

The Role of Investors' Protection On The Relationship Between International Financial Reporting Standards Implementation And Earnings Response Coefficient Of Listed Companies In Nigeria

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Abstract

This study was interested in unraveling the efficacy of investors' protection on earnings response in an IFRS environment. This is because investors still consider information on investors' protection besides earnings in taking their decisions. Yet, this rare variable is usually treated with laxity in the firms' annual reports. The study assessed the interactive effects between IFRS provisions and investors' protection on the Earnings Response Coefficient of listed companies in Nigerian. This study adopted historical-descriptive research design and content analysis research designs. This was conducted using forty six listed companies in Nigerian covering the period of 6 years (2013 to 2018). The data of the study was analyzed using the Partial Least Square. It was discovered that ERC improves with the moderating effect of strong investors' protection in an IFRS environment. It is therefore recommended that firms listed in the Nigerian stock exchange should as a result of necessity improve on their investors' protection in order to promote a high earnings response coefficient under an IFRS environment

Keywords: Investors' Protection, International Financial Reporting Standards Implementation, Earnings Response Coefficient

1. Introduction

The environment in which businesses operate influences the type of information required by recipients and given the hybrid nature of the Nigerian businesses environment and the sophisticated economic climate of the Nigerian capital market that have witnessed series of entry and exist of listed companies due to regulatory demands and the need for operational ingenuity as well as the winding up of several other companies due to mismanagement which eventually led to loss of investment to the tune of billions of Naira; requires more than just a sophisticated accounting fulcrum to boost investors' confidence. Relevant and reliable information on predictable earnings of investible funds and the availability of investors' protection regime are indeed crucial to induce favorable earning response from potential investors (Adekoya, 2011).

Most stakeholders have already come to term with the potency of the IFRS in identifying and incorporating all economic transactions and present value of assets and liabilities in the determination of firms' returns and future earnings (Pascan, 2015). However, the resultant effect of IFRS on the decision usefulness of financial statements information, still remain a mirage among investors in Nigeria. Beredugo (2021) also added that IFRS implementation has not resonated in the expected increase in investors' patronage as speculated. Indeed, the persistent apathy and waning investors' confidence that has beset the country's securities exchange in the previous few years kept on reflecting on market indices and continues to spark a steady fall in share prices of listed firms (Beredugo, 2021). Affirmatively, investor responses to return sensitivity of published financial statement are very low. This act of earnings response coefficient (ERC) is mostly devoid of the collaborative influence of stiff investors' protection regime on the IFRS induced information.

Concisely, security prices are to completely mirror all openly accessible information, while ERC captures the return sensitivity to the earnings surprises from IFRS induced information as well as considering investors' protection regime (Dechow, Ge, and Schrand, 2014). ERC is expected to measure the decision usefulness that assesses market perception of value relevance of a company's accounting measurement and recognition. The IFRS implementation is a prerequisite to enhance high quality accounting and to help in decreasing earnings management and to improve reporting quality that will engender favorable market reaction (Scott, 2009).

Despite the relevance of IFRS to the financial reporting quality in Nigeria, the focus on IFRS alone has continue to instigate the inability of the listed firms in Nigerian to increase the decision usefulness to be more earning oriented rather than non-earning information. A lot of investors still consider information on investors' protection besides earnings in taking their decisions. Yet, this rare variable is usually treated with laxity in the firms' annual reports.

As such the construct validity of ERC is not fully known. It is equally unclear if the IFRS implementation would result in the decision usefulness to investors in their response to equity returns and unexpected earnings from the financial statement of listed companies in the Nigerian stock exchange, while the issues of investors' protection have also been grossly undermined in the firms' annual reports. In view of the above the study assesses the extent to which investors' protection moderate the relationship between IFRS implementation and earnings response coefficient of listed companies in Nigeria.

2. Literature Review

2.1. IFRS adoption and implementation in Nigeria

The implementation of International Financial Reporting Standards (IFRS) in Nigeria has been increased because of the powers of globalization which are directing the guideline of the world business sectors and economies. Disregarding the chances from the selection of IFRS by most nations, Ali-balogun (2014) thought that the technique for appropriation of IFRS suffers a mishap in Nigeria. These include; cost implication suffered by the users of IFRS,

technicality in the method and strategy These incorporate; cost implication endured by the users of IFRS, detail in the technique and methodology for adoption, inadequate capacity for IFRS implementation, all of which mirrored the low degree of readiness by government and users of the standards for smooth progress. As per Akpan-Essien (2011) the IFRS execution will guarantee straightforwardness, better responsibility and uprightness in accounting required for tending to emergency associated with specific industry in Nigeria that was answerable for the Nigeria loss of the Foreign Direct Investment (FDI) in the oil and gas sector to different nations that are seen to have better financial reporting standard set up.

Okoye and Akenbor (2014) opined that the exigency of IFRS implementation in Nigeria was also premised on factors such as many Nigerian companies' securities ownership in foreign companies. Hence, IFRS will result to a better decision about the flow of economic capital. According to Mary, Okoye and Adediran (2013) the adoption of IFRS in Nigeria will open opportunities for a larger finance transformation for firm and upturn the centralization of economies of scale. High-quality financial reports furnish financial investors with the data and confidence required to put resources into the global capital market (Beredugo, Igbeng, & Eze, 2013). A top notch set of accounting principles empowers financial investors to receive reasonable information. Nigeria as part of the common wealth of nations, and in a bid to enhance transparency and to encourage the free movement of capital into the country among other reasons, implemented the provision of IFRS (FRCN, 2011).

Ball (2006) stated that IFRS implementation brought with internationally uniform accounting rules accompanied with fair value accounting of IFRS 13 and impairment of asset of IAS 36. It is also important to state that while almost all other standards are sector or industry-specific, the IFRS 13 and IAS 36 are universal in scope and they equally have high relativeness with Earnings response coefficient. The IFRS induced fair value accounting of IFRS 13 had led to increased earnings unpredictability, and thus, less precise earnings forecasts. The issues are not only predominant in the Nigerian environment, but also in less developed nations (Agostino, Drago & Silipo, 2007).

IFRS implementation no doubt poses a lot of significance changes especially to the capital markets. An important disadvantage of the IFRS induced fair value measurement is that it has a pro-cyclical impact. This implies that resources (liabilities) are probably going to be exaggerated (understated) during economic growth and during a downturn assets (liabilities) will be downplayed (exaggerated).

2.1.1 Earnings response coefficient (ERC)

Earnings response coefficient portrays the connection among income and the adjustment in an organization's stock price. ERC is the responsiveness of the Stock Market to data about surprising earnings (Wooten, 2003). Impressive explorations have zeroed in on the connection between security returns and startling earnings to survey the information content of the last mentioned. Ordinarily, deductions with respect to the information substance of earnings depend on the meaning of the slope coefficient (b) of the accompanying linear model assessed cross-sectionally and/or over time. The ERC is estimated by the regression slope of the stock

market price or market reactions (proxied by Cumulative Abnormal Return) and accounting profit (proxied with Unexpected Earnings).

2.1.2. Investors' protection, ERC and IFRS

Ball (2006) argued that IFRS adoption was a necessary condition for acquiring high quality information, without being a sufficient one, without adequate investor's protection regime. Soderstrom and Sun, (2007) opined that the improvement of the ERC depends on at least the IFRS and a country's overall investor's protection. Bushman and Smith (2001) suggest that strong investor's protection engenders quality accounting information. While, Guenther and Young (2000) argued that there always abound a strong relationship between accounting earnings and actual economic events, in countries with strong investor's protection.

This was also premised on the theory of value relevance which focused on the capacity of information disclosed/accounting numbers enclosed in the financial statements to clarify the stock exchange estimates or to capture and summarize firm's value (Beisland, 2009). Value relevance is the capacity of a measurement to explain a measure's usefulness concerning an investor's decision making. Barth and Beaver (2000) opined that the theory of value relevance establishes the connection between accounting numbers and the value of share market prices. It basically measures the relations between information in the financial statements and stock market returns or market value of equity of a firm.

The theory shows a clear picture that IFRS implementation could affect the value relevance of earnings. Estimating the abnormal stock returns is an immediate method of estimating the value relevance of earnings reporting to investors. The hypothesis clarifies on the differences in share prices and the relationship between accounting amounts and share prices (Barth et al, 2008). More specifically, earnings and book value of equity are more value-relevant in the post IFRS convergence periods than in the pre-IFRS periods. Value relevance improves most essentially when there are bigger contrast between IFRS and local GAAP and solid lawful authorization and implementation (Florou & Pope, 2012).

It is important to note that the value-relevance benchmark, i.e., the stock price or returns, is affected by different forces in the economy (other than those impinging straightforwardly on the basic estimation of the firm). It is against this background that the effect of the relationship between investors' protection and IFRS implementation on ERC was evaluated. This theory of value-relevance is, therefore relative to the relationship that subsists between a change in a company's stock price and any unusual statements which must have been orchestrated by IFRS implementation in the company's earnings announcement.

Houqe, Zijl, Dunstan and Karim (2010:23) argued that "earnings quality is a joint function of investors' protection and the quality of accounting standards, proxied by IFRS. This view is based on the fact that accounting does not exist in a vacuum' and that it is rather 'a product' of its environment". In summary, lower investor protection breeds administrative circumspection inside the organization which obstructs creation of an efficient accounting numbers, - in spite of the accounting standards.

Investors' protections are probably going to contribute to better growth prospects. Investors' protection has multiple dimensions. WEF (2008) had advocated six-nation level proportions of investor's protection: board independence, enforcement of securities laws, protection of minority shareholder rights, enforcement of accounting and auditing standards, judicial independence, and freedom of the press. The World Economic Forum '2008' measure of investor protection was used. The proportions are coded on a scale from 1 to 7, for instance '1' stands for board effectiveness showing that management has little independence, and 7 showing that board display strong independence.

Board assumes a significant part both as autonomous scrutinizers of the management activity, and as defenders of investor wealth. Established also was that firms with weak protection for minority shareholders' interests give more prominent incentives and promising circumstances for managers to take part in corrupt accounting practices (Hope, 2003). Sunder (1997) contended that requirement of IFRS put pressure on management and auditors which induces less scope to practice discretion. Holthausen (2003) gave proof that embracing IAS/IFRS with frail investor protection would almost certainly prompt a decrease in the apparent quality of the IFRS.

2.2 Empirical Review

Suharti and Ariefiara (2019) conducted a research by specifically assessing the simultaneous effect of financial reporting forcefulness on the earnings response coefficient. The study used manufacturing firms listed companies in Indonesia in 2013 to 2016. The study utilized 357 firm-years. Data were examined using the OLS model' and the result reveals that the impact of financial reporting forcefulness do not affect earnings response coefficient. The earnings response coefficient (ERC) without being interacted with reporting aggressiveness (both for financial and tax purposes) likewise does not show a critical worth, and this implies that there was no connection between stock returns and income reports. This study did not consider variables relating to the effect of IFRS implementation and rather did they consider other characteristics of ERC. In addition to this, the study did not consider any moderating variable.

In another study by Khamee (2018) on the Impact of Compliance with IFRS Disclosure Requirements on ERC; the study examined the impact of IFRS expectations on ERC. The examination explicitly analyzed the degree to which expected and surprising profit and stock returns relates with income and the stock returns response. The study used all firm in the Amman Stock Exchange within the period of 2010-2013. Analysis was done using the ordinary least square and it was discovered that consistence with IFRS disclosure prerequisites changes the type of the connection among profit and stock returns whether it is normal or sudden yet in two distinct ways. It negatively affects expected earnings and returns relationship, however it positively affects the connection between surprising earning and return relationship. This study did not consider any moderating variable.

Eugenia and Sunday (2018) assessed the implementation of arrangements of IFRS and monetary performance of Banks. The study made use of 14 quoted commercial banks in Nigeria (2007 to 2012). Historical data and panel regression were used. The results showed

that the return on shareholders' funds has improved since execution of International Financial Reporting Standards (IFRS) on Nigerian banks. IFRS implementation additionally has critical impact on PAT, banks' earnings and equity of the banks. This study did not consider variables relating to ERC and moderating variables.

Ezeiofor (2018) additionally led an examination on the Effect of IFRS on Value Relevance of Accounting Information utilizing proof from Quoted Manufacturing Firms in Nigeria. The study assessed the impact of IFRS on share price, EPS, and cash-flows. Ex-post facto was used while 54 manufacturing firms were randomly selected from quoted firms in the NSE between 2008- 2015. Modified price model for identifying value relevance accounting information for two distinct periods was utilized. Ordinary least square was utilized. The outcome reveals that IFRS has improved the book value per share, market shares of assembling organizations in Nigeria. This study did not consider variables relating to ERC and did not consider any moderating variable.

Kusumaningwedari and Oktorina (2017) inquired on the extent of IFRS impact on earning's quality and audit fee. The study utilized nonfinancial organizations that are listed in Indonesia from 2010 to 2014 preceding Asean Economic Community IFRS execution in 2015. The purposive testing was utilized for data assortment, and was dissected utilizing panel regression. The outcome revealed that the reception of IFRS did not influence earnings quality, and it was demonstrated that earnings quality influenced audit fees for organizations embracing IFRS.

Another study on earnings quality after IFRS implementation in Indonesian Capital Stock Exchange (IDX) was conducted by Rizki and Rosyidiana (2017). The major objective of their study was to empirically examine If IFRS implementation has extensive ramifications on factors influencing earnings quality like beta, capital structure, earnings persistency and firm size in the fair value accounting climate in Indonesia. The sample utilized listed manufacturing organizations in Indonesian Capital Stock Exchange (IDX) in 2011. This investigation was conducted by cross sectional methodology using 2011-2014 data. The data were investigated by regression analysis. The outcome reveals that everything factors did fundamentally influence the earnings quality organizations. However, this study did not consider investor's protection.

In a similar vein, Al-Baidhani, Abdullah, Ariff, Cheng and Karbhari (2017) conducted a research on the individual and portfolio methods of earnings response coefficient. The study reports on new discoveries from applying portfolio technique, which reveals a lot greater profit impact on share prices contrasted with the past reports of ERC utilizing singular event. The investigation assessed the cumulative abnormal returns, across a test window for every quarterly earnings declaration across one accounting year. The CARs are then regressed against profit changes of individual organizations and portfolios. The discoveries reveal a huge positive CAR when earnings were increasing; and a negative CAR if income decays. The ERC is smaller in the trial of 2001-2014, which is predictable with distributed outcomes

for quite a long time before 2000. The ERC size amplifies considerably because of the gathering impact utilized through portfolio development.

Uwuigbe, Emeni, Uwuigbe and Maryjane (2016) conducted a study on the extent to which mandatory required implementation of IFRS is related with improving the accounting nature of listed banks in the NSE. Secondary data were extracted from 2010 to 2013 financial statement. The information was broken down utilizing Ordinary Least Square (OLS) from SPSS. The discoveries of the investigation uncovered that after the reception of IFRS, the rate at which Nigerian banks take part in income smoothening expanded, while earning management towards little profit diminished, in this way decreasing the nature of accounting numbers unveiled in the accounting reports. The discoveries of this examination have impact on the productivity of the stock market.

Hasanzade, Darabi and Mahfoozi (2013) conducted a study on factors affecting the Earnings Response Coefficient in Iran. Data were collated using library and corporate documents methods. The earnings response coefficient was tried dependent on market reaction to the startling pieces of profit coefficient and the market reaction to the benefit changes coefficient models. 202 listed firms in Tehran Stock Exchange somewhere in the range of 2006 and 2012 was utilized for the examination. The OLS was utilized and the outcomes show that ERC is positive and essentially identified with the quality of income, development openings and productivity and was negative and altogether identified with systematic risk.

Kim and Yoon (2012) examined the effect of fair value accounting numbers in the capital business sectors. In particular, they zeroed in on fair value accounting. Test was drawn from 707 firm-years, made out of 517 perceptions and 190 observations. Information were drawn from the everyday stock returns for the 200 exchanging days before the income declaration date and for the 3 trading days encompassing the declaration date that was accessible and that are related with NYSE day by day returns in the Center at Research in Security Prices data set. Panel regression was applied. It was found that organizations that delay discounts have essentially higher purchase and-hold strange returns preceding the declaration than those that report impairment misfortunes in the wake of controlling for different components that are known to be related with the choice in regards to benefits. The examination found likewise that deferral of writeoffs has data content at the declaration subsequent to controlling for news in the concurrent earnings declaration. It proposed that fair value bookkeeping numbers reflect existing data in the capital market and pass on new information to the business sectors. Houqe, Zijl and Karim, (2010) look at the impacts of obligatory IFRS appropriation and the security of capital provider on the quality of accounting income in 46 nations. The outcomes recommend that income quality increases for required IFRS appropriation when a country's investor protection system gives more grounded investor protection.

3. Methodology

The historical-descriptive research design was adopted in carrying out this study. The research examined the IFRS implementation and investors protections regime of the companies in retrospect to establish relationship and the influence on the earnings response coefficient. The

content analyses of the annual report were conducted to elicit information on IFRS implementation and investors protection, while historical-descriptive research design was used for the collection of secondary data on earnings response coefficient.

This design was considered suitable for the purpose of this research because it was not possible to directly manipulate or control any of the independent variables. The events had already taken place, and the research was only conducted after the fact. The ex-post facto also encouraged the collection of data from the various firms' financial statements for the year ended in December 31st. It also assisted in the collection of data on the observation made in the NSE using seven trading days by tracking stock market operations of the companies under review. This was done looking into three days before announcement of the annual report (t-3), on the day of announcement (t) and three days after the announcement of the financial report. This was to basically ascertain the stock market reactions before, during, and after the announcement period.

The population of the study was made up of companies that were continuously listed on the floor of the Nigerian Stock Exchange (NSE) for the period from 2013 to 2018 and who implemented the IFRS in 2012. These companies also included those whose financial statement year ended in December 31st. According to the directory of the Nigerian Stock Exchange (2018), only 52 companies could be captured within the population frame and this figure was used for the population of the study.

The sample size was determined using the Yamane (1967) sample size determination technique and we arrived at a sample size of 46 companies. The sample size for the study was therefore 46. This sample size used was drawn from the population of the study through the stratified random sampling technique as shown in the table below:

3.1. Model Specification

The model used in this work was developed by Collins and Kothari (1989) and was adapted and used in this study. The original model is specified below:

$$CAR = \alpha_0 + \alpha_1 UE + e_{i,t}$$

Where CAR= Cumulative Abnormal Return

UE= Unexpected Earnings

α_1 = Earnings response coefficient

α_0 = the intercept

e = stochastic error

The above model was modified to include other independent, as well as a moderating variable. This was premised on the role moderator plays in enhancing the relationship between the dependent and independent variables and as a mean of providing a more robust result between the variables. These modifications are as presented in the models below:

Model 1

The regression slope between CAR and UE were used as proxy for ERC. IFRS and IP represent IFRS implementation and investors' protections respectively.

$$CAR_{i,t}/UE_{i,t} = c_0 + c_1 IFRS_{i,t} * IP_{i,t} + v_i + e_{i,t}$$

Where: c_0 , = the intercept term

c_1 = the regression parameters (coefficient of explanatory).

$CAR_{i,t}/UE_{i,t}$ { ERC} = Earnings Response Coefficient

CAR = Cumulative Abnormal Return of firm i in period t

UE = Unexpected earnings of firm i in period t

IFRS = International Financial Reporting Standards implementation of firm i in period t

IFRS*IP= interactions between IFRS implementation and investors' protection of firm i in period t

i = Cross sectional dimension (ranges from 1 to N)

t = time series dimension (ranges from I to T)

v_i = individual effects in the equation

$e_{i,t}$ = independently and identically distributed error

The Partial least-squares (PLS) equation technique was employed in exploring the data. The study was specifically analyzed using either the random or fixed regression analysis.

4. Result and Discussion

4.1. Data Presentation And Analysis

This section is connected with the descriptive analyses of data that was collected from the selected companies that are listed on the floor of the Nigerian Stock Exchange (NSE) for the period of 2013 to 2018. The selection was also based on companies that implemented the IFRS in 2012 and whose financial statements for the year ended on December 31st of the relevant years under review. In all, 46 companies were used for the study. The data are presented in tables. The International Financial Reporting Standards (IFRS) implementation and Earnings Response Coefficients (ERC) indicators extracted from the financial reports of each of the 46 selected companies that were listed on the floor of the NSE formed a panel study data; and the descriptive analyses of each of the series were taken to assess the measure of variability obtainable in the series.

Table1: Descriptive Statistics

	ERC	IFRS	IP
Mean	.1862	.7135	.6039
N	276	276	276
Std. Dev	.32093	.09303	.14238
Median	.1800	.7300	.5600
Sum	51.38	196.93	166.69
Minimum	-.099	.045	.032
Maximum	.96	.88	.93
% of Total N	100.0%	100.0%	100.0%

Source: Field work, 2021

Table 1 shows the descriptive statistics of IFRS implementation, ERC and the associated moderating variables. As shown in the table, the mean of the earnings response coefficient was 0.1862. The range is between -0.099 and 0.96 and the standard deviation is 0.32093. The median of 0.1800 and mean of 0.1862 do not differ significantly indicating that this variable is symmetrically distributed. The mean (median) of IFRS is 0.7135 (0.7300) with standard deviation of 0.9303. The Investor's Protection (IP) shows a mean of 0.6039, with a standard deviation of 0.30864.

Table 2: Correlation matrix table

	ERC	IFRS	IP
ERC	1.000		
IFRS	0.092	1.000	
IP	0.082	-	1.000

0.501**

The sample consists of 276 firm-year observations from 2013-2018. The correlation coefficients are based on Pearson Correlation. ** Correlation is significant at the 0.01 level (2-tailed) and * Correlation is significant at the 0.05 level (2-tailed)

Source: Field work, 2021

A correlation analysis was computed for all the variables. The result illustrated in table 2, shows that there is an inverse but significant correlation between earnings response coefficient and IFRS implementations. Investors' protection was correlated with the earnings response coefficient. The high correlation that abound between investors' protection and ERC indicates that earnings quality can be improved where investors' protections are in place. In all, the entire correlation table suggests that multicollinearity among the independent variables is not a problem as none of the Pearson Correlation exceeds 0.7

Table 3: Lagrangian Multiplier Test of ERC and IFRS implementation

H0: Variance = 0	
	Model 2
chi ² (1)	104.01
Pro > chi ²	0.000

The results of the Breuch Pagan Lagrangian Multiplier test for the models as presented in table 4.3 shows that the chi-square of $X^2=104.01$ for the model was significant, since the p-values < 0.005. Thus, the null hypothesis is rejected for the model, indicating that the variance of random effects is not equal to zero, and that the random effects model is appropriate for the relevant models.

TABLE 4: Hausman Specification Test of ERC and IFRS implementation

H0: difference in coefficient not systematic	
	Model 1
chi ² (1)	9.12
Pro > chi ²	0.68

Source: Field work, 2021

The result of the Hausman specification tests for the model as presented in Table 4 shows that the chi-square X^2 results of 9.12 for the model was not significant ($p>0.05$). The results for the model suggest an insignificant difference between the coefficients of the random effects and the fixed effects models. Random effect model was therefore used for the model.

Table 5

$$ERC_{i,t} = c_0 + c_1 IFRS_{i,t} * IP_{i,t} + e_{i,t}$$

Independent Variables	Pooled β (t stat)	2013 β (t stat)	2014 β (t stat)	2015 β (t stat)	2016 β (t stat)	2017 β (t stat)	2018 β (t stat)
IFRS*IP	23.201 (3.45)**	8.199 (5.18)**	1.312 (2.93)**	0.013 (14.03)**	0.083 (5.07)**	0.940 (10.13)**	0.212 (4.65)**
Constant	1.853 (3.08)**	1.109 (0.23)	2.902 (3.18)**	0.732 (2.11)*	12.073 (4.03)**	2.011 (1.09)	0.093 (0.03)
Observations	276	46	46	46	46	46	46
Adjusted R ²	0.7146	0.5013	0.7527	0.6201	0.7561	0.6712	0.6119

** Significant at $p < 0.01$ (2-tailed) and * Significant at $p < 0.05$ (2-tailed).

Source: Field work, 2021

In table 5 the coefficient of the interaction between IFRS and investors protection shows that this interaction has a significant positive relationship with ERC in all the regressions, both the panel and year by year regressions and thus the interaction between investors' protection and IFRS implementation has a significant positive relationship with ERC. This was evidenced in the change of the R square to the tune of 0.041.

The result from table 6 shows the random effect regression results for Earnings Response Coefficient, IFRS implementation and its accompanying moderating variable. The results show the comprehensive result of the model used in the study. The result for the model used the random regression model and shows that the wald chi² of 71.46 was statistically significant. This confirms the overall relevance of the model and the predictive power of the independent variables. The result on the moderating effect of investors protection on the relationship between IFRS implementation (IFRS*IP) and ERC (t-stat. = 3.45 > t_{0.05} = 1.96), was also significant.

Table 6: Random effect regression of, IFRS implementation, IP and ERC

Post-IFRS	Model 1 β (t stat)
Constant	1.853 (3.08)**
IFRS*IP	23.201 (3.45)**
R Square	0.7146
Δ in R Square	0.041
Wald chi 2	73.10
F-Test	0.0038
Lagrangian Multiplier	104.01**
Hausman χ ²	9.12
Heter. Wald (χ ²)	289.1**

*Notes: The coefficient values are presented with the t-statistics in the parenthesis, *p<.10; **p<.05; ***p<.01, probabilities represent one-tailed when the direction of the coefficient is consistent with expectations, two-tailed otherwise).*

The random regression model results shows a significant relationship in the moderating effect of investors' protection (t-stat. = 3.45 < t_{0.05} = 1.96) on the relationship between IFRS implementation and earning response coefficient. The wald chi² of the random effect regression which also gives an outcome of 73.10 with an accompanying p-value of (0.0038) less than 0.05, shows a positive significant relationship in the interactive effect of investors' protection on the relationship between IFRS implementation and ERC. On the basis of the

results made in this section, we therefore reject the null hypothesis and accept the alternative hypothesis which proposes that investor's protection significantly moderates the relationship between IFRS implementation and Earnings response coefficient of listed companies in Nigeria.

5. Conclusion

Earnings response improves with the moderating effect of a strong investor's protection in an IFRS environment. Investors' protection in terms of strong external auditor, board effectiveness, protection of minority shareholders and enforcement of security laws tend to reduce abnormal accruals and other unscrupulous management engagement that firms are exposed to even under an IFRS environment. This was supported by Ebrahim (2007) and Laporta et. al. (2006) who established that weak investors' protection provides avenue to managers to engage in corrupt accounting practice even under an IFRS environment. This is because IFRS is not a fraud-proof.

Investors' protection can act as non-financial indicators to investors. With a strong investors protection there is likely to be more trust in a firm's commitment to meeting its obligations. This is especially so in emerging markets like Nigeria where the legal system is weak (Francis et al., 2007). Investors' protection could enhance the decision usefulness of a high quality standard to effectively react to share market prices and accompanying earnings. The study indicates that ERC can be explained by high volatility which might not be related to accounting practices themselves, but to other macroeconomic environment effect on earnings. We discovered that investors' protection also play important role in the ERC of listed companies in Nigeria. In line with the discoveries it can be recommended that: Listed firms should as a result of necessity improve on their investors' protection regime in order to promote a high earnings response coefficient under an IFRS Environment. In relation to this, disclosures on investors' protection should be made a mandatory requirement by the Nigerian stock exchange during the listing processes and that companies should also consider the importance of making growth opportunity explicit as a supplement to IFRS exigencies in order to boost investors' patronage and to enhance share market prices.

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