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The Moderating Effect of Earnings Persistence 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 examined the moderating effect of earnings persistence on the relationship between International Financial Reporting Standards (IFRS) Implementation and Earnings Response Coefficient (ERC) of listed companies in Nigeria. This was done to evaluate the reason behind the poor utilization of capital market, especially equity market for funding of developmental project by both public and private sector entities. This study adopted historical-descriptive 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. The results of the cross sectional effect model show that IFRS implementation brings about high quality information, but it is not sufficient enough to induce a change in the ERC. It was discovered that investors and speculators alike pay close attention to the degree to which current period earnings shocks persist in the future, and this outcome propels the IFRS compliance to enhance a high earnings response coefficient of firms in the stock market. It is therefore recommended that the financial reports of listed companies in Nigerian should be designed to improve the information contents of accounting earnings in order to include inherent socio-economic risk, full disclosure of net income, past and prospective earnings.

Keywords: International Financial Reporting Standards Implementation, Earnings Response Coefficient, Earnings Persistence

1. Introduction

The use of the equity market by Nigerian firms has always been low, unlike some developing countries, where equity tends to be the primary source of financing. The study has concern for poor utilization of capital market, especially equity market for funding of developmental

project by both the public and private sector entities. This low patronage of the Nigerian Stock Exchange as a source of financing business in Nigeria could be attributable to the unfavorable market response to earnings information that is exclusively dependent on IFRS exigencies without much recourse to earnings persistence that assesses the extent to which current earnings persist or recur in the future. By this, the significance of earnings persistence in an IFRS regime as a means to instigate favorable earnings response coefficient is yet to be unraveled in Nigeria. Nevertheless, earnings persistence is a desirable attribute because it is indicative of earnings that are sustainable.

The focus on IFRS alone has engendered the inability of the listed firms in Nigerian to increase the decision usefulness to be more earnings oriented rather than non-earning information. IFRS implementation in Nigeria has led to increase earnings volatility and consequently, less accurate earnings forecasts, which was not the case in the pre-IFRS implementation era (Odoemelam, Okafor & Ofoegbu, 2019). The 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).

Scott (2009) suggested that a number of reasons could be responsible for differential market response to reported earnings, which could be attributable to the information need on earnings persistence among others. Canina and Potter (2019) opined that high earnings persistence indicates a sustainable earnings generation process that is particularly valued by investors. Realizations from a persistent earnings series can be readily usable for valuation (Schipper & Vincent, 2003).

Security prices are however expected to completely mirror all openly accessible information; and the earnings declaration made by firms are required to instigate market reactions to the degree of the unforeseen component of the news. The degree of the adjustment in security price caused by such unexpected change in earnings that is represented in the Earnings Response Coefficient (ERC) should be able to meticulously portray the market perception of value relevance of high quality accounting measure and recognition in conjunctions with firms' earnings sustainability (Dechow, Ge, & Schrand, 2014)

The IFRS implementation is expected to key into the need of reliable and relevant financial information that should be interwoven with predictable earnings of investible funds which is crucial in inducing favorable earning response from potential investors (Adekoya, 2011). To this end, the study examines the extent to which earnings persistence could moderates the relationship between IFRS implementation and earnings response coefficient of listed companies in Nigerian.

2. Review Of Literature

IFRS implementation has been adjudged to play a significant role in inducing favourable earnings response when adequate emphasis have been placed on market associated risk and making sure relevant information on modalities regarding measure that would enhance future earnings are taken seriously. This conceptualization is underpinned on the theory of value

relevance by Lev (1989) which focused on the capacity of information that is disclosed in the financial statements to clarify the stock exchange estimates or to capture and_summarize firm's value (Beisland, 2009). It further 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 (Lev & Zarowin, 1999). In clear terms however, information is considered 'value relevant' if stock price movements are associated with the release of high quality financial information to include predictive and/ or confirmatory value on earnings potential of a firm (Utami & Noraya, 2010; IASB, 2015).

Barth, Landsman and Lang (2008) established that IFRS implementation results in accounting numbers that are of a more excellent. Higher quality is portrayed as less earnings management, timelier acknowledgement of losses and more value relevance of accounting amounts. The value relevance is probably going to go up since more information is remembered for the fair-value accounting numbers. This ideology shows a clear picture that IFRS implementation could affect the value relevance of earnings (Florou & Pope, 2012).

Also, Ahmed (2010) expressed that, IFRS implementation decreases information lopsidedness which would bring down expenses on equity and obligation financing, it smoothens the communication between operators, investors, moneylenders and other investing parties bringing about lower costs. IFRS execution would offers equivalence, lower exchange costs and more prominent worldwide investment and reduced accounting manipulation and decidedly impacts firms' stock return and stock related financial performance measures (Epstein, 2009).

Taiwo and Adejare (2014) claimed that IFRS will improve financial performance, and quality of accounting records. 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).

Likewise, Galaen and Stenheim (2010) perceived that the move to IFRS entails significant change in recognition and estimation of accounting numbers and it is sensible to accept that IFRS implementation influences the quality of accounting numbers. 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 implementation in relations to IFRS 13 –fair value measurement covers almost all areas in the standards it covers measurement and disclosure on financial instruments available for sales, investment of investment companies, non-financial assets, assets held for disposal, changes in carrying amounts, fair value under lease and revenue recognision and measurement of unit of valuation to mention but few.

Madawaki (2012) in its own part, contended that embracing IFRS induced fair value alone will not make contrasting financial statement so easy since nations are diverse in their institutional and requirement component. This is not without it short comings because fair value likewise influences the ERC on the ground that profitability could be misleadingly unstable. The ERC could likewise be lower since the profits are not prone to endure to the future (Freeman & Tse, 1992). Most unstable profit are short lived and are not understood at this point, the ERC may join this trademark and probably will not be impacted since the unpredictability of earnings could be fluctuating. This exposure therefore requires other information to instigate effective decision making on investment.

2.1 Earnings response coefficient (ERC)

ERC represents investors' reaction to changes in a firm's earnings information within or around the period the firm releases its financial statements. These reactions represent an exhibition of apprehension or confidences on purported decrease/increased returns of a firm's stock and earnings.

ERC has been defined as "a measure of relation of stock returns to earnings surprises around the time of corporate earnings announcements" or "the relationship between a change in a company's stock price and any unusual statements in a company's earnings announcement". ERC is the change in share returns for one unit of sudden income reported as estimated over a short or long window. A company's stock price is identified with data accessible to investors. In this manner, information on unforeseen income can prompt purchasing alarm while low profit can prompt selling alarm.

The Implications of ERC is to inform market operators and participants on things that influence the information content of earnings and how they should best plan a financial report. It include the important of full disclosure, which entails displaying all segments of total compensation to empower lasting impact to be surveyed and to create growth opportunities of the listed organization to be more explicit (Easton & Zmijewski, 1989).

ERC gives an outline on the quality of expected earnings, estimated by their capacity to reflect market assumptions. Kabir, Laswad, and Islam (2010) thought that the information conveyed by earnings is in connection with an assortment of market attributes like return, volume and unpredictability change encompassing the earning declaration date. The fact that the variety of these attributes is the consequence of a change by the investors of their assumptions following the data given by income discloser allows concluding that this data is associated with that utilized by brokers in their value assessment. ERC can be utilized as earnings validity and as an intermediary for market assumption with regard to future security incomes (Walther, 1997). On a fundamental level, ERC can be estimated as the slope coefficient of abnormal stock profits on unexpected earnings.

According to Burgstahler and Dichev (1997), a solid reaction of the stock price to the unexpected income shows that the basic expected earnings have a significant part in the market assumptions' assurance in regards to future benefit. From an exact view point, the ERC is concentrated by two unique methodologies: the event study which portray the response of the stock price to the profit declaration, and the affiliation studies that research the

connection between stock price and earnings over a generally extensive period (Easton & Zmijewski, 1992). The benefit of event contemplates lies in their capacity to distinguish over the long run the net impact of earning declaration on the stock price or on its variety (return), which keeps away from disarray with different impacts that may happen during the investigation time frame. Be that as it may, the decision of the ideal perception window of the earnings announcement event is regularly referenced as a clarification for the shortcoming of this present strategy's exact outcomes. This issue does not emerge in affiliation studies as the investigation time frame is long to the point that it might surpass 1 year; regardless of whether this prompts an increment in the risk of disarray with different impacts.
Lipe (1990) uncovered that the substance of information with the investigation when changes to the unforeseen positive earnings have unusual pace of return on average positive and assuming it does not have information content that is negative, have the strange rate of return on average negative. Some researcher demonstrates that the ERC changes in cross sectional as Biddle and Hilary (2006) and Lipe (1990). Researchers show that the ERC relies upon the degree of earnings persistence, profit consistency, and covariant financial exchange return, the development of big businesses and industry qualities.

Kabir, Laswad, and Islam (2010) also established that investors react more during the earnings declaration period, putting a rebate on idealistic earnings estimates. They contend that financiers are required to be furnished with more pertinent and quality data according to the 1999 U.S. Guidelines for Fair Disclosure. They additionally found that financiers do attempt to address their own maladjustments during the post-declaration time frame.

2.2 Earnings persistence

Earnings persistence addresses the enduring nature of an accounting earnings number. Earnings persistence measures the extent to which current earnings persist in the future. High persistence indicates a sustainable earnings generation process that is particularly valued by investors. Persistent earnings are earnings that are expected to reoccur, thus persistence is viewed as a desirable characteristic of an earnings number.

Earnings persistence gauges how much flow period earnings shocks persist in the future and influence future profit assumptions expectations (Scott, 2009). If the earnings series has a high persistence, a given magnitude of unexpected earnings would result in a larger revision (in absolute value) in expected future dividends than if the earnings series has low persistence. This is intuitive in the sense that a higher persistence means a higher expected change in future earnings due to a current- period shock and presumably a higher change in cash flow available for dividend payments. Thus, ERC is expected to be positively related to the earnings persistence (Dhaliwal & Reynolds, 1994). Collins and Kothari (1989) added that earnings persistence is associated with a larger ERC. Student VIP (n.d) added that "if the good news in an IFRS environment is about increasing operating efficiencies, ERC will be higher. This is because the current unexpected earnings from the increase in efficiency will persist into the future".

2.3 Earnings persistence, ERC and IFRS

Soderstrom and Sun, (2007) opined that the improvement of the ERC depends on at least the

IFRS and the extent to which earnings could persist into the future. The level of company earnings capacity could engender swift investors' response to a company's stock price. Guenther and Young (2000) argued that there always abound a strong relationship between accounting earnings and actual economic events. Houqe, Zijl, Dunstan and Karim (2010:23) argued that "earnings quality is a joint function of the quality of accounting standards, proxied by IFRS.

Moreover, persistence has been shown to be associated with larger investor responses to reported earnings (Kormendi & Lipe, 1987), suggesting that persistent earnings have significant information content that can be authenticated using high quality accounting standards such as the IFRS. Earnings persistence is also related to management compensation practices. For instance, Baber, Kang, and Kumar (1998) found that in a cross-sectional analysis of compensation paid to CEOs that the sensitivity of compensation to earnings varied directly with earnings persistence. The Earnings predictability also addresses the ability of earnings to predict itself in order to instigate favourable reactions from investors (Barton, Hansen, & Pownall, 2010).

The earnings time series no doubt has a high persistence (i.e., current period's earnings shocks tend to persist in the future and affect future earnings expectations), then dividend expectations will be revised more than if earnings shocks have low persistence; thus, the higher the earnings persistence, the higher the ERC. The effect of persistence on ERC can be shown more formally in the context of a specific earnings process.

2.4 Empirical Review

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 such as earnings persistence.

Eugenia and Sunday (2018) assessed the implementation 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.

Ezejiofor (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.

Malomo, Babatunde and Adedokun (2018) analyzed the effect of IFRS appropriation on stock value synchronization in Nigeria. The examination utilized 20 firms in the NSE inside the time frame of 2010 to 2016. Univariate and multivariate procedures were utilized with the end goal of the investigation. Panel data were additionally utilized in the study. The consequences of the exact tests were measurably huge at 0.05 level. The discoveries of the investigation uncovered that IFRS implementation improves information climate through the capitalisation of firm-explicit information into stock prices, in this way reducing stock value synchronicity in Nigeria.

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 persistence 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.

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 were broke 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.

Mahjoubi and Abaoub (2015) examined earnings response coefficient as a proportion of market assumptions in Tunis stock exchange. The particular goals were to examine the capacity of three specialized earnings anticipating strategies to reflect Tunisian securities exchange assumptions as estimated by the Earnings Response Coefficient. The examination embraced an affiliation study to test their exploration theories. Samples was drawn from 32 Tunisian organizations recorded at Tunisian Stock Exchange covering times of 15 years (1997-2011) for the 1 year ahead anticipating horizon, 14 years (1997-2010) for the 2 years ahead determining horizon and 13 years (1997-2009) for the 3 years ahead guaging horizon. This is the situation for smoothing and irregular walk estimated profit and so on. This outcome shows a power of profit shock. Coefficient amplitudes reveal the auxiliary role of profit level contrasted with their shock in earnings-returns slope. This study failed to consider some moderating variables.

Pimentel (2015) also conducted a study on Unexpected Earnings, Stock Returns, and Risk in the Brazilian Capital Market. The specifically analyzed the role of beta in the ERC in Capital market. The examination was led utilizing 212 firms inside the time frame of 1995 to 2013. The examination utilized longitudinal information to remember information for surprising income, risk, and a few control factors. The outcomes propose that the earnings return relationship is contrarily influenced by risk and nonlinear impacts of unforeseen profit and it is decidedly influenced by profit ingenuity. The examination neglected to show any critical relationship between the ERC and beta and it neglected to give proof that the full selection of the International Financial Reporting Standards (IFRS), in 2010, influenced the way the market responds to shocks in the exposure of bookkeeping income. To investigate the profit return relationship, characterizing organizations by the complete danger positioning showed better outcomes regarding recognizing high and low-risk organizations.

Delvira and Nelvirita (2013) examined the impact of systematic risk, leverage and earnings persistence on ERC of listed assembling firms in Indonesia from 2008 to 2010. The primary goal of this exploration was to examine the impact of systematic risk, leverage and earnings persistence on ERC. The purposive sampling was utilized to choose 43 assembling organization. The discoveries were that: systematic risk conversely influences ERC; leverage insignificantly affects ERC, while earnings persistence influenced ERC.

3 Research Method

The historical-descriptive research design was adopted to examine the moderating effect of earnings persistence on the relationship between IFRS implementation and earnings response coefficient. The content analyses of the annual report were conducted to elicit information on IFRS implementation, while secondary data on earnings persistence and earnings response coefficient were also collected from 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.

Model Specification

The regression slope between CAR and UE were used as proxy for ERC. IFRS and PER represent IFRS implementation and earning persistence respectively

$$CAR_{i,t}/UE_{i,t} = d_0 + d_1\ IFRS_{i,t}*PER_{i,} + v_i + e_{i,t}$$

Where: d_0, = the intercept term

d_1, d_2, d_3, = the regression parameters (coefficient of explanatory variable).

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

CAR = Cumulative Abnormal Return of firm i in period t

UE = Unexpected earnings of firm i in period t

IFRS*PER= Interactions between IFRS and earnings persistence of firm i in period t

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

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

vi = individual effects in the equation

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

The method adopted for data presentation includes tables. With the aid of 'Stata' statistical package, the Partial least-squares (PLS) equation technique was employed in exploring the data, since the work is also anchored on moderating variables. For this purpose, frequency distribution and descriptive statistics, percentages, mean, standard deviation, minimum, maximum were used to describe the patterns of data. Partial least-squares (PLS) equation technique was used on the panel data models. The hypothesis was tested using the panel regression analysis.

4 Result and Discussion

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 used for the study were computed with the aid of Microsoft excel. These data sets include: International Financial Reporting Standards (IFRS); Earnings persistence (PER), and Earning Response Coefficient (Cumulative Abnormal Returns and Unexpected Earnings).

Table 1 shows the descriptive statistics of IFRS implementation, ERC and the associated moderating variable. 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.

Table 1. Descriptive Statistics

	ERC	IFRS	PER
Mean	.1862	.7135	.7569
N	276	276	276
Std. Deviation	.32093	.09303	.30864
Median	.1800	.7300	.7980
Sum	51.38	196.93	208.90
Minimum	-.099	.045	.003
Maximum	.96	.88	1.27
% of Total N	100.0%	100.0%	100.0%

Source: Field work, 2022

The earnings persistence (PER) shows a mean value of 0.7569 and a standard deviation of .30864. This high mean value of PER is consistent with the earlier discussion of the high reliance on how the flow of period earnings shocks persist in the future and influence future profit assumptions.

Table 2: Correlation matrix table

	ERC	IFRS	PER
ERC	1.000		
IFRS	0.092	1.000	
PER	0.404**	-0.106	1.000

*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, 2022

A correlation analysis was computed for all the variables. The result shows that there is an inverse but significant correlation between earnings response coefficient and IFRS implementations. Earnings persistence was correlated with the earnings response coefficient.

In relation to IFRS implementation, the result shows that earnings persistence was correlated with investor's protection; while other moderating variables were not significantly correlated with IFRS implementation. There also abound fascinating discovery regarding earning persistence, indicating that firms with high earnings persistence tends to have lower total risk (i.e. higher stock volatility), firms with lower earnings persistence are associated with higher systematic risk (beta). 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 3
chi^2 (1)	10.19
Pro > chi^2	0.0019

Source: Field work, 2022

The result of the Breuch Pagan Lagrangian Multiplier test for the model shows that the chi-square of $X^2 = 10.19$ 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
chi^2 (1)	64.59
Pro > chi^2	0.000

Source: Field work, 2022

The result of the Hausman specification tests for the model shows that the chi square X^2 result of 64.59 was significant ($p < 0.05$); This suggest a significant difference between the coefficients of the random effects and the fixed effects models. The fixed effect model was therefore used for model

Table 5. Regression effect of IFRS and Earnings Persistence on ERC

$ERC_{i,t} = d_0 + d_1 IFRS_{i,t} * PER_{i,} + e_{i,t}$

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*PER	3.401	8.201	0.842	6.622	2.233	0.340	0.092
	(2.43)**	(8.11)**	(2.93)**	(6.37)**	(6.14)**	(8.89)**	(5.11)**
Constant	7.104	0.1143	7.376	4.391	6.854	1.454	0.0811
	(2.92)**	(1.42)	(8.54) **	(1.22)	(3.15)**	(3.64)**	(2.01)*
Observations	276	46	46	46	46	46	46
Adjusted R^2	0.6926	0.4122	0.7132	0.6143	0.6943	0.7892	0.4993

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

Source: Field work, 2022

Table5 shows the coefficient of the interaction between IFRS and earnings persistence. The result shows that this interaction has a significant positive relationship with ERC in all the regressions, both pooled and year by year regressions. Thus the interaction between earnings persistence and IFRS implementation has a significant positive relationship with ERC.

The result from table shows the fixed effect regression result for Earnings Response Coefficient, IFRS implementation and the moderating variable. The result shows the comprehensive results of the model used in the study. The result reveals the F-test (F-test = 12.81 > $t_{.0.05}$ = 3.84) to be statistically significant thereby confirming the overall relevance of the model and the predictive power of the independent variables. The individual effect of the explanatory variables shows that earning persistence had a moderating effect on the relationship between IFRS implementation (IFRS*PER) and ERC (t-stat. = 2.43 > $t_{0.05}$ = 1.96) which show a statistically significant relationship among them.

Table 6: Fixed/Random Effects Regression results for Earnings Response Coefficient

Post-IFRS	**Model 1** **β (t stat)**
Constant	7.104 (2.92)**
IFRS*PER	3.401 (2.43)**
R Square	0.6926
Δ in R Square	0.095
F-Test	12.81 0.00
Lagrangian Multiplier	10.19**
Hausman χ2	6.59
Heter. Wald (χ2)	309.8**

*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).*

Source: Field work, 2022

The result shows a significant relationship in the moderating effect of earning persistence (t-stat. = 2.43 < $t_{0.05}$ = 1.96), suggesting that earning persistence of firms plays a significant role on investors' reactions to changing stock market prices, even under an IFRS induced environment. The F-test of the fixed effect regression which also gives an outcome of 12.81 with an accompanying p-value of (0.00) less than 0.05, shows a positive significant relationship in the interactive effect of earning persistence on the relationship between IFRS implementation and ERC. On the basis of the results obtained in this section, we therefore reject the null hypothesis and accept the alternative hypothesis which proposes that the interactions between IFRS implementation and Earnings response coefficient is not significantly moderated by earnings persistence of listed companies in Nigeria.

In relation to the above, it was discovered that investors and speculators alike pay close attention to the degree to which current period earning shocks persist in the future, and this outcome propels the IFRS environment to enhance a high earnings response coefficient of firms in the stock market. This was supported by Lipe (1990) who established that ERC is positively related to the ability of past earnings to predict future earnings in a favourable accounting environment.

5. Conclusion

The results show that although, IFRS implementation alone is not significantly associated with ERC; earnings persistence could instigate investors to act in relation to unexpected earnings and share price changes even under the IFRS era.

As discovered from this study, IFRS alone does not lead to increased earnings quality. Earning response coefficient improves with the interacting effect of earning persistence on IFRS implementation. In a similar vein if a firm recently released good news on earnings information, even under IFRS environment and issues a security that has a high beta, investors will be less likely to buy. Less demand implies a lower increase in market price and share return in response to good news, hence lower ERC.

Good news of high earnings persistence on operating efficiencies, would lead to high ERC. This is because the current unexpected earnings from the increase in efficiency will persist into the future' (studentvip, nd). The study reveals that IFRS implementation, cannot singularly explain variations in the ERC. However, when interacting together with other variables there was an adjustment in the IFRS implementation, indicating that there is an adjustment of increasing the decision usefulness of making IFRS implementation that was initially based on non-earning information that is also characterized with less accurate earning forecast to be more earnings oriented.

The study indicates that ERC can be explained by high volatility and other variables which indicates that it is important for investors in the stock market to be more cautious when interpreting empirical results relating to accounting variables in an IFRS environment, as the relevant exposure might not be related to accounting practices themselves, but to other macroeconomic environment effect on earnings. We discovered that the relation of the IFRS and earnings persistence is positive, and it plays important role on the ERC of listed companies in Nigeria.

In line with the discoveries from this research, the following recommendations were proposed; the financial reports of listed Nigerian companies should be designed to improve the information contents of accounting earnings, to include earning persistence, full disclosure of net income, past and prospective earnings; and that listed companies should also consider the importance of making growth opportunity explicit and predictable as supplement to IFRS exigencies in order to boost investors' patronage and enhance share market prices.

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