Compliance with Statement of Accounting Standards and Performance of Nigerian Banks

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Abstract
Banks play important roles in promoting national development. In order to provide efficient services and to perform their statutory roles effectively, banks are required to comply with established standards. In Nigeria, the Statement of Accounting Standards (SAS), Companies and Allied Matters Act (CAMA) and the Central Bank of Nigeria’s directives and regulations provide guidelines to banks in the preparation and presentation of the records of their financial transactions. In recent time, some Nigerian banks appear to be engaging in non-standardized and unprofessional practices, which could lead to distress and liquidation. The objectives of this study therefore are to assess the level of Nigerian banks’ compliance with statement of accounting standards as established by the Nigerian Accounting Standards Board and appraise the relationship between level of compliance with Statement of Accounting Standards and performance of Nigerian banks.

Twenty selected banks quoted on the Nigerian Stock Exchange constituted the target sample and these were banks whose annual financial reports for the period of study were fully available. Both primary and secondary sources of data were adopted in carrying out the study. A researcher-designed questionnaire was used to obtain data from senior and managerial staff of each of the twenty sampled banks. The instrument was structured to accommodate the sixteen Statements of Accounting Standards which are related to banks and used in the assessment of banks’ compliance. Twenty five questionnaires were administered to the staff of each of the twenty selected quoted banks. Thus, a total of five hundred randomly selected respondents participated in the study. The annual financial reports of the selected banks from 2005 – 2009 (post-consolidation era) were also used. The collected data were analyzed using Kruskal Wallis Test, CAMEL Ratios, Analysis of Variance (ANOVA). Based on the findings of the study, it was recommended that the Nigerian Accounting Standards Board (NASB) should overhaul and properly equip its monitoring unit in order to ensure better banks’ compliance with accounting standards and to take appropriate actions against defaulting banks.

Keywords: Nigerian Bank, Financial Statement, Statement of Accounting Standards.
1- Introduction

The banking sector plays an important role in promoting economic growth and development in any nation. It ensures efficient mobilization of resources, pooling of savings and allocation of funds to the investment outlets. The sector also provides liquidity and capital to firms in their production recesses and facilitates a reliable payment system; thus providing a variable platform for an effective monetary policy management. Banks are among the major operators of the national economy. They provide opportunities for financial transactions and manage the financial assets and liabilities of other economic units in a nation. Banks mobilize deposits, provide credits, and offer professional advice to investors and act as agents of government in the implementation of various monetary and macro-economic policies. In Nigeria, banks have been accepted as catalysts to national development. For instance, the Fourth National Development Plan (1981-1985) stressed that the banking system in Nigeria would continue to be encouraged and guided to respond to the challenges of national development.

Izedonmi (2001) noted that banks help to allocate available resources by mobilizing funds from non-productive channels to finance investment activities in productive sectors and increase capital formation. According to the author, banks also promote financial integration of the various sectors in Nigeria. This is because funds are mobilized from areas with surplus funds to areas of deficit. Financial information is crucial for the economy and the quality of financial statements depends on the accounting standards on which they are based. Financial statement forms the basis on which economic and financial agents, as well as authorities take their decisions. Accounting standards have a direct impact on supervisory work and on central banks’ oversight given that banks’ accounts form the basis for calculating financial and regulating ratios. Hence, non-compliance with the Accounting Standards and rules affect market perception, financial ratios and reports that supervisors use for assessing both the condition of individual banks and along with central banks, the global condition of the financial system. The Accounting profession, through the issuance of standards, provides direction and guidance on how banks and business enterprises could achieve the goal of proper record keeping, transparency, uniformity, comparability and enhancing public confidence in financial reporting. Thus, failure on the part of the firm to apply the requirements of accounting standards result in inconsistencies, lack of accountability, transparency, and distortions in financial reports, which in turn results in poor financial reporting practices and dissemination of accounting information that is of less value to any particular group of users. This is because the preparation and presentation of financial statements lacks objectivity, reliability, credibility and comparability, and thus, results in fraudulent business practices, which subsequently lead to business failure, and become devastating on the national economy (Katundu, 2005). However, despite the importance and endless
benefits that accrue to an economy through application or compliance with accounting standards, there have been only few studies conducted in the area. As far as the researcher is aware, there are only few studies on the relationship between banks’ level of compliance with statement of accounting standards and performance of Nigerian Banks. Consequently, this study is an attempt to fill this gap. That is to focus on the banking sector and study the variables of banks’ compliance and performance.

2- Conceptual Framework

Accounting Standard is defined as an information system through which financial and monetized information is generated for economic, social and political decisions (Izedonmi, 2001). Statements of accounting standards are developed to ensure a high degree of standardization in publishing financial statements. They provide necessary guides on how accounting information should be prepared and presented in order to enhance the value of its contents and facilitate thorough understanding. Accounting standards are not only developed to ensure a high degree of standardization and uniformity in publishing of companies’ financial statement, but they are also useful to all users of accounting information. Banks’ compliance with accounting standards ensures standardization and efficiency in financial reporting. Accounting standards also have a significant impact on the financial system, in particular, via their potential influence on the behavior of economic agents. Accounting standards are guidelines which define how companies have to display transactions and events in their financial statements. These are not purely technical rules but they are the outcome of highly political processes (Hussein, and Ketz, 1994). This means that there are different actors who come into contacts with or are influenced by accounting standards – e.g. preparers, managers, accounting firms, auditors, financial analysts and employees. All these actors might have different options and interests about what an accurate and useful accounting standard is and therefore might have different incentives in the production and diffusion of accounting standards (Giner & Arce, 2004). Although, academics and practitioners agree on the importance of compliance with the requirements of accounting standards as an essential element of financial reporting infrastructure, many scholars argue that the extent to which standards are enforced and violations prosecuted are as important as the standards themselves (Sunder 1997). Thus, the quality of financial information is a function of both the quality of accounting standards and the regulatory enforcement or corporate application of the standards (Kothari, 2000 and Hope, 2003). Absence of adequate enforcement, therefore, renders the best accounting standards inconsequential. This is because if nobody takes action when rules are breached, the rules remain requirements only on paper.

However, in some environments, firms behave towards “mandatory” requirements as if they were voluntary (Giner and Arce, 2004; and Cooper and Robson, 2005). Even though
accounting policy disclosures are required in most countries as well as by IAS 1 (Frost and Ramin, 1997) document considerable variations in accounting policy disclosures within and across countries. The importance of compliance with the requirements of accounting standards is that it enhances transparency, accountability, standardization, uniformity and comparability which in turn enriches the quality of decision of the users and helps in proper allocation of resources in an economy.

Need for Accounting Standards in Banks
The high level of distress in the banking sector has spurred the regulatory and supervisory authorities to examine more rigorously the safety and soundness of the banks by assessing the extent of level of compliance to the Nigerian Accounting Standards Board. Also, legal reform policies aimed at empowering the board to deal more expeditiously with problems of distress in the financial institutions are being sponsored at the National Assembly. The issuance of the Statement of Accounting Standards (SAS) to Banks and Financial Institutions is aimed at promoting consistency in reporting by banks, greater disclosure and more prudent provision for bad and doubtful debts (Ebhodaghe, 1997).

An Overview of the International Financial Reporting Standards
International Accounting Standards (IASs) were issued by the International Accounting Standards Committee (IASC) from 1973 to 2000. The International Accounting Standards Board (IASB) replaced the IASC in 2001. The IASB amended some IASs and proposed to amend others, replaced some IASs with new International Financial Reporting Standards (IFRSs), and has adopted or proposed certain new IFRSs on topics for which there was no previous IAS. Through committees, both the IASC and the IASB have also issued interpretations of standards.

Comparative Analysis of the Standards
Many countries adopted the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) in setting their own accounting standards. According to Kenneth Creighton, who is the IASC Foundation’s Senior Manager and responsible for the distribution of IFRSs, a country can adopt International Standards it needs to enter into a legal contract with the IASC foundation. He stressed that all issues relating to the Long-term and short-term implications of adoption are discussed before the receipt and legal distribution of IFRS are made. In practice, most counties now operate in full accordance with two sets of standards.
Empirical Framework

Izedonmi (2001) and Kandutu (2008) have published empirical works on compliance with statement of accounting standards by companies. Izedonmi (2001) examined the level of bank’s compliance with accounting standards and the overall empirical evidence suggested that quoted banks do comply with the requirements of the standards. Kantudu (2008) worked on the impact of NASB act on compliance with accounting standards on employees’ benefits in Nigeria and the results from the analysis show that a gap exists between what insurance companies do and what is required of them by SAS 16, that is, compliance with the requirements of SAS 16 by listed insurance companies is good (i.e. 76.9%) and by the author criterion it was referred to it as compliance within the semi-strong range, which he discovered to be inadequate, because accounting standards are expected to be complied with in total, that is 100% compliance.

Theoretical Framework

Financial Accounting is used mainly for ascertaining the results and performance of any business on a periodic basis. Assessing the level of banks compliance with statement of accounting standards and performance is a function of financial Accounting which involved the process of identifying, measuring and communicating economic information to permit judgments and decision by users of the information (Adeniji, 2004). The primary purpose of preparing Financial Accounting information is to enable management to render accounts of its stewardship in terms of the profit generated in relation to the assets invested in the business (Omolehinwa, 2002). The preparation of Financial Accounting must conform to Generally Acceptable Accounting Principles, Statements of Accounting Standards, government regulations and the relevant provisions of the 1990 Company and Allied Matters Decree. Such standardized rules are necessary to facilitate communication between the business and the outside world that may wish to compare the information from the business with that of an entirely different business.

Performance of the Nigerian Banking Industry

The banking industry in Nigeria has witnessed a tremendous growth over the past years. This assertion is borne out of the number of banks and bank branches, their total deposits, total investments, total loans and advances and the profitability of the industry. For instance, the number of banks in Nigeria increased from 11 in 1960 to 45 at the end of 1990. According to Nigerian Deposit Insurance Corporation (1991) Annual Report and Statement of Accounts, the number of banks has increased from 45 in 1986 to 119 at the end of 1991, representing an increase of more than two folds. These 119 banks at end of 1991 were made up of 25 State-Government owned
Commercial banks, 8 Federal-Government owned Commercial Banks, 32 Privately-owned Commercial Banks, 8 Federal/State-Government owned Merchant Banks and 46 Privately-owned Merchant Banks. The introduction of the Structural Adjustment Programme (SAP) in 1986 as an economic reform package was designed to liberalize the economy with emphasis on the financial system. The SAP era witnessed many policy measures that have continued to shape developments in the sector till the present day. The number of licensed banks shot up from 119 in 1991 to 120 in 1992 and in the same year, the sector recorded the existence of over 500 finance houses, 121 Bureau de change and about 300 community banks, among others. The numbers of banks reduced to 24 in the year 2004 as a result of re-capitalization programme of the Federal Government (Central Bank of Nigerian Annual Report 2003).

3- Statement of the Problem

Prior to the year 2004, many banks in Nigeria performed below expectation and showed signs of distress. For instance, Soludo (2004) noted that “the Nigerian banking system was fragile and marginal to the extent that the system faces enormous challenges which include persistent illiquidity, unprofitable operations and poor asset base. He stressed further that Nigerian banks appeared to have abandoned their essential intermediation role of mobilizing savings and that low capitalization of banks had made them less able to finance the economy and more prone to unethical and unprofessional practices.” This led to the introduction of economic reforms in the banking sector by the Federal Government of Nigeria. One of such reforms was the re-capitalization. The reform in the banking sector of the economy led to the subsequent merger and acquisition of banks between 2004 and 2005. The banks that could not meet up with the N25billion re-capitalization benchmark had to merge with other banks, while those that could not merge collapsed. Also, on the 14th August, 2009, the Central Bank of Nigeria, following the results of its special examination of 10 out of the 24 banks in the country, removed the executive management team of five banks; namely, Fin Bank of Nig. Plc, Intercontinental Bank Plc, Oceanic Bank International (Nig) Plc, United Bank of Africa Plc and Union Bank of Nigeria Plc. In September of the same year, the audit of the remaining 14 banks was completed with 5 found to be unhealthy. The Managing Directors/Chief Executives as well as executive directors of 3 of the banks were removed while 2 banks were given up to June 2010 to recapitalize. A total bail-out fund of N620billion was injected into the industry in order to stabilize their operations. The failure of some banks can be attributed to the fact that there was no effective mechanism for monitoring and enforcing the requirements for accounting and financial reporting as provided in the Companies and Allied Matters Act (1990).
4- Hypotheses of the Study

Hypothesis one
Ho: Nigerian quoted banks are not significantly different in their levels of compliance with Statement of Accounting Standards (SAS).

Hypothesis two
Ho: There is no statistically significant relationship between the level of compliance of the Nigerian quoted banks with Statement of Accounting Standards and their performance in terms of profitability.

The study examined the compliance with the statement of accounting standards and performance of Nigerian quoted Banks between 2005 and 2009. The choice of this period is that in 2004 there were 89 banks but after capitalization they were reduced to 24 banks, some banks collapsed and were on longer existing. For continuity and consistency post consolidation period was choose which is between 2005 and 2009. The Nigerian Accounting Standards Board (NASB) is the only recognized independent body in Nigeria responsible for the development of accounting standards for users which prepare financial statements, investors, commercial enterprises, banks and regulatory agencies of government since 1982. Out of the 30 Statement of Accounting Standards (SAS) issued so far, only 16 relevant SAS were used. The SAS were restricted to only 16 out of the 30 SAS because the others Statement of Accounting Standards relate to Insurance companies, telecommunications, petroleum industries etc. Out of the twenty-four banks in Nigeria, the study was restricted to only twenty quoted banks on the Nigerian Stock Exchange.

5- Methodology

The population of the study comprised senior and management staff of the twenty selected quoted banks. It is estimated that the quoted banks have about two thousand and one hundred senior and management staff. For the purpose of this study, twenty-five percent of this target population was randomly selected. Thus, a total of five hundred management and senior staff participated in the study. Both the descriptive and inferential statistical tools were used in examining objective. These included percentages, mean score of responses and multiple regression models.

Procedures for Scoring and Data Analysis

In order to assess the pattern of Nigerian banks’ compliance with Statement of Accounting Standards (SAS), respondents were asked to assess their banks’ compliance with the aid of twenty-five questions which center on sixteen SAS. The compliance of the banks was rated in a Likert Scale as follows: very highly (4), highly (3), low (2), not at all (1). Their perception/assessment is collated in tables of
frequency distribution. Therefore, the performance of each bank is ranked using Kruskal-Wallis mean rank test in order to know the level of each bank’s compliance in relation to other banks. The Kruskal-Wallis test also generates chi-square statistics which also gives a measure of statistical significance (level of confidence) of the ranking procedure.

The formulated model by Wirnkar and Tanko (2008) was adopted for this study and used to examine the performance of Nigerian banks in terms of profitability using CAMEL rating system which was chosen as the measure of performance in the study. Spilling from theoretical understanding in the relationship between banks performance and statement of accounting standards, we postulate the performance as CAMEL.

Where:

\[ C = \text{Capital adequacy, } \quad A = \text{Asset quality, } \quad M = \text{Management quality, } \]
\[ E = \text{Earnings ability, } \quad L = \text{Liquidity} \]

However, given the different division and definition of each of the sub-variables in the main CAMEL measure, the total sum of the sub variable multiply by the number of the sub variables in monetary term is projected as the dependent variable. In this wise, we postulate CAMEL as

\[ \frac{1}{n} \sum_{i=1}^{n} c + \frac{1}{n} \sum_{i=2}^{n} a + \frac{1}{n} \sum_{i=1}^{n} m + \frac{1}{n} \sum_{i=2}^{n} e + \frac{1}{n} \sum_{i=2}^{n} l \]

Such that; \[ \text{CAMEL} = \frac{1}{n} \sum_{i=1}^{n} c + \frac{1}{n} \sum_{i=2}^{n} a + \frac{1}{n} \sum_{i=1}^{n} m + \frac{1}{n} \sum_{i=2}^{n} e + \frac{1}{n} \sum_{i=2}^{n} l \]

\[ \text{CAMEL} = F(X_1, X_2, X_3, X_4, \ldots, X_{16}) \]

Where;

- \(X_1\) = Disclosure of Accounting Policy (SAS1),
- \(X_2\) = Information to be disclosed financial statement (SAS2),
- \(X_3\) = Accounting for property, plant and equipment (SAS3),
- \(X_4\) = Extraordinary items and prior adjustments (SAS6),
- \(X_5\) = Foreign currency conversions and transaction (SAS7),
- \(X_6\) = Accounting for employee’s retirement benefits (SAS8),
- \(X_7\) = Accounting for depreciation (SAS9),
- \(X_8\) = Accounting for banks and non-bank financial institution I (SAS10),
- \(X_9\) = Accounting for leases (SAS11),
X_{10} = Accounting for deferred (SAS12),
X_{11} = Accounting for investment (SAS13),
X_{12} = Accounting by bank and non-bank financial institutions II (SAS15)
X_{13} = Statement of cash flows (SAS18),
X_{14} = Accounting for taxes (SAS19),
X_{15} = Abridged financial statements (SAS20),
X_{16} = Earning per shares (SAS21)

6- Results
Overall Compliance with accounting standards

After performing the analysis of the compliance of each bank with respect to the SAS, we also pooled together the mean score of the banks on the overall compliance with SAS. The data was subjected to Kruskal-Wallis Test. The result is presented below:

![Fig. 1: Ranking of Overall Compliance with statement of accounting standards](image)

Source: Field Survey, 2010

The result presented showed that Guaranty Trust Bank ranked first, First Bank ranked second and Skye Bank ranked third. At the bottom of the Table are Fin Bank and Unity Bank with 19th and 20th positions respectively.

Test of Research Hypotheses

Based on the theoretical issues discussed earlier on, it is pertinent to hypothesize the expected behavior of quoted banks in Nigeria as regards their level of compliance with SAS. Thus;

Ho: b = 0 null hypothesis
And
HA : b ≠ 0 alternative hypothesis
Hypothesis one
H_0: Nigerian quoted banks are not significantly different in their levels of compliance with Statement of Accounting Standards.

The hypothesis was tested with the aid of the Analysis of Variance (ANOVA). In the analysis, the ANOVA table is first produced which indicates whether there is significant difference between the banks with respect to the variable being examined.

Table 1: ANOVA of Compliance with Accounting Standards

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F-Cal</th>
<th>F-Crit.</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>12369.432</td>
<td>19</td>
<td>651.023</td>
<td>46.47**</td>
<td>1.57</td>
<td>Reject H01 at 0.05 level</td>
</tr>
<tr>
<td>Within Groups</td>
<td>6724.480</td>
<td>480</td>
<td>14.009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>19093.912</td>
<td>499</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

** Significant at 0.05 level

Table 1 showed that the calculated F-value was 46.4 while critical F-value was 1.57. Since the F (46.47) is greater than the critical F (1.57) at V1= 18 and V2= 479 degree of freedom at 0.05 significant level. We therefore reject the null hypothesis which states that there is no significant difference between the banks in their level of compliance with Statement of Accounting Standards and accept the alternative hypothesis which states there is significant difference between the banks in their level of compliance with Statement of Accounting Standards.

Hypothesis two
H_0: There is no statistically significant relationship between the level of compliance of the Nigerian quoted banks with Statement of Accounting Standards and their performance in terms of profitability.

Hence, the hypothesis is presented as
H_0: X0 = X1 = X2 = X3 = X4 = X5 = X6 = X7 = X8 = X9 and
H_A : X0 ≠ X1 ≠ X2 ≠ X3 ≠ X4 ≠ X5 ≠ X6 ≠ X7 ≠ X8 ≠ X9

Table 2: Empirical results of Multiple Linear Regression model of the compliance with SAS and performance of Nigerian banks (2005-2009)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient and t – value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept (t)</td>
<td>-8.046 (-3.94)</td>
</tr>
<tr>
<td>X_1 (t)</td>
<td>-1.881 (-1.493)</td>
</tr>
<tr>
<td>X_2 (t)</td>
<td>-0.056 (-0.029)</td>
</tr>
<tr>
<td>X_3 (t)</td>
<td>1.807 (6.79) **</td>
</tr>
<tr>
<td>X_4 (t)</td>
<td>1.644 (2.79) **</td>
</tr>
<tr>
<td>X_5 (t)</td>
<td>-1.396 (-2.82) **</td>
</tr>
<tr>
<td>X_6 (t)</td>
<td>-2.298 (-7.20) **</td>
</tr>
<tr>
<td>$X_7(t)$</td>
<td>-1.381 (1.285)</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>$X_8(t)$</td>
<td>0.381 (0.297)</td>
</tr>
<tr>
<td>$X_9(t)$</td>
<td>0.112 (0.130)</td>
</tr>
<tr>
<td>$X_{10}(t)$</td>
<td>-0.754 (-0.741)</td>
</tr>
<tr>
<td>$X_{11}(t)$</td>
<td>0.821 (2.48) **</td>
</tr>
<tr>
<td>$X_{12}(t)$</td>
<td>-0.098 (-0.192)</td>
</tr>
<tr>
<td>$X_{13}(t)$</td>
<td>-1.013 (-2.16) **</td>
</tr>
<tr>
<td>$X_{14}(t)$</td>
<td>3.854 (6.86) **</td>
</tr>
<tr>
<td>$X_{15}(t)$</td>
<td>0.805 (-1.89) **</td>
</tr>
<tr>
<td>$X_{16}(t)$</td>
<td>0.877 (1.80) **</td>
</tr>
</tbody>
</table>

| $R^2$ | 0.93 |
| $R^2$ adjusted | 0.987 |
| $F$ | 15.505 |
| No of observations | 20 |

** Significant at 0.05 level

The backward elimination regression model was chosen as the lead equation based on a priori expectation of the standard regression estimation and the $F$-value of the overall.

The backward elimination regression model could be presented explicitly in an equation as follows:

$$CAMEL = -8.046 -1.88X_1 - 0.05X_2 + 1.807X_3 + 1.644X_4 + 1.396X_5 - 2.298X_6 - 1.38X_7 + 0.38X_8 + 0.11X_9 - 0.75X_{10} + 0.821X_{11} - 0.09X_{12} - 1.013X_{13} + 3.854X_{14} + 0.805X_{15} + 0.877X_{16}$$

From the regression equation, the calculated $F$-value was 15.50 and is greater than the critical $F$-value 8.64 at $v_1 = 8$ and $v_2 = 9$ degrees of freedom at 0.05 significant level. Since the calculated $F$-value (15.50) > the critical $F$-value of (3.23) at 0.05 alpha level, we therefore reject the null hypothesis which states that there is no statistically significant relationship between the level of compliance of the Nigerian quoted banks with Statement of Accounting Standards and their performance in terms of profitability, and accept the alternative hypothesis which states that there is statistically significant relationship between the level of compliance of the Nigerian quoted banks with Statement of Accounting Standards and their performance in terms of profitability.

Table 2 showed the results of the CAMEL financial ratios of the selected banks from 2005-2009. The result revealed that Oceanic Bank has the highest ratio of 5.68 while Sterling Bank has the lowest ratio of 1.98. This could be due to low capital base, low asset quality and poor liquidity. The summation of the CAMEL ratios results was used as the independent variable in the linear regression model.

While the sixteen statement of accounting standards which include SAS1, SAS2, SAS3, SAS6, SAS7, SAS8, SAS9, SAS10, SAS11, SAS12, SAS13, SAS15, SAS18, SAS19, SAS20, and SAS21 were used as the independent variables.
Empirical Results of CAMEL Ratios

Table 3: Estimation of Averages Key Variables of the Performance of Nigerian Banks Using Camel Ratios (2005-2009)

<table>
<thead>
<tr>
<th>Names of Banks</th>
<th>AV Capital adequacy</th>
<th>AV Asset quality</th>
<th>AV Management quality</th>
<th>AV Earnings ability</th>
<th>AV Liquidity</th>
<th>CAMEL Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Bank</td>
<td>1.6</td>
<td>0.63</td>
<td>0.36</td>
<td>0.06</td>
<td>0.59</td>
<td>3.14</td>
</tr>
<tr>
<td>Afri Bank</td>
<td>1.73</td>
<td>0.66</td>
<td>0.29</td>
<td>0.09</td>
<td>0.38</td>
<td>3.15</td>
</tr>
<tr>
<td>Diamond Bank</td>
<td>1.39</td>
<td>0.09</td>
<td>0.42</td>
<td>0.06</td>
<td>0.81</td>
<td>3.27</td>
</tr>
<tr>
<td>Eco Bank</td>
<td>1.96</td>
<td>0.22</td>
<td>0.35</td>
<td>0.07</td>
<td>0.31</td>
<td>2.91</td>
</tr>
<tr>
<td>Sterling Bank</td>
<td>0.63</td>
<td>1.00</td>
<td>0.15</td>
<td>0.03</td>
<td>0.17</td>
<td>1.98</td>
</tr>
<tr>
<td>Fin Bank</td>
<td>1.19</td>
<td>0.11</td>
<td>0.40</td>
<td>0.07</td>
<td>0.31</td>
<td>2.06</td>
</tr>
<tr>
<td>Fidelity Bank</td>
<td>0.72</td>
<td>0.36</td>
<td>0.36</td>
<td>0.07</td>
<td>0.36</td>
<td>2.82</td>
</tr>
<tr>
<td>First Bank</td>
<td>1.47</td>
<td>0.20</td>
<td>0.34</td>
<td>0.09</td>
<td>0.21</td>
<td>3.31</td>
</tr>
<tr>
<td>First City Monument Bank</td>
<td>1.74</td>
<td>0.58</td>
<td>0.36</td>
<td>0.77</td>
<td>0.53</td>
<td>3.96</td>
</tr>
<tr>
<td>Guaranty Trust Bank</td>
<td>1.48</td>
<td>0.67</td>
<td>0.37</td>
<td>0.07</td>
<td>0.72</td>
<td>3.31</td>
</tr>
<tr>
<td>Stanbic Bank</td>
<td>1.55</td>
<td>0.20</td>
<td>0.35</td>
<td>0.09</td>
<td>0.28</td>
<td>2.47</td>
</tr>
<tr>
<td>Intercontinental Bank</td>
<td>1.99</td>
<td>0.09</td>
<td>0.39</td>
<td>0.08</td>
<td>0.30</td>
<td>2.85</td>
</tr>
<tr>
<td>Oceanic Bank</td>
<td>2.05</td>
<td>0.42</td>
<td>0.29</td>
<td>0.04</td>
<td>2.64</td>
<td>5.68</td>
</tr>
<tr>
<td>Platinum Habib Bank</td>
<td>2.11</td>
<td>0.68</td>
<td>0.30</td>
<td>0.08</td>
<td>0.39</td>
<td>3.48</td>
</tr>
<tr>
<td>Skye Bank</td>
<td>1.59</td>
<td>0.57</td>
<td>0.16</td>
<td>0.07</td>
<td>0.18</td>
<td>2.57</td>
</tr>
<tr>
<td>UBA</td>
<td>2.17</td>
<td>0.29</td>
<td>0.22</td>
<td>0.07</td>
<td>0.18</td>
<td>2.86</td>
</tr>
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<td>Union Bank</td>
<td>2.25</td>
<td>0.79</td>
<td>0.21</td>
<td>0.11</td>
<td>0.38</td>
<td>3.74</td>
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<td>UBN</td>
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<td>0.02</td>
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<tr>
<td>Uwem Bank</td>
<td>2.13</td>
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<td>0.06</td>
<td>0.36</td>
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<tr>
<td>Zenith Bank</td>
<td>1.48</td>
<td>0.38</td>
<td>0.31</td>
<td>0.10</td>
<td>0.30</td>
<td>2.57</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2010

Discussion of findings

It was empirically established that the compliance with statement of accounting standards positively influenced the performance of Nigerian banks were

- SAS3 i.e. accounting for property, plant and equipment ($\beta_3=1.807$),
- SAS6 i.e. extraordinary items and prior adjustments ($\beta_4=1.644$),
- SAS10 i.e. accounting for banks and non-bank financial institution part I ($\beta_8=0.381$),
- SAS11 i.e. accounting for leases ($\beta_{11}=0.11$),
- SAS13 i.e. accounting for investment ($\beta_{12}=0.821$),
- SAS19 i.e. accounting for taxes ($\beta_{14}=3.854$),
- SAS20 i.e. abridged financial statements ($\beta_{15}=0.805$), and
- SAS21 i.e. earning per shares ($\beta_{16}=0.877$).

While SAS1 i.e. disclosure of accounting policy ($\beta_{1}=-1.88$),
- SAS2 i.e. information to be disclosed in the financial statement ($\beta_{2}=-0.05$),
- SAS7 i.e. foreign currency conversions and transaction ($\beta_{3}=-1.396$),
- SAS8 i.e. accounting for employee’s retirement benefit ($\beta_{5}=-1.396$),
- SAS9 accounting for depreciation ($\beta_{7}=-1.38$),
- SAS12 i.e. accounting for deferred taxes ($\beta_{10}=-0.75$),
- SAS15 i.e. accounting for banks and non-bank financial institution part II ($\beta_{12}=-0.09$) and
- SAS18 i.e. statement of cash flows ($\beta_{13}=-1.013$) has negative influenced on performance.

7- Conclusion

The overall empirical evidence generated from the findings showed that quoted banks do comply with the requirements of the standards at different levels. There is a positive relationship between compliance with Statement of Accounting Standards and performance of Nigerian banks. Most of the standards were met with high level of
compliance while only few recorded low level of compliance. It was observed that although the Nigerian Accounting Standards Board and Institute of Chartered Accountants of Nigeria require mandatory compliance with all SAS, none of these bodies effectively sanctioned the defaulting banks for non-compliance. Effective machinery need to be put in place by NASB to ensure effective compliance with the standards set. At times, some banks deliberately break the law without being properly sanctioned. This therefore demands urgent attention. Also the Nigerian banks should improve upon their level of compliance of those statements of accounting standards that have least magnitude in order to enhance bank performance and maintained their compliance with those statements of accounting standards that have positive significance to bank’s performance.

**Recommendations**

Based on the findings of the study which revealed that there is a significant positive relationship between the levels of banks’ compliance with SAS and performance, the following recommendations are considered relevant: Banks should improve on their level of disclosure of accounting policy, foreign transaction and employees’ retirement benefit. There is the need for banks to provide job security to their employees and better retirement benefit. Therefore for banks to improve their performance there is the need for them to disclose all the accounting policy. This include disclosure of fundamental accounting convention, concepts, accounting bases and procedures adopted in the preparing and presenting of financial statements.

The Nigerian Accounting Standards Board (NASB) should overhaul and properly equip its monitoring unit in order to ensure better banks’ compliance with accounting standard and to take appropriate actions against defaulting banks. The Corporate Affairs Commission should also ensure banks’ compliance with standards. This can be done by levying fines or refusing to accept subsequent financial statements prepared in the same manner by such banks or nullifying their names from the list of registered banks. The CBN should levy fines or carry out an outright withdrawal of the license of such banks too.

The Nigerian Stock Exchange should ensure compliance with the accounting standards by imposing fines on the erring banks. Such banks could also be suspended from trading on the Stock Exchange market for two consecutive years.

The delisting is important as some banks may prefer to break the law and pay fine rather than to comply when compared with the cost of compliance.

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