (2015) reported that full IFRS adoption is negatively associated with net FDI. They argue that "a country's basic legal and socio-economic factors including the rule of law, legal system, and level of corruption are more critical in attracting FDI in Africa than merely adopting IFRS" (Agyei-Boapeah et al., 2020). This is congruent with Okpala (2012), Adetula, Nwobu, and Owolabi (2014) and Ajibade et al., (2019) who found a negative but insignificant association between IFRS adoption and FDI in Nigeria. These conflicting findings suggest a complex relationship between the two variables that warrants further investigation incorporating the rest of the African continent. The findings suggest that IFRS adoption alone would not lead to FDI inflows and FDI is affected by other factors such as exchange rate, inflation and political instability (Ajibade et al., 2019). Overall, there has not been sufficient exploration into the interaction between accounting standards and macroeconomic factors, such as FDI.

All this literature, combined with neo-institutional theory establishes my third and fourth hypothesis:

H3: There is a positive relationship between FDI and the extent IFRS adoption.

4.4 Market capitalisation and IFRS adoption

In reviewing the empirical research, it seems the consequences of IFRS adoption on capital markets is widely dependent on many different factors. Armstrong et al. (2010) stated that one single set of accounting standards cannot reflect the differences in national business practices arising from differences in institutions and cultures, similar to contingency theory. Consequently, Othman and Kossentini's (2015) hypothesis was that partial adoption is better for stock market development. This is because nations would be able to take into account their individual economic situation and environment. This enables them to adopt IFRS as they wish to fit their situation, rather than full adoption. In full adoption, one size fits all approach is used, and treating countries as homogenous without respect to their individual reporting challenges. Perhaps a more nuanced approach to IFRS convergence is required "supplemented by specific exemptions that cater to local economic and financial realities" (Van Wyk, 2023). However, Othman and Kossentini's (2015) hypothesis was proven wrong. They found that partial adoption can be detrimental and even reduce comparability due to potential conflation of accounting practices in a national context.

Larson and Kenny (1996) reported that full adoption of IFRS may actually be counterproductive. For instance, audit fees and compliance costs such as investing in training, education, hiring professionals, and technological costs to implement and maintain accounting systems may outweigh the benefits of IFRS adoption. There is significant concern among accounting scholars and policymakers that "harmonised standards do not necessarily lead to harmonised accounting practices and comparable financial reporting" (Osinubi, 2020). This suggests that IFRS will not produce capital market benefits because of high transition costs disincentivizing proper enforcement.

On the other hand, Agyei-Boapea et al. (2020) found the adoption of IFRS to significantly positively impact firm value of African companies, and the increases in firm value are most prominent in countries with a higher commitment to rule of law and in countries that implement IFRS to a stronger extent. Daske et al. (2008) and Li (2010) agree with these findings and argue that at the national level, post-IFRS liquidity benefits are dependent on enforcement levels.

Despite the lack of empirical evidence specific to Africa, the number of other countries adopting IFRS offers a considerable amount of evidence relating to the economic consequences of this adoption. This establishes my final hypothesis:

> *H4: The adoption of IFRS is associated with changes in market capitalisation in the post-adoption period.*

5. Methodology

5.1 Data sources and sample selection

This research employs quantitative methods, specifically multiple regression analysis, to examine secondary data. Secondary data sets provide the quantitative data necessary for quantitative analysis (Ghauri and Chidlow, 2017), by saving costs and time compared to gathering primary data (Cowton, 1998).

To assess progress towards the goal of a single set of global accounting standards, the IFRS Foundation has developed and posted profiles about the use of IFRS Standards across individual jurisdictions (2023). The official website is used as the primary data source to determine the extent of IFRS adoption per country. Other data resources are also used as supplements to this: Deloitte

IASplus.com website (2015), IFRS adoption country guides by PriceWaterhouseCoopers (2015) and previous literature (Tawiah, 2019; Nnadi and Soobaroyen 2015; El-Helaly, Ntim, and Al-Gazzar, 2020). All this information was aggregated to collect data on the extent of IFRS adoption across Africa, however we primarily rely on the IFRS website as it is the most comprehensive database of different countries and is regularly updated.

To investigate the determinants of IFRS adoption, the secondary data used comes from various sources. Firstly, the World Bank Control of Corruption index is used as a measurement for corruption. It "captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests" (World Bank, 2024). A perception-based corruption index is used instead of an actual corruption measure. El-Helaly, Ntim, and Al-Gazzar (2020) state that prior corruption literature suggests perception-based measures are more valid (Treisman, 2007; Wilhelm, 2002). Secondly, the World Bank Rule of Law Index is used as the measurement for rule of law per country and the World Bank database is employed to obtain the FDI per country, as well as the control variables which are GDP and inflation levels.

To investigate the second part of the study into the consequences of IFRS adoption, the World Federation of Exchanges statistics portal is employed. This database was used to measure the market capitalisation over time of the chosen stock markets.

To maximise the number of data points for the analysis and to achieve a greater representation of the African continent, sample 1 comprising all 54 African countries will be used. This provides a comprehensive understanding of accounting practices across the continent. However, not every African nation has a public stock exchange therefore for the second part, only the countries with a public stock exchange are part of the sample looking into the consequences of IFRS on capital markets. Overall, this results in a final sample consisting of 12 stock markets spanning across 19 countries (sample 2). Only countries with stock exchanges and sufficient data will be in sample 2. Table 1 presents sample 2.

Before the results were analysed, a data cleaning process was used to identify and remove errors and inconsistencies and improve the quality of results (Rahm and Do, 2000) (Osborne, 2013). For instance, missing values for corruption or rule of law would be replaced by the next closest year which is justified as such values do not fluctuate too much year on year. Furthermore, winsorizing was done to replace extreme values and preserve the overall distribution of the data. These processes were done to ensure integrity and reliability of the dataset, by identifying outlier figures that could distort the relationships between variables and mitigating their effect on the regression results.

Table 1: Sample countries

Sample 2.

Jurisdiction(s)	Exchange	Abbreviation	Number of Listed Companies
Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo	Bourse Régionale des Valeurs Mobilières	BRVM	46
Egypt	The Egyptian Exchange	EGX	218
Ghana	Ghana Stock Exchange	GSE	36
Kenya	Nairobi Securities Exchange	NSE	61
Mauritius	Stock Exchange of Mauritius	SEM	99
Morocco	Bourse de Casablanca	BC	76
Namibia	Namibian Stock Exchange	NSX	40
Nigeria	Nigerian Exchange	NGX	171
Seychelles	MERJ Exchange	MERJ	51
South Africa	Johannesburg stock exchange	JSE	302
Zambia	Lusaka Securities Exchange	LuSE	22
Tunisia	Bourse de Tunis	BVMT	68

5.2 Variables and Measures

5.2.1 Dependent Variables

The extent of IFRS adoption describes "how" a chosen country adopts IFRS. This variable categorises countries into their latest extent of IFRS adoption. The variable (Adoption Score) is a categorical, ordinal, variable with five distinct categories. Countries who have not adopted IFRS at all are categorised as non-adopters and are in group zero. Countries permitting IFRS for domestic public firms are group one. Countries requiring IFRS for some domestic public firms are group two. Countries requiring IFRS for all domestic public firms but not requiring/permitting it for SMEs are group three. Finally, countries requiring IFRS for all domestically listed firms and requiring/permitting for SMEs are group four. For the countries without a domestic stock exchange their category of IFRS adoption depends on their accounting requirements for banks and other financial institutions. Table 2 presents sample 1 for the first part of the research, it identifies all African countries by their latest level of IFRS adoption and the year.

From Table 2, only 9 countries are classed as non-adopters of IFRS as the regulations are not permitted, in group 0. While 21 countries are classed as strong adopters, who fully adopt IFRS for all domestic public companies and SMEs, group 4. IFRS adoption in some African countries, such as South Africa, is the purest form of adoption (Nobes, 2011). Other large economies, such as Nigeria, South Africa, Ghana and Tanzania are adopting IFRS, but small economies with a weak accounting environment, such as Djibouti and Somalia are not (Tawiah, 2019).

Table 2

Country Classification.

0	1	2	3	4
Algeria	Cabo Verde	Angola	Benin	Botswana
Burundi	South Sudan	Eritrea	Burkina Faso	Eswatini
Djibouti	Sudan	Morocco	Cameroon	Ethiopia
Egypt		Mozambique	Central African Republic	Gambia
Libya			Chad	Ghana
Mauritania			Comoros	Kenya
Sao Tome and Principe			Côte d'Ivoire	Lesotho
Somalia			D.R. Congo	Liberia
Tunisia			Equatorial Guinea	Madagascar
			Gabon	Malawi
			Guinea	Mauritius
			Guinea-Bissau	Namibia
			Mali	Nigeria
			Niger	Rwanda
			Republic of the Congo	Seychelles
			Senegal	Sierra Leone
			Togo	South Africa
				Tanzania
				Uganda
				Zambia
				Zimbabwe

The second dependent variable under examination for this research is market capitalisation. Market capitalisation is a fundamental value in finance, assessing the overall value of a public company in the stock market. It is calculated by multiplying the total number of a company's outstanding shares by the current market price of one share. It provides a fast and simple method to evaluate a company's value. A high market capitalisation post IFRS-adoption indicates that the implementation of IFRS accounting practices has improved the value of the firms. As a dependent variable, the market capitalisation of each African stock market will be examined in relation to the various independent variables.

5.2.2 Independent Variables

The independent variables are corruption levels, rule of law, FDI and the extent of IFRS adoption. The impact of these variables on the dependent variables will be observed to establish predictors and explanatory factors. The independent variables are presented in the variable definition summary table (Appendix 3) Corruption, rule of law and FDI are continuous variables.

5.2.3 Control Variables

The control variables for the regression model are included to account for external factors that could influence the relationship between the independent and dependent variables. The control variables are GDP and inflation. Previous research indicates that the adoption of IFRS

is associated with economic development (Hope, Jin, and Kang, 2006; Ramanna and Sletten, 2014) therefore this must be accounted for in the regression model. GDP and inflation are continuous variables.
Appendix 3 (Table I) provides a description and definition of all variables.

5.3 Regression Model

Following categorising the African nations based on their accounting standards, regression is used to establish whether there is a statistical correlation between the variables. All the data points will be put in SPSS to find a correlation using multiple regression analysis. Regression analysis is a suitable statistical technique enabling investigation into the strength of a relationship between two or more variables (Swift and Piff, 2010).
The regression equations are as follows:

IFRS adoption score = determinants (corruption + rule of law + FDI) + control variables (GDP + inflation rate) (Model 1 - determinants)

Market capitalisation = IFRS adoption score + control variables (corruption + rule of law + FDI + GDP + inflation rate) (Model 2 - consequences)

5.4 Limitations

There are limitations that have arisen in conducting this research. Firstly, the COVID-19 pandemic had influence on results for the OHADA countries that adopted IFRS as a group in 2019. As COVID-19 was just one year after, the post adoption results are not as predictable. Secondly, the reliance of the study on secondary data sources instead of primary data could mean the information is limited or biassed due to those datasets. The final limitation is the sample size as not as many countries have active stock exchanges. A lot of the African stock exchanges do not have sufficient data to use in this research. If more stock exchanges could be used in the regression it would increase the data points and reliability. Overall, these constraints have been minimised, but they should be taken into account when evaluating the study's findings.

6. Empirical Results and Discussion

6.1 Descriptive Statistics

The descriptive statistics of all variables used in model 1 are presented in table 3.

Table 3

Descriptive Statistics Model 1.

Variables	N	Mean	SD	Min	Max
Adoption Score	1896	2.6377	1.43571	0.00	4.00
Corruption	1896	-0.5895	0.62912	-1.94	1.70
Rule of Law	1896	-0.6761	0.66835	-2.59	1.04
FDI (%GDP)	1896	3.4708	7.84199	-17.29	161.82
$GDP million	1896	33225	74413	75	574000
Inflation%	1896	33.5370	571.26070	-16.86	23773.13

As presented in table 3, there are 1896 observed values for this model. The mean adoption score is 2.6377 with a standard deviation of 1.43571. This indicates a moderate level of variation between countries in the extent of their IFRS adoption, with some countries adopting IFRS to a greater extent than others. On average, the countries in the sample exhibit a moderate level of IFRS adoption. The maximum values for corruption, rule of law and FDI are 1.70, 1.04 and 161.82 respectively. And the minimum values for corruption, rule of law and FDI are -1.94, -2.59, -17.29 respectively. All three of these variables have large standard deviations demonstrating the diversity across the continent. The dispersion of data points for corruption levels, rule of law, and FDI can make it more challenging to identify and interpret correlations between variables (Bouchaud, J.P., 2002). Some countries are perceived to have extremely low control over corruption and rule of law, such as Somalia and South Sudan with very weak scores for both. Whereas other countries like Seychelles and Cabo Verde perform well for these measures showing that this is not necessarily a cross-continental issue.

GDP and inflation, as control variables, significantly vary. The mean GDP is $33,225,539,865 with a standard deviation of $74,413,127,230 indicating significant dispersion of GDP values around the mean. The mean inflation is 33.5370%, well above the western inflation target of 2-3% (European Central Bank, 2024). The standard deviation of inflation is 571.26070%. This highlights the significant heterogeneity in economic development across the continent, as well as the volatility in price levels.

The descriptive statistics of all variables used in model 2 are presented in table 4. As presented in table 4, there are 429 observed values for model 2. For this sample, the mean adoption score is 3, with a standard deviation of 1.46931. On average, the countries within this sample exhibit a relatively strong level of IFRS adoption. Corruption levels have a mean value of -0.2268, and rule of law has a mean value of -0.1732. Furthermore, both variables have lower standard deviations than the model 1 sample: 0.59953 and 0.57635 respectively. The lower standard deviations indicate a more uniform sample with greater consistency. The mean market capitalisation across the stock markets is bn$108,101 with a standard deviation of bn$252510, providing further insight into the financial landscape.

Table 4

Descriptive Statistics Model 2.

Variables	**(1)** **N**	**(2)** **Mean**	**(3)** **SD**	**(4)** **Min**	**(5)** **Max**
Market Cap. bn$	429	108101.9490	252510.23142	0.28	1230977.00
Adoption Score	429	3.0000	1.46931	0.00	4.00
Corruption	429	-0.2268	0.59953	-1.50	1.70
Rule of Law	429	-0.1732	0.57635	-1.54	1.02
$GDP million	429	94738	130124	392	574000
Inflation	429	10.1488	16.10542	-2.40	183.31

The descriptive statistics from model 1 and model 2 are expected. Nnadi and Soobaroyen (2015) also found corruption and rule of law in Africa to be negative indicating "the low rating of rules and regulations in the society". The authors also noted similar standard deviations for the variables indicating there is diversity across the continent. As of the date of this paper, there have been no papers investigating market capitalisation in Africa to compare the results of model 2.

6.2 Correlation Analysis

Correlation analysis is used to address any multicollinearity concerns between variables. If there is a multicollinearity problem, the regression will not be as accurate as there is a relationship between the independent variables (Waters, 2008). It is possible that variables, rather than being independent, are in fact correlated and the change of one independent variable creates change in the other. Multiple collinearity issues are likely to occur when the coefficient is larger than 0.8, and multiple collinearity issues may occur when the coefficient is greater than 0.5 (Gujarati, 1995).

The Pearson pairwise correlation results of model 1 are presented in table 5. Control of corruption and strength of rule of law have a positive correlation with the adoption score. They have correlations of 0.11 and 0.172 respectively. This indicates that countries with higher control of corruption and stronger rule of law are more likely to adopt IFRS to a stronger extent. This demonstrates the role of governance quality in accounting practices.

On the other hand, the observed correlations between FDI and IFRS adoption are comparatively weaker at 0.016. This indicates a minimal relationship between FDI in driving IFRS adoption within the sampled countries.

Table 5

Correlation Analysis Model 1.

	Adoption Score	**Corruption**	**Rule of Law**	**FDI**	**GDP**	**Inflation**	**Tolerance**	**VIF**
Adoption Score	1.000							
Corruption	0.110	1.000					0.282	3.551
Rule of Law	0.172	0.847	1.000				0.279	3.590
FDI	0.016	0.016	-0.003	1.000			0.992	1.008
GDP	-0.064	0.068	0.122	-0.086	1.000		0.974	1.027
Inflation	0.004	-0.067	-0.075	-0.012	-0.015	1.000	0.994	1.006

Despite their status as control variables, GDP and inflation have a weak relationship with IFRS adoption, with Pearson correlation coefficients of -0.064 and 0.004. Within the context of this study, GDP has a slight negative correlation with IFRS adoption suggesting that differences in GDP between countries does not have a strong influence in their embracement of IFRS. The Pearson correlation coefficient between IFRS and inflation is even weaker, at 0.004. This indicates there is almost no relationship between the two variables across the sample countries.

As displayed in Table 5, there is a multicollinearity problem for the relationship between corruption and rule of law. The two independent variables have a correlation of 0.847. This demonstrates a strong positive correlation and suggests that countries with weak rule of law are more likely to exhibit strong corruption. This shows the challenges in addressing corruption in environments with weak institutional frameworks and indicates that as one variable increases, the other tends to increase as well. There are no other multicollinearity issues with the other variables.

Table 6 shows the correlation analysis results of model 2. As presented in Table 6, there is a negative relationship between market capitalisation and IFRS adoption of -0.51. This relationship is

moderately strong and implies that a degree of influence of one variable over the other exists between the two variables. As the extent of IFRS adoption increases, market capitalisation tends to decrease.

The control variables, control of corruption, rule of law, GDP and inflation have coefficients with market capitalisation of 0.143, 0.110, 0.675 and -0.113. Control of corruption, rule of law and GDP have a positive relationship with market capitalisation with corruption to the greatest extent. Conversely, the rule of law has a negative relationship.

Finally, in the same way as in model 1, there is a strong positive correlation between rule of law and control of corruption. For this sample 2, the correlation coefficient is 0.817. There are no other multicollinearity concerns between the other variables.

Table 6

Correlation Analysis Model 2.

	Market Cap.	**Adoption Score**	**Corruption**	**Rule of Law**	**GDP**	**Inflation**	**Tolerance**	**VIF**
Market Cap.	1.000							
Adoption Score	-0.051	1.000					0.918	1.089
Corruption	0.143	0.103	1.000				0.312	3.202
Rule of Law	0.110	0.008	0.817	1.000			0.323	3.097
GDP	0.675	-0.136	-0.161	-0.185	1.000		0.938	1.066
Inflation	-0.113	0.170	-0.251	-0.202	-0.079	1.000	0.888	1.126

The results for correlation analysis findings of model 1 and model 2 are consistent with the findings of Nnanndi et al. They saw a positive correlation between IFRS adoption and the independent variables, rule of law and GDP. The Pearson correlation coefficient can provide valuable initial insight into the strength and direction of linear relationships. Despite this, correlation does not always indicate a causal relationship; therefore, further investigation is warranted (Bouchaud, 2002). This will ensure my research is robust and the results are reliable.

6.3 Collinearity

Pearson correlation suggested there could be some collinearity because the independent variables, rule of law and corruption, have a correlation coefficient greater than 0.8. This sparks further tests looking into the VIF scores and tolerance scores for the variables. It is common practice for a VIF score greater than 5, or a tolerance score below 0.25 to indicate significant multicollinearity that must be investigated (Kim, 2019). Therefore, the variables do not need to be corrected since, as shown in table 5 and 6 the VIF scores and tolerance are at suitable levels. The assumption of no multicollinearity has been met for both regression models.

6.4 Regression

The output of the regression tests for Model 1 and Model 2 are presented in Table 7 and Table 8 respectively. The R-squared and adjusted R-squared represent the proportion of variance in the

outcome variable which is explained by the predictor variables in the sample (R-squared) and an estimate in the population (adjusted R-squared) (Miles, 2005). By convention, a regression model is considered to have a high predictive power if the model has a high R-squared or adjusted R-squared (Gujarati, Porter, and Gunasekar, 2012). The adjusted R squared for model 1 is 0.04. This statistic is considered very low (Ozili, 2022) as it means the model only explained 4% of variance in the dependent variable. The adjusted R squared for model 2 is 0.519; a much better statistic indicating the model explained 51.9% of the variance in the dependent variable. At initial glance this might seem problematic for the results of model 1, however many researchers consider the R-square to be of limited importance in the social sciences, especially for comparing models utilising different datasets such as in this study (Ozili, 2022). R-squared "cannot help us to make causal claims about the relationship between the independent variables and the dependent variable" and does not assist us regarding omitted variable bias (Ozili, 2022).

The Durbin-Watson statistic is a test for autocorrelation in a regression model's output. "Autocorrelation refers to the degree of correlation of the same variables between two successive time intervals" (Taylor, 2020). The Durbin-Watson statistic for model 1 variables is 0.058. The Durbin-Watson statistic for model 2 variables is 0.327.

6.5 Discussion of Results

6.5.1 Corruption and IFRS Adoption

Control of Corruption and IFRS adoption have a negative relationship and a coefficient of -0.137. The findings suggest that countries with weaker control of corruption adopt a stronger IFRS policy, holding all other variables constant. These findings contradict the research of Jain (2001) and El-Helaly, Ntim and Al-Gazzar (2020), who found corruption to drive IFRS adoption. Furthermore, these findings suggest the dynamics of IFRS in Africa are different and more complex than the rest of the world. The findings could indicate that in Africa, mandatory IFRS adoption has been used by policymakers and regulatory authorities as a corruption control measure. And less corrupt countries do not feel as much pressure to abandon their domestic standards that are already sufficient. This viewpoint is consistent with the neo-institutional framework, in which the term "normative isomorphism" (DiMaggio and Powell, 1983) describes nations' desire for legitimacy. Perhaps, more corrupt jurisdictions have felt more pressure to conform and hence bring credibility to their institutions. The results of the regression have likely been impacted by the 2019 adoption of IFRS from the OHADA countries. They adopted a strong IFRS policy and show some of the highest corruption levels across the continent, in countries like DR Congo and Chad. This viewpoint provides guidance for further investigation.

The results enable the author to reject hypothesis 1.

6.5.2 Rule of Law and IFRS Adoption

Rule of Law and IFRS adoption have a positive relationship and a coefficient of 0.300. The coefficient suggests that countries with more robust legal frameworks are more likely to adopt IFRS to a greater degree, holding all other variables constant. These findings are consistent with El-Helaly, Ntim and Al-Gazzar (2020) and Soderstrom and Sun (2007) who propose a significant relationship between IFRS and rule of law. Rule of Law has the highest standardised coefficient with IFRS adoption out of the independent variables, making it the strongest determinant of IFRS adoption amongst the independent variables. This demonstrates the significant role that legal context plays in shaping accounting practices. Policymakers and regulatory authorities should prioritise efforts to strengthen rule of law.

The results enable the author to accept hypothesis 2.

6.5.3 FDI and IFRS Adoption

FDI and IFRS adoption have a positive relationship and a coefficient of 0.012. This relationship is very weak but indicates that countries that receive more FDI are more likely to adopt IFRS, holding all other variables constant. This finding is consistent with neo-institutionalist theory, the phenomenon of "coercive isomorphism" (DiMaggio and Powell, 1983), and the findings of Osinubi (2020) Nurunnabi, (2015) and Elad (2015) who investigated the pressures exerted on African nations by the international institutions they're financially dependent on.

Despite this, the relationship is very weak, and has a p value of 0.597, suggesting only a minimal increase in IFRS adoption following increases in FDI. These findings demonstrate the complex relationship between the two variables warranting further investigation. This is a similar conclusion to the findings of Nnadi and Soobaroyen (2019), Okpala (2012), Fisseha (2023) Adetula, Nwobu and Owolabi (2014) and Ajibade et al. (2019) who found a negative but insignificant association between IFRS adoption and FDI in Nigeria.

Furthermore, FDI has the lowest coefficient with IFRS adoption compared to the other independent variables. This is consistent with the findings of Agyei-Boapeah et al. (2020) who argues that a country's basic legal and socio-economic factors including the rule of law, legal system, and level of corruption contribute more than FDI to IFRS adoption.

The results enable the author to accept hypothesis 3.

6.5.4 Market Capitalisation and IFRS Adoption

The market capitalisation of African stock markets is positively associated with IFRS adoption, with a coefficient of 0.029. This indicates that stronger IFRS adoption increases market liquidity, holding all other variables constant. These results contradict contingency theory which advocates a more nuanced approach to accounting across the continent taking into account individual economic context (Armstrong et al., 2010). On the other hand, the positive relationship is consistent with Othman and Kossentini (2015) who found partial adoption to be detrimental. This is the study that formed the basis of my hypothesis. These results demonstrate how IFRS adoption has a positive impact on African stock markets, and those public organisations within Africa must prioritise IFRS reporting practices.

The results enable the author to accept hypothesis 4.

Table 7

Regression Model 1.

Variable	Coefficient unstandardised	Standard Error	t-statistic	p-value
(Constant)		0.052	56.268	<0.001
Corruption	-0.137	0.097	-3.241	0.001
Rule of Law	0.300	0.092	7.045	<0.001
FDI	0.012	0.004	0.529	0.597
GDP	0.090	0.001	-3.928	<0.001
Inflation	0.016	0.001	0.726	0.468
R-squared	0.042			
Adjusted R-squared	0.04			
Sum squared resid	3740.100			
Durbin-Watson	0.058			
F-statistic	16.774			
prob F-stat	<0.001			

Table 8

Regression Model 2.

Variable	Coefficient unstandardised	Standard Error	t-statistic	p-value
(Constant)		21763.447	-0.752	0.453
Adoption Score	0.029	6013.024	0.822	0.412
Corruption	0.176	25270.654	2.932	0.004
Rule of Law	0.101	25851.595	1.709	0.088
GDP	0.726	0.001	20.972	<0.001
Inflation	0.004	557.934	0.108	0.914
R-squared	0.524			
Adjusted R-squared	0.519			
Sum squared resid	1.298E+13			
Durbin-Watson	0.327			
F-statistic	93.279			
prob F-stat	<0.001			

7. Summary and Conclusion

In conclusion, this research has provided valuable insights into the dynamics of IFRS adoption in Africa. The research objective of this study was to investigate the driving factors behind IFRS adoption in Africa, looking at FDI and national governance indicators such as corruption and rule of law. Secondly, the research objective was to investigate the capital market consequences of IFRS adoption, particularly examining the impact on market capitalisation. This study analysed second-hand

data from the World Federation of Exchanges, the World Bank, and IFRS website, and used regression analysis with SPSS to draw conclusions about the variables.

The findings reveal a complex accounting and finance dynamic within Africa. Firstly, this study found that countries perceived as more corrupt implement higher adoptions of IFRS. This finding somewhat contradicts previous research, suggesting a complex situation and warranting further investigation. The regression models also found a positive relationship between rule of law and IFRS adoption, and a positive but weak relationship between FDI and IFRS adoption, consistent with neo-institutional frameworks. Finally, the study found a positive relationship between market capitalisation and IFRS adoption, demonstrating the positive effect IFRS adoption has on African stock markets and underscoring the importance of accounting harmonisation for Africa's integration into the global economy.

Previous research in this field is primarily focused on IFRS in Europe and other developed countries, making this study unique. Furthermore, the adoption of IFRS across OHADA countries in 2019 is a recent, and significant event which has not been sufficiently investigated at the point of writing this paper. As aforementioned, both the driving factors and consequences of adoption are investigated therefore increasing the scope of this study by providing a comprehensive understanding of IFRS across the continent. As well as, containing research on all African countries rather than choosing a specific one, therefore enriching literature for the entire continent.

Despite the valuable contributions this study makes to accounting literature, there are some limitations. Firstly, there was limited suitable and reliable data on African stock markets, therefore when investigating the post-adoption consequences of IFRS adoption, a sample size of just 12 markets was used. A larger sample size would be more representative of the entire continent and hence more accurate results. Secondly, the COVID-19 pandemic would have influenced the results of the regression, especially for the OHADA as they adopted IFRS in 2019. There are 17 OHADA countries therefore they occupy a significant proportion of the 54 African countries. When investigating the post-adoption consequences of IFRS, it is likely their post-adoption figures were influenced by the pandemic.

Overall, this study investigates the determinants and consequences of the implementation of IFRS in Africa. The results of this research spark further investigation. For instance, future research should investigate the idea of IFRS as a corruption control technique. This study found more corrupt countries to adopt a stronger version of IFRS, perhaps suggesting that government regulators and officials attempt to control their corruption using IFRS. Exploring this situation further will enrich understanding of the relationship between accounting standards and national governance practices in Africa.

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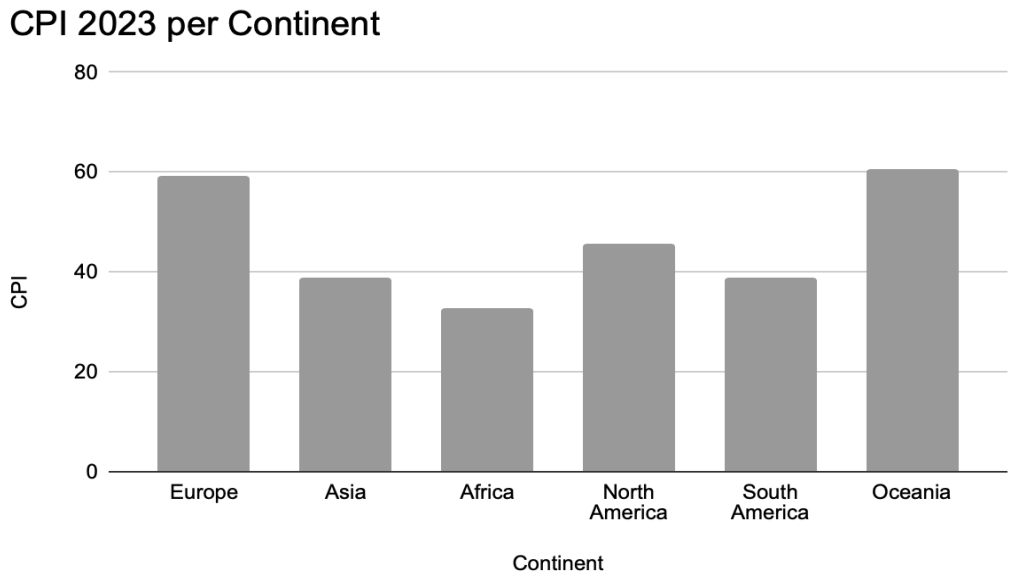
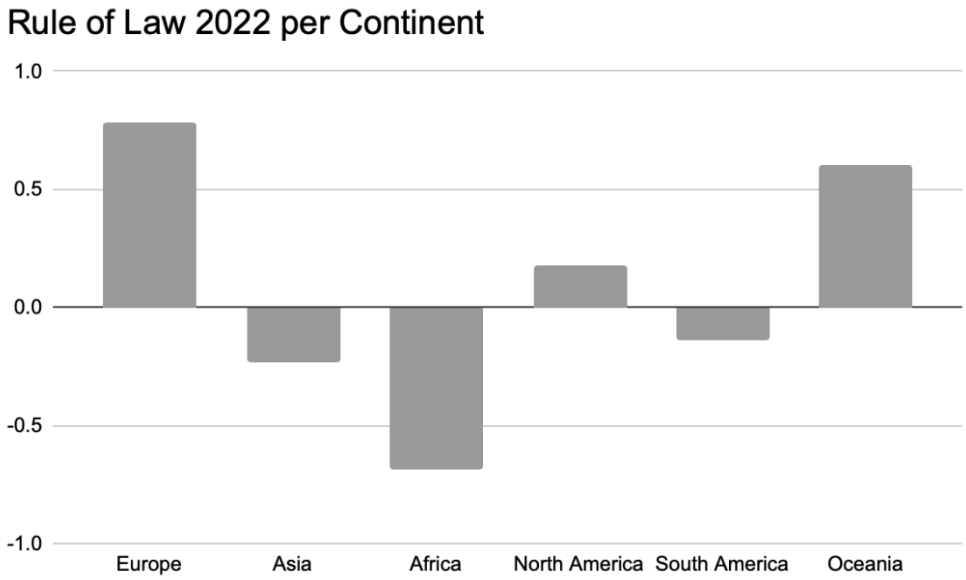
Appendices

c 1: Chart A



Appendix 2: Chart B



Appendix 3: Table I - Summary of variable definitions

Types of variables		**Definition**
Dependant variables	Adoption Score	Describes "how" a country adopts IFRS. Measured on a scale 1-5, and based on how strongly IFRS standards are adopted
	Market Capitalisation	Multiplication of the total number of a company's outstanding shares by the current market price of one share
Independent variables	Corruption	The opportunistic utilisation of a public position to obtain an illegitimate private gain
	Rule of Law	A durable system of laws, institutions, norms, and community commitment that delivers accountability, just law, open government, and accessible and impartial justice
	FDI	Purchase of an asset in another country, such that it gives direct control to the purchaser over the asset
	Adoption Score	Describes "how" a country adopts IFRS. Measured on a scale 1-5, and based on how strongly IFRS standards are adopted
Control variables	GDP	Market value of all the final goods and services produced in a specific time period by a country
	Inflation	Measures how much more expensive a set of goods and services has become over a certain period