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# The Influence of Accounting Information Disclosure on Foreign Direct Investment in Nigerian Listed Companies

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## ABSTRACT

*Reduction of information asymmetry is of interest to the investors, standard setters, financial analysts and other users of financial statement. However, the extent to which adoption of international financial reporting standard improved the quality of disclosure of accounting information in the financial statement and whether the disclosure of accounting information results into an increase in the inflow of foreign direct investment into any developing economy is uncertain. The study used publicly disclosed information in audited financial statement to investigate the link between accounting information disclosure and foreign direct investment in Nigerian listed companies. Using both descriptive statistics and inferential statistics on a sample of 142 companies drawn from the 186 companies listed on the Nigerian stock exchange with a total of 710 observations, the study document that disclosure of accounting information does not have a significant influence on the flow of foreign direct investment. Also, adopting a multivariate regression analysis, was found that foreign investors paid less attention to overall accounting information disclosure. It is also evident that they did not pay a keen interest to the equity information, cashflow information, segment information and dividend information*

**Keywords:** *Accounting Information Disclosure, Foreign Direct Investment, International Financial Reporting Standard, Institutional Investors, Multivariate Analysis*

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# INTRODUCTION

A notable opinion in accounting literature is that foreign direct investment plays a significant role in economic growth and development of developed and developing countries alike (Jurid, Olena, and Olena, 2016; Krische, 2005). However, attainment of this goal is subject to various industrial factors. One such factor is the quality of information disclosed to outsiders by the listedcompanies. As contained in the International Accounting Standard Board conceptual framework (IASB) (2008) and International Financial reporting Council (IFRC) guidelines (2011), the primary objective of financial reporting is the provision of information about the financial position, performance and changes in economic condition of an entity that is useful to a wide range of users in economic decision making. Similarly, Krische, (2005) posits that higher information potentially leads to less uncertainty. Therefore, in thecontext of financial reporting, the general assumption is that better disclosure may results in a reduction of information asymmetry, lower cost of capital and attraction of foreign investment. It is also possible that the implied cost of equity capital decreases with the efficacy of institutional infrastructure such as accounting information. This was empirically discovered by Kim, Shi and Zhou (2014) where it was ascertained that the cost of capital-reducing effect of IFRS was heavier among countries with a weak institutional infrastructure than countries with strong infrastructure.

While several theoretical claims have emerged regarding the homogenous relationship between accounting information disclosure and inflow of foreign direct investment, there is surprisingly little empirical literature on the hypothesized link (Alali and Foote, 2012; Doaa, Sherif and Khaled, 2018). In particular, the extent to which adoption of international financial reporting standard has led to higher disclosure of accounting information in the financial statementand whether the disclosure of accounting information results into increase in the inflow of foreign direct investment into any economy/industry is uncertain. As Adwally (2015) puts it, the Agency Theory posits that an average manager will always take advantage of the information at his disposal to mislead investors. Choi, Collins and Johnson (2010) similarly argued that greater disclosure of value-relevant accounting information will reduce informationcosts more for foreign investors and therefore reduce their information disadvantages.

Thus, the challenge foraccounting researchers is to demonstrate empirically whether and how accounting information disclosed by firms' manifests into increase in the flow of foreign direct investment into the local economy.

Therefore, this paper addresses this empirical gap. In line with Globerman and Shapiro, (2013), accounting information disclosure is defined as the release of information concerning the economic performance, position or prospects measured in monetary terms. This paper focuses on six aspects of information mostly contained in the financial statement and usually guiding investment decisions such as directors' personal information, company's risk information, equity information, cash flow information, segmental information and dividend information. This information focus is consistent with the provision of the international financial reporting standards and the provision of the Organization for Economic Corporation and Development (OECD, 2011) on disclosure as well as numerous empirical studies in accounting that investigated the link between accounting information disclosure and foreign direct investment (Cyong and Ly 2017; Kythreotics, 2014; Burgstahler, Hail and Leuz 2006).

The study began by ascertaining whether adoption of IFRS leads to higher disclosure in the financial statement of the listed companies in Nigeria. This was done through a Univariate t-statistics comparing two distinct means, that is, the mean of the disclosure for five years prior to the adoption of IFRS and five years post adoption. Every company on the Nigerian stock exchange is expected to comply with the provisions of IFRS in the preparation of the financial statement by the end of the 2011 financial year. Therefore, 2006 to 2010 was considered as the pre- adoption period and 2012 to 2016 as the post adoption period. The transition from the local standard to the international standard is expected to result in significant changes in the ways financial information are measured and reported whose effect may not be immediate. The five years will enable the study to ascertain whether adoption of IFRS adoption has an immediate or delayed effect on accounting information disclosure.

There seems to be a fast array of literature on the link between IFRS and accounting information disclosure (Wahyuni and Hartono, 2010; Mohammady, 2010; Nicholas and Wahlen, 2004). However, this study differs from them in several ways. First, most of the previous studies were done between the year 2003 and 2010 with a particular emphasis on the fall of Enron Corporation. However, most of the revisions to IFRS were done between 2011 and 2018, and since the revisions were expected to result in higher disclosure of accounting information, it implies that this study has a wider coverage of accounting information than the previous studies. Secondly, previous studies were mostly concerned about the influence of IFRS on disclosure, this study investigated whether there is a clear distinction between the financial statement prepared using IFRS and those prepared using the local standard which led to a separation of accounting information disclosure to the pre and post adoption period.

In the second category, the impact of each of the six aspects of accounting information considered in the study were investigated as well as the collective effect of those variables on foreign direct investment through a multivariate regression analysis. Previous studies have found that in the developed market, foreign investors prefer markets with high quality information that enables them to assess investment prospects at a lower cost and also reduce risks and uncertainty in investment decision making (Nicholas and Wahlen, 2004). In contrast, the Signaling Theory of accounting information provides grounds for questioning the existence of a positive relationship between accounting information disclosure and foreign direct investment. The theory predicts that higher emphasis on disclosure can lead to information overload which may be a discouragement to potential investors when consideration is given to the time that will be needed to read the financial statement before an investment decision is taken. Therefore, whether an increase in the volume of published accounting information also increases foreign direct investment traffic into the developing market such as Nigeria is an empirical question.

This study contributes to the existing literature in several important ways. First, as Globerman and Shapiro (2013) posit numerous theoretical arguments have been offered both in defense of barriers to foreign direct investment, as well as against such barriers. However, empiricalevidence on the impacts of those barriers specifically directed to foreign direct investment, as well as the removal of such barriers is relatively limited in comparison to the voluminous literature on the determinants of foreign direct investment. This study therefore provides empirical evidence not only on the barriers caused by information asymmetry to foreign direct investment but also on the magnitude of the flow of foreign direct investment once this barrier is removed.

Secondly, this is one of the pioneer studies that will examine the disclosure of accounting information as well as the inflow of foreign direct investment across different sectors of the economy in a single study. Most previous studies have focused on finance and insurance companies (Krishnan and Parsons, 2008) or the manufacturing sector (Anwer, Neel and Wang, 2013; Barth, Landsman and Lang, 2008; Chi etal, 2015). The primary objective of the international financial reporting standard is that listed companies will be able to provide similar and comparable financial statements. However, when investment decision is being considered, the information need of the manufacturing sector which is a non-financial institution is different from financial institutions and other sectors of the economy. Thus, their findings may not be directly generalized to the entire listed companies.

Furthermore, the use of foreign direct investment to investigate the usefulness of accounting information in investment decision making offers significant research design advantages. According to Goplan and Juyaraman, (2012), foreign direct investment is a better measure than other possible measures for crossbordercapital flows, such as changes in the number of listed companies or market capitalization.These measures often fail to reliably separate flows between domestic and foreign investors, andrarely report the nationalities of investors or the directions of the capital flows. The foreign direct investment measureused in this study consists mainly of equity investments which aremore long-term oriented and less speculative. Thus, the decision to conduct the study over a long period of ten years was taken.

Another important weakness in previous studies is the neglect of reverse causality running from foreign direct investment to accounting information disclosure. While it is plausible that quality accounting information may influence the flow of foreign direct investment, it is highly possible that foreign direct investment in the form of institutional ownership may have the wheel power to influence the management for higher disclosure. To address this problem, the existence of limits imposed by security and an exchange commission act on foreign investment in Nigeria was exploited. Foreign ownership limit as a potential instrument for the actual level of foreign ownership was used. This foreign ownership limit specifies the maximum foreign shareholdings allowed in individual Nigerian industry as a function of the type of business activities in which the industry is engaged. With this limit, it is somehow difficult for individual foreign institutions to unduly influence managerial decisions. These foreign investment limits were adopted for reasons which are unrelated to quality accounting information, making it possible to assume that association between foreign investment and the governance measure represent a causal relationship rather than simply a correlation

Again, to have a more robust analysis than what is found in the existing literature, some firm specific variables that may influence foreign direct investment were included in the model. Firm size was added on the presumption that bigger firms have greater resources (human and material) to implement international accounting standards and good corporate governance for investment protection. Similarly, firm age was added based on the notion that younger firms are more dynamic and efficient than older firms, and thus representing a good investment venue. Audit quality was added based on the perception that investors' confidence requires greater transparency in the financial reporting process and reinforcement of the role of stakeholders in the corporate accountability process. Capital gearing on the other hand was introduced based on the presumption that highly geared companies may lack adequate disclosure so as to deceive investors because of the need to prioritize interest on loan above the return on investment. Board independence was added on the assumption that provision of oversight function requires a high level of independence of the board of directors. Lastly, ownership structure was added relying on the traditional Agency Theory that perceive managers as opportunistic agents in the presences of distributed ownership.

The paper flows as follows: review of relevant literature is done in section two. Methodology is discussed in section three. Data analysis, results and discussion is covered in section four while conclusion and recommendations is done in the fifth section.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Empirical Review

Nguyen (2015) examines the disclosure of accounting information in the financial statements of UK firms. The study also examines the financial attributes of firms that disclose key accounting issues such as risk exposure, changes in accounting policies, use of international financial reporting standards and hedging practices. The result reveals that firms that provide informative accounting disclosures appear to display higher size, growth, profitability and leverage measures and FDI. Nguyen (2015) also reveals that the implementation of international financial reporting standards promotes consistency and reliability of financial reports, enhances the quality and the comparability of financial statements and also facilitates companies raising capital internationally.

In India, Ahmed (2005) investigates the extent of voluntary reporting practices of listed non-financial companies with 12 disclosure items for 100 companies. He also relates the extent of voluntary reporting practices to industry type. An unweighted disclosure index is applied to the corporate annual reports for the year ending between June 30, 2002 and December 31, 2002. He finds that the level of reporting voluntary information items was low and the variability in the level of reporting among the companies was wide. Sector wise comparison of voluntary reporting showed little fluctuations among the sectors that indicate a great deal of similarities among them in respect of reporting voluntary information items. Ahmed (2005) also reported that firms with adequate disclosure had better foreign patronage during the period of the study.

In Jordan, Naser, (2002) investigated the relationship between corporate disclosure after the implementation of the International Accounting Standards (IASs), company's firm characteristics and flow of foreign direct investment. Using a disclosure index of 86 unweighted items of information, Naser (2002) showed that the level of compliance with the IASs is related to the corporate liquidity ratio, audit firm status, profitability, gearing, FDI and size. Suwaidan, (2004) also evaluated the level of social responsibility disclosure practices of 65 industrial Jordanian firms using 37 items of information. The results of the study identified that social disclosure was associated with corporate size, profitability, and risk. Healy et al. (1999) also used the AIMR disclosure rankings and found that the increases in disclosure level are accompanied by increases in firms' stock returns, institutional ownership, and firm's liquidity.

Han, Jun and Tan (2007) studied German firms that have switched from German GAAP to the international accounting regime with a greater disclosure requirement (IAS or USGAAP) in consolidated financial statements thereby committing themselves to increased levels of disclosure. Han, Jun and Tan (2007) showed that firms adopting international reporting (more disclosure) were associated with lower gearing and higher trading volume on international markets than the ones keeping to the German reporting regime. Conyol and He (2011) used a sample of 278 quarterly earnings forecast to investigate whether the manager's decision to issue management earnings forecast reduces information asymmetry. They found that forecasting firms have wider bid ask spreads than a matched sample of non-forecasting firms prior to the forecast release.

Similarly, Prencipe and Yosef (2011) examined the relationship between disclosure and foreign direct investment using a sample of 238 Spanish listed firms for a period between 2000 and 2003 with both descriptive and inferential analysis on the information obtained through the coverage index. They found a positive relationship between disclosure and FDI using Amihud (2002) liquidity model. Lang and Lundholm (2000) examined corporate disclosure activity around seasoned equity offerings and its relationship to stock prices. They found evidence that firms increase their disclosure activity over an extended period of time (six to nine months) in advance of seasoned equity offerings, consistent with managers using disclosure to decrease information asymmetry and increase offering proceeds.

Another study by Wahlen and Hartono, (2010) obtained the measure of a firm's disclosure for 1998 from AIMR and measured the stock market mobility and profitability using foreign direct investment as a measure of stock mobility while profitability was determined using earning per share. The result revealed that a firm with a high quality of accounting disclosure enhanced its market mobility through reducing information asymmetries across traders and increases its profitability through higher patronage. In like manner, Zhang and Ding (2006) examined the relationship between increased disclosures and bid-ask spread in the Chinese capital market and found that disclosure level is negatively related to bid-ask spread as a measure of stock market liquidity.

A study by Conyon and He (2011) on the relationship between information disclosure and FDI suggested that by increasing the quality of accounting information, the likelihood of fraud, distortion and other abuses in the financial statements of these kinds of companies is minimized and investors' confidence is strengthened and presentation of acceptable opinion by independent auditors seems reasonable and logical. Audit privacy led to an increase in auditor change among the companies of the study. In addition, with the increase in auditor change, qualified opinion in audit reduces and instead, acceptable opinion increases. This suggests that audit privacy reduces auditor independence and causes the opinion selection phenomenon to rise, especially after the organization of the formal accountant's community.

Ghasim, Osmani and Abbasi (2007) studied the relationship between the cost of capital, FDI and the level of financial information disclosure of 87 companies listed in the Tehran Stock Exchange. The results showed that there is no significant relationship between the level of information disclosure and cost of capital (cost of equity, cost of debt.). However, return on capital employed, which is a measure of profitability, was found to be negatively correlated with the level of financial information disclosed. Also, FDI shows a positive relationship with quality of accounting information. Arabmazar and Arzitoon (2008) on the other hand investigated the relationship between financial structure characteristics and corporate performance, and the level of information disclosure in the financial statements of the companies. With a sample of 50 companies listed in Tehran Stock Exchange, they concluded that there is a significant relationship between financial structure characteristics and adequate disclosure in the financial statements and there is also a significant relationship between corporate performance and adequate disclosure in the financial statements.

The study of Wang *et al.* (2008) examined empirically the determinants of voluntary disclosure in the annual reports of Chinese listed firms that issue both domestic and foreign shares. The results indicated that the level of voluntary disclosure is positively related to the proportion of state ownership, foreign ownership, firm performance measured by return on equity, and reputation of the engaged auditor. However, there is no substantial evidence that companies benefit from extensive voluntary disclosure by having a lower cost of debt capital in the capital structure. As well as increased volume of FDI.

Anwer, Neel and Wang (2013) examined the relationships between a number of corporate governance mechanisms, cultural influence, firm-specific characteristics, FDI, profitability and the extent of accounting information disclosure in the annual reports of a sample of 127 Malaysian companies. A total of 65 items were selected and an unweighted disclosure index was used in the study. The findings indicated a significant association between corporate governance and the extent of voluntary disclosure. In addition, one cultural factor (proportion of Malay directors on the board), was found to be significantly associated with the extent of voluntary disclosure whereas, no significant relationship was found between profitability and the accounting information disclosed. Therefore, it can be inferred that there is a significant relationship between information disclosure and profitability of listed companies.

## Hypothesis Development

The two hypotheses for this study were driven by the primary objective of the study which is to determine the influence of accounting information disclosure on foreign direct investment. First, is to investigate whether adoption of IFRS led to an increase in the volume of accounting information disclosed to the users of accounting information while the second is to determine whether components of accounting information disclosure have statistically significant influence on the inflow of foreign direct investment to Nigeria. The existing literature on IFRS adoption focused primarily on the quality of information in terms of qualitative characteristics of the financial statement (Blankespoor and Wertz, 2017; Finkelstein, 2009) or earning's quality (Mitton, 2002), neglecting the importance of volume in assessing the quality of information.

There are several theories that underscore the importance of volume in assessing the quality of information. The popular view held by scholars and professionals was the assumptions of the Signaling Theory that was developed to explain the information asymmetry between managers and shareholders (Morris, 1987; Black, 2006). The theory states that corporate insiders (managers and directors) have more information about the firm than outsiders, such as shareholders (Oyerogba, 2016), potential investors, government agency and the regulatory authorities (Bebchuk and Weisbach, 2010). Therefore, agents could potentially exploit this information to maximize their personal interests at the expense of their principal and other stakeholders (Oyerogba, 2018).

In support of this theory, Cohen, Krishnamorthy and Wright (2014) argued that accounting information is a general purpose and should be prepared to serve the information needs of all the types of interested parties. In this content, volume plays a significant role. The advocate of this theory further argues that incomplete accounting information is as dangerous as inaccurate accounting information. Without a complete picture of how the entire company's activities are conducted, uninformed investment decision may be taken (Wang etal, 2008), and the adverse effect of such decisions may have a long-term effect on the overall economy of an entire market (Arabmazar and Arzitoon, 2008). Therefore, to reduce information asymmetries and market uncertainty, companies are expected to increase the volume of information being signals to the public.

In contrast, the opponent of this theory capitalizes on the growing complain that accounting information has become too complex (Anwer, Neel and Wang, 2013; Barth, Landsman and Lang, 2008). They express displeasure about the level of protest from many people within and outside the profession on the growing number of rules and the level of details contained in the annual report of listed companies and its consequence on information processing cost of the users (Chi etal, 2015). They also supported their argument with the fact that statements that include lengthy explanations or information that confuses the bottom line may be evidence of a company's attempt to gloss over poor performance (Krishnan and Parsons, 2008). They submitted that a good accounting standard should reduce the volume of accounting information for quick decision making (Adwally, 2015). Against this background, the study hypothesized that companies that adopts the IFRS have less information in the financial statement and vice versa.

Similarly, a good number of literatures supporting the notion that accounting information have an essential role in investment decision but its influence on foreign direct investment provided conflicting and difficult to reconcile empirical results. Some literature (Krische, 2005; Zhou, 2014) reported negative influence, while some other literature (Alali and Foote, 2012; Doaa, Sherif and Khaled, 2018) reported a positive influence of accounting information on FDI. Also, some other scholars (Adwally, 2015; Globerman and Shapiro, 2013; Kythreotics, 2014) concluded that accounting information disclosure has no influence on FDI which is contrary to common knowledge. Naturally, the higher the accounting information, the lower the level of uncertainty and risks associated with the investment decision. This should make accounting information an important factor in investment decision. However, there are two schools of thought on the link between accounting information disclosure and foreign direct investment.

There are those who believe that the arguments in favour of accounting information disclosure were stakeholders oriented, who believe that accounting information is primarily to provide information to stakeholders (Creditors, States and Society) (Anwer, Neel and Wang, 2013; Barth, Landsman and Lang, 2008). Therefore, using this approach the financial statements will be prepared with the primary purpose of providing accounting information particularly to creditors and the state, rather than to the shareholders and potential investors, thereby reducing the degree of information usefulness of financial statements for foreign investors. They premised their argument on the fact that financial statements are prepared from historical information which may not represent the anticipated future economic reality.

The other group tailored their argument towards the Agency Theory, with a view that the primary contractual agreement in a company is between the principal (shareholders) and the agent (management) (Nguyen, 2015; Goplan and Juyaraman, 2012). The management is therefore as a matter of obligation, constrained to prepare a financial statement, mainly oriented to the needs of shareholders; thus, giving them, through the financial statements, more relevant information (Choi, Collins and Johnson, 2010).

By increasing accessibility to accounting information, there might be promotion of investment and other economic activities across different economic borders. Therefore, an empirical result on accounting information has led to its acceptance as a means of promoting inflow of FDI (Anwer, Neel and Wang, 2013). The agency theory assumption and other empirical evidence leads to the formulation of the hypothesis that accounting information disclosure has significant influence on the inflow of foreign direct investment.

## RESEARCH METHODOLOGY AND VARIABLES DESCRIPTION

In order to assess the extent to which foreign direct investment is influenced by the disclosure of accounting information, a quantitative research design was adopted in this study. Cohen, Krishnamorthy and Wright (2014) posit that a quantitative research design is a means of testing the relationship between two or more variables via statistical analysis and since the main objective of this study was to determine whether a significant relationship exists between accounting information disclosure and foreign direct investment, this design can be considered adequate. Out of the 186 companies listed on the Nigeria stock exchange as at the date of this study, 142 companies who met all the selection criteria were included as the sample for the study. Thus, about 76% of the population was taken as the sample which is far beyond what is found in most literature (Ball and Shlyakumar, 2015; Dunning, 2006), The take off date for implementation of the IFRS by the listed companies in Nigeria was 2011. Thus, 12 companies which did not comply with these directivesas at this date were exempted from the sample. Although, their non-compliance attracted sanctions from the security and exchange commission, yet it was inappropriate to include them in the sample

Also, while extracting data from the published financial statement of the listed companies, it was found out that 15 companies had insufficient information on foreign direct investment which necessitates their exclusion from the sample. Furthermore, as at the period of commencement of data gathering, 13 companies had not filled their audited report for the year 2016 with the security and exchange commission and thus information for that year could not be retrieved. Lastly, 4 companies had qualified audit reports which brings to question the reliability of the information disclosed in their financial statement This therefore reduced the population to a sample of 142 listed companies in Nigeria. Considering the relatively small size of the Nigerian stock market, the scope would have been extended to other emerging economies but the fact that adoption of the IFRS took place at different years in different countries prevented this. However, to compensate for the size of the market, the study was conducted over an expanded period of ten years. This approach is supported by literature (Maines and Wahlen, 2013). This ten-year period includes the year 2006 to 2010, regarded in this study as the pre-adoption of IFRS period and 2012 to 2016 known as post adoption period. The total number of observations was 710 for both the pre and post adoption period which were analyzed using the Univariate t-statistics and multivariate regression analysis.

## Accounting Information Disclosure

Inspired by the work of Sudarat (2006), accounting information disclosure index was constructed. Basically, there are two main approaches to developing a scoring scheme to capture levelsof accounting information disclosure. One approach is to use a dichotomous procedure in which an itemscores one if it is disclosed and zero if it is not disclosed (Cyong and Ly, 2017; Goplan andJayaramon, 2012; Chi etal, 2015). The alternative approach is used when the list of items isdirected at a specific user group. This approach is to assign weights to each item in order toreflect their relative importance to the user group. Each item disclosed is weighted by itsmean importance rating or zero if otherwise (Alali and Foote, 2012). In either approaches the total disclosure score for a company is additive. Thus, this study adopted the first approach.

The disclosure index was made up of 48 items of voluntary and mandatory disclosure. This information was categorized into six categories such as directors' personal information, company's risk information, statement of change in equity, statement of cash flow, segmental information and dividend policy. Scores were given to each of the accounting information disclosed for two separate periods (2006-2010 and 2012-2016). Then scores of each item are weighted for the period. The disclosure index score for a company isthe sum of all the 48 items weighted scores.

## Control Variables and their Measurement

Some specific variable (capital gearing, firm age, firm size, firm growth, ownership structure, audit quality and board independence) that may influence the inflow of foreign direct investment were included in the study. Data for these variables were extracted from the audited financial statement of the selected companies. Capital gearing represents the debt to equity ratio of the individual firm. The firm age was measured by the logarithm of year of incorporation on the Nigerian stock Exchange. Firm size was captured using the natural logarithm of the firm market capitalization. Furthermore, firm growth captures the percentage change in sales volume from one year to another. Audit quality is a dummy variable in which (1 is given if a company is audited by one of the big four audit firm and 0 if otherwise). Ownership structure was measured using the percentage holding of the five largest shareholders to determine whether ownership was diluted or concentrated. When the five largest shareholders own up to 5% of the total equity, ownership is concentrated (Oyerogba, Alade, Idode and Ogungbade, 2017), thus a dummy score of 0 was assigned and 1 if it was less than 5% which means that the ownership was diluted. For board independence, the ratio of non-executive directors to the total number of directors on the board was used. Lastly, return on capital employed was used to measure firm performance.

## Model Specification

To test the hypothesis about the relationship between accounting information disclosure and foreign direct investment, three basics multivariate regression model were developed. In developing the models, inspiration was drawn from the existing literature (Juris, Olena and Olena, 2016; Wang et al, 2008). The models are specified as follows:

$$FDI_{at} = \beta_0 + \beta_1 DI_{it} + \beta_2 RI_{it} + \beta_3 EI_{it} + \beta_4 CI_{it} + \beta_5 SI_{it} + \beta_6 DI_{it} + \beta_7 CG_{it} + \beta_8 FA_{it} + \beta_9 FS_{it} + \beta_{10} FG_{it} + \beta_{11} OS_{it} + \beta_{12} AQ_{it} + \beta_{13} BI_{it} + \beta_{14} FP_{it} + \boldsymbol{\varepsilon}$$

$$FDI_{i}t = \beta_0 + \beta_1 DI_{it} + \beta_2 RI_{it} + \beta_3 EI_{it} + \beta_4 CI_{it} + \beta_5 SI_{it} + \beta_6 DI_{it} + \beta_7 CG_{it} + \beta_8 FA_{it} + \beta_9 FS_{it} + \beta_{10} FG_{it} + \beta_{11} OS_{it} + \beta_{12} AQ_{it} + \beta_{13} BI_{it} + \beta_{14} FP_{it} + \boldsymbol{\varepsilon}$$

$$FDI_{ct} = \beta_0 + \beta_1 DI_{it} + \beta_2 RI_{it} + \beta_3 EI_{it} + \beta_4 CI_{it} + \beta_5 SI_{it} + \beta_6 DI_{it} + \beta_7 CG_{it} + \beta_8 FA_{it} + \beta_9 FS_{it} + \beta_{10} FG_{it} + \beta_{11} OS_{it} + \beta_{12} AQ_{it} + \beta_{13} BI_{it} + \beta_{14} FP_{it} + \boldsymbol{\varepsilon}$$

Where:

| | | |
|---|---|---|
| FDIat | = | Foreign Direct Investment for Individual and Institutional Foreign Investors in Time t |
| FDIit | = | Foreign Direct Investment for Individual Foreign Investors in Time t |
| FDIct | = | Foreign Direct Investment for Institutional Foreign Investors in Time t |
| DIt | = | Directors' Personal Information in Time t |
| RIt | = | Risk Management Information in Time t |
| EIt | = | Equity Information in Time t |
| CIt | = | Cash flow Information in Time t |
| SIt | = | Segment Information in Time t |
| DIt | = | Dividend Information in Time t |
| BIt | = | Board Independence in Time t |
| OSt | = | Ownership Structure in Time t |
| CGt | = | Capital gearing in Time t |
| AQt | = | Audit Quality in Time t |
| FAt | = | Firm Age in Time t |
| FPt | = | Firm Performance in Time t |
| FSt | = | Firm Size in Time t |
| FGt | = | Firm Growth in Time t |

## RESULTS AND DISCUSSION

### Descriptive Statistics

Table 1 presents the descriptive statistics results for accounting information disclosure for the post adoption period of IFRS. The descriptive statistics includes the arithmetic mean, standard deviation, minimum, maximum and the total number of observations for the individual disclosure items and the overall accounting information disclosure computed based on the information published in the financial statement of the sampled companies for the period under consideration. The measure of dispersion, significantly larger in some variables suggest the existence of some outliers in the data especially for director's personal information and statement of change in equity. Precisely, for 32 companies, the values of the directors' personal information were less than 50% which implies that those companies refuse to disclose adequate information about their directors. Likewise, for 26 companies, the values of the disclosure of equity information were less that 40%. These outliers are specifically located in the healthcare sector, the agriculture and transportation sectors of the Nigerian listed companies.

According to the results in row 1 of Table 1, the overall accounting information disclosure ranges from 42.35 to 91.52 with a mean value of 86.22on a scale of 0 to 100 with the higher value indicating better accounting information disclosure. This result is somehow consistent with that of Goplan and Jayaraman (2012) on a sample of 218 companies in Turkey. The other rows and columns have the values for various disclosure indexes. It must be noticed that the highest disclosure of information was found in the director's personal information, showing an average of 86.22%, followed by statement of change in equity which produced a mean of 73.41%. Dividend policy had the lowest mean which implies that the listed companies made the lowest disclosure in the financial statement concerning their dividend policy. By and large, the disclosure level at this stage can be considered satisfactory since the majority of the sampled firms had a disclosure close to 70%.

**Table 1: Summary Statistics for Accounting Information Disclosure for 2012 – 2016**

| | Mean | Std. Dev | Min. | Max. | Obs. |
|---|---|---|---|---|---|
| Overall Accounting Information Disclosure | 86.22 | 3.16 | 42.35 | 91.52 | 710 |
| Directors' Personal Information | 68.32 | 1.73 | 47.99 | 74.35 | 710 |
| Risk Management Information | 63.17 | 1.29 | 47.77 | 74.35 | 710 |
| Statement of Change in Equity | 73.41 | 2.45 | 39.84 | 81.74 | 710 |
| Cash flow Information | 59.95 | 1.13 | 53.27 | 63.11 | 710 |
| Segmental Information | 69.53 | 1.11 | 62.90 | 80.02 | 710 |
| Dividend Policy | 57.66 | 1.24 | 41.78 | 45.67 | 710 |

**Table 2: Summary Statistics for Accounting Information Disclosure for 2006 – 2010**

| | Mean | Std. Dev | Min. | Max. | Obs. |
|---|---|---|---|---|---|
| Overall Accounting Information Disclosure | 45.11 | 1.82 | 39.26 | 50.50 | 710 |
| Directors' Personal Information | 49.58 | 3.96 | 41.50 | 54.10 | 710 |
| Risk Management Information | 22.80 | 2.57 | 17.27 | 28.46 | 710 |
| Statement of Change in Equity | 62.10 | 1.42 | 35.45 | 71.04 | 710 |
| Cash flow Information | 58.94 | 1.15 | 46.51 | 61.83 | 710 |
| Segmental Information | 40.00 | 1.07 | 37.11 | 48.40 | 710 |
| Dividend Policy | 37.25 | 0.76 | 33.70 | 39.15 | 710 |

With regard to the level of accounting information disclosure before the adoption of IFRS, the results in Table 2 indicates that an average listed company in Nigeria had an overall accounting information disclosure index of 45.11% with the least performing company scoring about 39% while the best performing company got a score of about 51%. Also, a very wide dispersion was reported for the directors' personal information which is similar to what was found in the post adoption of IFRS period. This suggests that adoption of IFRS was not able to completely eradicate the degree of disparity in the reporting of directors' personal information among the listed companies in Nigeria.

However, the result shows a significant improvement in the reporting process of risk management information through a significant reduction in the standard deviation from 2.57% to 1.29%. None of the explanatory variables produced better results in the pre-adoption period. It implies that compliance with the provision of the IFRS has improved the reporting process of the listed companies in Nigeria especially the disclosure of accounting information. Although the findings of this descriptive statistics support the results of Kythreotics (2014), however, the result will be confirmed with inferential statistics.

Table 3 and 4 provides descriptions of the dependent variable used in this study and key summary statistics of this variable for the two periods. Due to some missing values in FDI data in some companies, the number of observations was 582 for 2006-2010 and 639 for 2012-2016. Originally, the number of observations on foreign direct investment was meant to be 710 considering the fact that the data was collected for 5 years and 142 companies were involved. Concerning the distribution of foreign direct investment across different years, it was noticed that the greatest amount of foreign direct investment in Nigeria was witnessed in 2014. For the purpose of this analysis, the data was therefore classified as individual, institutions and aggregate, with the aggregate value being the sum of both individual and institutional foreign direct investment.

The mean for the foreign direct investment for the individual investors during the period 2012 to 2016 is 12.28 and varied widely across the study sample ranging between 9.75% and 18.26%. The result implies that the highest patronized company had about 18% of its equity contributed by individual foreign investors while the least patronized firm had about 10%

of its equity contributed by the foreign investors. In a like manner, a mean of 4.9% was computed for individual foreign direct investment in the period between 2006 and 2010 with a standard deviation of 0.68. The range was 4.17 to 7.33. The relatively low dispersion of 0.68 suggests the absence of major outliers in the foreign direct investment data.

**Table 3: Summary Statistics for Foreign Direct Investment for 2012 – 2016**

| | Mean | Std. Dev | Min. | Max. | Obs. |
|---|---|---|---|---|---|
| Aggregate | 31.85 | 1.20 | 16.33 | 38.25 | 639 |
| Institutions | 19.57 | 1.07 | 15.50 | 24.50 | 639 |
| Individuals | 12.28 | 1.18 | 9.75 | 18.26 | 639 |

**Table 4: Summary Statistics for Foreign Direct Investment for 2006 – 2010**

| | Mean | Std. Dev | Min. | Max. | Obs. |
|---|---|---|---|---|---|
| Aggregate | 16.05 | 0.99 | 13.80 | 18.60 | 582 |
| Institutions | 11.15 | 1.03 | 9.75 | 13.25 | 582 |
| Individuals | 4.90 | 0.68 | 4.17 | 7.33 | 582 |

## Inferential Statistics and Test of Hypothesis

**$H_{o1}$: Companies that adopted IFRS have higher disclosure (both voluntary and mandatory)**

On the presumption that switching from local accounting standards to the IFRS as well as reducing or eliminating differences in accounting standards can allay information processing costs, reduce information asymmetry and increase cross-border economic transactions, the first hypothesis for this study was that companies that adopted the IFRS have higher disclosure in the published financial statement than those still reporting using the local standards. Therefore, the need to ascertain whether convergence to international accounting standards increases information accessibility for foreign investors became important in this study. This hypothesis was tested using the Univariate T-statistics by determining whether a statistically significant difference exists between the pre-adoption disclosure and post-adoption disclosure volume. The T-statistics result showed that the disclosure under the IFRS is significantly higher that the disclosure volume when local standards were used in the preparation of a financial statement. Evidently, adoption of the IFRS has led to higher disclosure in the financial statement of listed companies in Nigeria.

For instance, the T-statistics for the overall accounting information disclosure was 17.39 with a mean difference of 41.11. This result was significant at the 1%, 5% and 10% level of significance. This implies that the preparation of financial statements using IFRS is very detailed and makes it possible to assess the real economic condition of the firm. Thus, the investing public and other users of financial statement have better opportunity to make well informed decisions with such a financial statement.

There are several other benefits accruing from transparency of the firm's managers. First, is the significant reduction in information asymmetry if not a complete eradication. One of the foremost effects of better information is the reduction in information asymmetry that confronts most investors. This asymmetry allows informed agents to make profits to the detriment of uninformed agents, through what is known as informed trading. Secondly, it is possible to measure the accuracy of financial analyses, on an ex post basis, when real profitability of shares is evaluated. Lastly, Alali and Foote (2012), emphasize a better control of the executive management by the board as an important benefit of higher disclosure. The results align itself with that of Nguyen (2015) who revealed that the implementation of international financial reporting standards led to significant increase in disclosure and transparency and thus promotes consistency and reliability of financial reports, enhances the quality and the comparability of financial statements and also facilitates companies raising capital internationally.

Similarly, the disclosure of directors' personal information produced a T-statistics of 12.54 and p value of 0.000, indicating that financial statement prepared using the IFRS has a higher disclosure of directors' personal information in comparison to those prepared using the old and local standards. One of the benefits associated with this result is that the disclosure of personal information of the directors makes it possible to assess the quality of persons serving on the board as well as the composition of the board. The quality of the board relates to the experience, expertise, integrity of the directors and so on (Adwally, 2015). The quality of the board on the other hand increases the transparency of the firm. Also, consistent with previous literature (Sloan, 2010; Charles, Yuan and Bin, 2010), this result shows a significant improvement in the disclosure of risk information under the IFRS. This reveals a high compliance level with the provision of IFRS 7 which requires management to disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

Again, the result pertaining to the disclosure of equity information, segment information and dividend information followed the same pattern with the other variables that reported a statistically significant improvement in the volume of disclosure in the financial statement prepared using the IFRS as well as empirical evidence in (Cohen, Krishnamorthy and Wright, 2014; Krishnan and Parson, 2008).For the cash flow information, the results obtained were 1.96 for the T-statistics and 0.051 for the P-value, suggesting that disclosure of cash flow informations are, by themselves, either marginally or not directly associated with the type of standard used in the preparation of financial statements, an observation that is consistent with prior studies(Cyong and Ly, 2017; Goplan and Jayaramon, 2012; Chi etal, 2015).

**Table 5: Univariate Results**

| | Mean | Std. Dev | Min. | Max. | Obs. |
|---|---|---|---|---|---|
| Overall Accounting Information Disclosure | 45.11 | 86.22 | 41.11 | 17.39 | .000 |
| Directors' Personal Information | 49.58 | 68.32 | 18.74 | 12.54 | .000 |
| Risk Management Information | 22.80 | 63.17 | 40.37 | 16.28 | .000 |
| Equity Information | 62.10 | 73.41 | 11.31 | 5.81 | .001 |
| Cash flow Information | 58.94 | 59.91 | 00.97 | 1.96 | .051 |
| Segmental Information | 40.00 | 69.53 | 29.53 | 12.42 | .000 |
| Dividend Policy Information | 37.25 | 57.66 | 20.41 | 8.19 | .000 |

**$H_{o2}$: Higher Quality Disclosure of Accounting Information Influences the Flow of Foreign Direct Investment and Vice Versa**

To illustrate the effect of accounting information disclosure on the flow of foreign direct investment, a multivariate regression analysis was conducted. The results of the analysis for this hypothesis were discussed in three stages, starting with the aggregate foreign direct investment model. I decomposed the foreign direct investment into individual investment and institutional investment on the presumption that foreign institutional investors are more frequently corporate managers than the foreign individual investors, and since foreign institutional owners typically take on a significant ownership stake, they therefore press for adequate accounting information to safeguard their investment.

In my baseline regression, the result revealed that foreign investors paid insignificant attention to the overall accounting information disclosure. In Table 6, contrary to the Perfect Information Theory which is a key assumption in Neo-classical economics and a major bedrock for investment appraisal, the overall accounting information disclosure is insignificantly correlated with the aggregate foreign direct investment as represented by the beta coefficient of about 11%, t-statistics of 0.433 and a p-value of 0.085. This result suggests that disclosure of accounting information does not have a significant influence on the flow of foreign direct investment. The possible explanation for this result is that since foreign direct investment involves more than capital investment, and may include provision of management and technology, the foreign direct investor may consider themselves as part of the preparer of the accounting information. In contrast, but consistent with the previous findings, higher disclosure of directors' personal information statistically significantly influences the inflow of foreign direct investment. This evidence supports both theoretical and empirical literature in this field. Most researchers (Wahyuni and Hartono, 2010; Dhiamisenik, 2013; Krishnan and Person; 2008)maintain that from an agency perspective, the board should include a majority of non-executive directors since insiders on the board are less able to perform their fiduciary role as they lack objectivity in decision making and may support the CEOs out of their own career considerations. This makes information about the composition of a firm's board of director a major consideration in investment decision.

Similarly, there is evidence of a significant relationship between risk management information and foreign direct investment. This was reflected in the t-statistics of 2.676 and a p-value of 0.000. The result supports the opinion of Goplan and Jayaraman (2012) who posit that investors are more risk conscious in the 21$^{st}$ century than ever before considering the fact that market-wide underestimation of risk reflected in the 2007-2009 global financial crises. A further explanation of this result is that reliable and relevant risk information enables providers of capital to assess, prior potential opportunity for investment and as well monitor, the use of their capital once invested in productive investments in listed companies. Capital markets are therefore only able to perform their statutory role in the efficient allocation of capital if reliable mechanisms are created to curb agency and information problems between corporate insiders and capital providers. Well-functioning capital markets and the efficient allocation of risk capital are vital for long-term economic growth. Risk disclosures are therefore not only important for local investors only, but also provide foreign investors adequate risk information. This result validates the submission of Oyerogba, Alade, Idode and Ogungbade (2017) who maintained that effective risk management is not only necessary for giving reasonably high returns to the shareholders but prudent risk management is also a signal to avoiding financial distress that could lead the organization to bankruptcy.

The regression result was insignificant for the other four variables (equity information, cash flow information, segmental information and dividend information). It appears that equity information disclosure does not give rise to inflow of foreign direct investment to the Nigerian listed companies. The result suggests that the conventional wisdom stressing that investors be concern about equity performance in the market lacks empirical support and could represent a theoretical concept. Perhaps more effective strategies for attracting foreign direct investment may be adopted by the management.Although, in the spirit of Conyol and He (2011), investing in businesses which implement an effective voluntary disclosure of equity information means investing into firms managed by credible and reliable managers; in other words, transparency leads to credibility and trust. Other studies (Prencipe and Yosef, 2011; Choi, Collins and Johnson, 2010) have proved that firms with high levels of equity information disclosure have a higher association with stock price increase than those with low levels of equity information disclosure. The current study however does not support this school of thought. Therefore, an alternative explanation in the literature (Alex, Agusti and Mercedes, 2013) could be probably the stakeholders believe that equity information disclosure exposes the firm to threat from competitors.

There is no clarity in the literature as to whether cash flow information influence the decision of foreign investors. Some scholars (Wahyuni and Hartono, 2010; Dhiamisenik, 2013; Krishnan and Person; 2008) reported that the cash flow statement is a document that shows how money moves through a company every month, quarter, or whatever accounting period the firm chooses to use. An investor can get an idea of the total expenses, total revenue, and how much money is coming in and out has a significant influence on cash flow information for foreign direct investment. On the contrary, Adwally, (2015); Dhiamisenik (2013) Globerman (2013), perceived that the cash flow statement is a very valuable managerial instrument that helps companies make the best decisions possible. This result possibly aligned itself with the view that cash flow statement might represent the managerial document as it has no significant influence on the decision of the foreign direct investors. Another possible explanation for this result comes from the submission of Yermack (2016) that cash management is something most businesses of all sizes struggle to perfect and thus making potential investors placed little or no emphasis on it.

As touching the disclosure of segment information, it appears that foreign investors pay little or no attention to the disclosure of information. Before the introduction of the IFRS, accounting standards have put in concerted efforts to ensure that companies that have assets located in more than one country or carry out more than one business should report the financial performance of each separately. The reason is that companies use segment reporting to document the performance of different areas of the business which should naturally provide additional informations for investment decision making. However, the critics of this reporting process capitalize on the difficulties usually encountered in segment reporting such as sharing of common expenses and common assets and liabilities to different segments which in most cases makes the real assessment of different segment difficult if not impossible (Cheng and Tzeng, 2014). This could possibly be the reason foreign investor are ignoring this kind of information when looking for investment opportunities.

Another possible interpretation of the results is that foreign investors are not discriminatory about regions when it comes to making foreign direct investment.This result deviates from the conventional belief that in complex diversified enterprises, consolidated financial information have limited value for making earnings projection because information cannot be related to the several business economic environments in which the company operates. As posited by Andrew and Yiltong, (2015), each line of business is affected not only by general economic conditions but by special industry factors such as volume, price and costs of raw material. Thus, each segment is likely to have different markets sizes, profit margins, rate of growth, returns on investment and business cycle sensitivity. The implication of theses however is that a keen interest to the segment information enables the investor to determine unprofitable products and markets that absorb rather than producing funds for paying return on investment. Therefore, each segment must be studied separately for an adequate investment decision.

Surprisingly, and contrary to Mohammady (2010), foreign investors showed less interest in dividend information. Mohammady (2010) submitted that one common factor for companies not paying dividend is when a firm is making losses and that signals danger to a potential investor. If there is no profit, usually there is no dividend. Thus, if a stock pays higher dividends year to year, it often signifies that the company is doing better which shows that a firm has a real business that is generating revenue and investors are therefore motivated to invest in such a company. However, an insignificant relationship observed between the disclosure of dividend information and flow of foreign direct investment could be due to the major assumption of the dividend valuation model which states that all shareholders have perfect information about the companies' future and that there is no delay in obtaining this information. All shareholders interpret it in the same way (Overesch and Wamser 2014). Many investors may perceive this assumption as a form of academic theory which is not applicable to real-life situations and therefore base their investment decision on other forms of disclosure.

There are two other scholarly positions on dividend policy which might probably contribute to the insignificant/marginal influence discovered in this study. First, there is a group of scholars who believe that what is disclosed as dividend information is not as important as what you get as dividend. Thus, a lingering concern is whether the company actually has the resources to implement what they have proposed. In line with this, Nguyen, (2015) asserted that when you evaluate a company's dividend information/practices; ask yourself if the company can afford to pay the dividend. Important instruments that can help ascertain whether earnings are sufficient to cover dividend obligations is the ratio between a company's earnings and net dividend paid to shareholders known as dividend coverage. This may be an avenue for further study. The second class known as growth advocates opines that companies that do not pay dividends are not necessarily without profits (Krische, 2005; Chi etal 2015). If a company thinks that its own growth opportunities are better and urgent than investment opportunities available to shareholders elsewhere, it often keeps the profits and reinvests them into the business. Therefore, few growth companies pay dividends.

To improve the robustness of the regression model, eight firm's specific variables were included. The selection of these variables was based on the reasons given earlier in the introduction. As reported in Table 6, the relationship between capital gearing and foreign direct investment was negative but significant. This inverse relationship implies that the lower the gearing ratio, the higher the possibility of foreign investors' willingness to committing their resources into a company. This result underscores the fact that investors pay keen attention to risk management activities of the company because a high gearing ratio implies that a company may not meet up with its debt obligation let alone paying returns on investments. It also an indication that such a company may wind up within the foreseeable future. Thus, investing in such a company implies taken uncalculated risks. The inverse relationship between capital gearing and foreign direct investment remains strong in the institutional investor model.

Next, firm performance proxied by return on capital employed had the strongest influence on the inflow of aggregate foreign direct investment with a coefficient of 0.779 and t-statistics of 12.365. The coefficient on firm performance increased from 0.779 in the aggregate foreign direct investment to 0.841 in the institutional foreign direct investment regression (Table 7) but reduced to 0.562 in the individual foreign direct investment model (Table 8).The result is not surprising as it is reasonable to predict that profitable companies will attract more investors, be it local or foreign (Oyerogba, 2018). The result supports Oyerogba et al. (2014) who posit that profit maximization maximizes the shareholders' wealth which is the ultimate aim of investing in a business and in the long run only the profit maximisers survive in the business environment. The coefficient of0.779 obtained for this variable implies that a unit change in the performance of an average company in Nigeria will result in about 80% variation in the flow of foreign direct investment into the Nigeria economy. The result also implies that firm performance is very crucial among the range of policy options available to the Nigerian governments to increase the inflow of foreign direct investment to the Nigerian economy.

The result also revealed that foreign investors are motivated by three other firm specific variables such as age of the firm, ownership structure and growth rate. Except for firm age, the relationship is strong and direct, suggesting that foreign investors prefer to invest in firms with diluted ownership than those with concentrated ownership. The simple explanation to this result may be that where ownership is diluted, it gives foreign direct investors especially institutional investors the opportunity of becoming outside block shareholders with the ability (through voting rights) and the incentive (through cash-flow rights) to monitor firm's management and force changes in behavior that are in the interest of outside shareholders as group. As for the result obtained for firm growth, the desire by an average investor to make profits from an investment suggests that the relationship between firm growth and foreign direct investment should be significant because firms earn more income from sales growth which should lead to higher profitability and higher returns on investment (Oyerogba, 2018).

**Table 6 Accounting Information Disclosure and Aggregate Foreign Direct Investment**

| R | | | $R^2$ | |
|---|---|---|---|---|
| **0.723** | | | **0.523** | |
| | **Beta** | **Std. Err.** | **T** | **Sig.** |
| Overall Accounting Info. Disc. | 0.113 | 0.261 | 0.433 | .085 |
| Directors' Personal Info | 0.659 | 0.154 | 4.279 | .000 |
| Risk Management Info | 0.297 | 0.111 | 2.676 | .000 |
| Equity Info | 0.718 | 0.392 | 1.832 | .067 |
| Cash Flow Info | 0.355 | 0.228 | 1.557 | .069 |
| Segmental Info | 0.641 | 0.373 | 1.719 | .055 |
| Dividend Policy Info | 0.924 | 0.522 | 1.770 | .051 |
| Capital Gearing | - 0.401 | 0.153 | -2.621 | .000 |
| Firm Age | - 0.517 | 0.179 | - 2.888 | .000 |
| Firm Size | 0.236 | 0.267 | 0.884 | .294 |
| Ownership Structure | 0.132 | 0.026 | 5.181 | .000 |
| Audit Quality | 0.358 | 0.197 | 1.817 | .058 |
| Firm Performance | 0.779 | 0.063 | 12.365 | .000 |
| Firm Growth | 0.377 | 0.141 | 2.674 | .000 |
| Board Independence | 0.832 | 0.457 | 1.821 | .053 |

Dependent Variable: Foreign Direct Investment

Following the conventional wisdom of dividing foreign direct investment into institutional foreign investors and individual foreign investor, other two regressions were run. The results of these analyses are presented in Table 7 and 8. The earlier results persist. The R-square, coefficient estimates and *t*-statistics for the effect of accounting information disclosure on foreign direct investment are very similar for the three OLS models, which suggests that type of investor (institutional, individual or aggregate) does not seriously skew the results.

Specifically, it was discovered that the coefficients of equity information, cash flow information, segmental information and dividend information although positive, are consistently insignificant, suggesting that variations in foreign direct investments are, by themselves, not directly associated with disclosure of such accounting information, an observation that is consistent with prior studies (Wahyuni and Hartono, 2010; Dhiamisenik, 2013; Krishnan and Person; 2008; Yermack, 2016). Interestingly, the coefficient for the overall accounting information was found to be significant in the individual foreign direct investment model. The result implies that if individual can pay attention to overall accounting information, the risk and uncertainty in investment decision can be reduced if not prevented.

However, this result violates the principles in awareness costs, acquisition costs, and integration costs model. Proposed by Blankespoor and Wertz (2017), the principles states that individuals may find it too costly to continually monitor the information about a firm, to search and acquire information within a firm's financial statement, or to spend time and effort learning how accounting information is used in company's valuation. They therefore inferred that awareness costs, acquisition costs and integration costs are barriers to individuals' use of accounting information. On the contrary, there is no empirical evidence supporting whether awareness and acquisition costs are responsible for individuals' neglect of accounting information. According to Finkelstein, (2009) and Yermack, (2016), there are two reasons prevalent in empirical literature on why individuals would disregard accounting information in investment decisions. The first is that individuals lack an understanding of how to use accounting information in assessing a company, even when the information is readily available. Second, a psychology-based explanation is that behavioral biases such as overconfidence in technical trading strategies prevent individuals from using certain information. If either of these reasons significantly affect individual's investment decision, then the volume of disclosures is unlikely to make much difference in investment decision.

Lastly, the significant relationship between directors' personal information and foreign direct investment as well as risk management information and foreign direct investment remained strong in individual foreign direct investment and institutional foreign direct investment models.

The coefficient in directors' personal information increased from 0.659 to 3.429 and 10.265 for institutional foreign investment and individual foreign direct investment respectively while the coefficient for the risk information increased from 0.297 to 2.883 and 21.723 for the institutional and individual direct investment models respectively. Therefore, the conclusions regarding this hypothesis remain the same, that is, accounting information disclosure does not have a significant influence on the inflow of foreign direct investment.

**Table 7: Accounting Information Disclosure and Institutional Foreign Direct Investment**

| R | | | $R^2$ | |
|---|---|---|---|---|
| **0.714** | | | **0.509** | |
| | **Beta** | **Std. Err.** | **T** | **Sig.** |
| Overall Accounting Info. Disc. | 0.571 | 0.558 | 1.023 | .199 |
| Directors' Personal Info | 3.429 | 0.277 | 12.379 | .000 |
| Risk Management Info | 2.883 | 1.164 | 2.477 | .000 |
| Equity Info | 0.371 | 0.412 | 0.901 | .537 |
| Cash Flow Info | 1.340 | 0.828 | 1.618 | .113 |
| Segmental Info | 0.078 | 0.313 | 0.249 | .287 |
| Dividend Policy Info | 0.006 | 0.012 | 0.503 | .918 |
| Capital Gearing | -0.613 | 0.184 | -3.332 | .000 |
| Firm Age | -0.221 | 0.089 | -2.481 | .006 |
| Firm Size | 0.764 | 0.627 | 1.219 | .689 |
| Ownership Structure | 0.171 | 0.068 | 2.515 | .000 |
| Audit Quality | 0.652 | 0.058 | 11.241 | .000 |
| Firm Performance | 0.841 | 0.093 | 9.043 | .000 |
| Firm Growth | 0.138 | 0.055 | 2.331 | .000 |
| Board Independence | 0.578 | 0.377 | 1.533 | .606 |

**Table 8: Accounting Information Disclosure and Individual Foreign Direct Investment**

| R | | | $R^2$ | |
|---|---|---|---|---|
| **0.762** | | | **0.581** | |
| | **Beta** | **Std. Err.** | **T** | **Sig.** |
| Overall Accounting Info. Disc. | 17.218 | 7.268 | 2.369 | .001 |
| Directors' Personal Info | 10.265 | 4.033 | 2.544 | .000 |
| Risk Management Info | 21.723 | 3.519 | 6.173 | .000 |
| Equity Info | 6.349 | 5.227 | 1.215 | .115 |
| Cash Flow Info | 5.976 | 5.118 | 1.168 | .182 |
| Segmental Info | 7.006 | 6.664 | 1.051 | .291 |
| Dividend Policy Info | 5.934 | 3.887 | 1.528 | .234 |

| | | | | |
|---|---|---|---|---|
| Capital Gearing | 1.754 | 1.573 | 1.115 | .307 |
| Firm Age | 0.598 | 0.633 | 0.944 | .382 |
| Firm Size | 0.583 | 0.366 | 1.594 | .162 |
| Ownership Structure | 6.119 | 0.998 | 6.132 | .000 |
| Audit Quality | 1.221 | 0.517 | 2.359 | .026 |
| Firm Performance | 0.562 | 0.039 | 14.410 | .000 |
| Firm Growth | 2.109 | 6.741 | 0.310 | .767 |
| Board Independence | 0.164 | 0.111 | 1.477 | .065 |

Dependent Variable: Foreign Direct Investment

## CONCLUSION AND RECOMMENDATIONS

Disclosure of accounting information by listed companies is germane for the efficiency of capital markets in facilitating the allocation of capital to productive investment opportunities and other economic activities. Although extensive mandatory disclosure requirements exist and many companies also voluntarily disclose a variety of financial and non-financial information to satisfy the information needs of investors, corporate reporting has increasingly been criticized as being too complex, cluttered and generic, thereby compromising their usefulness (Krische, 2005). To the captain of industries, corporate disclosure is perceived to be increasingly driven by compliance considerations, rather than explored as an effective means of communicating the economic reality (Adwally, 2015). In this study, publicly disclosed information in audited financial statements was used to investigate the influence of accounting information disclosure on the flow of foreign direct investment in Nigerian listed companies.

Adopting a multivariate regression analysis, it was discovered that foreign investors paid less attention to overall accounting information disclosure. It was also evident that they did not pay a keen interest to the equity information, cash flow information, segment information and dividend information. Naturally, one would have expected the investors to pay keen interest to the cash flow information since it is generally believed that cash is needed for participation in economic activities. However, their decision may be influenced by the assumption that financial accounting is based on accrual accounting which also put into consideration non-cash items in determining the financial health of a company. It also appears strange that foreign investors were not particularly interested in the company's ability to pay dividends. According to Oyerogba (2018), the simplest way a company communicates financial well-being to the investor is through dividend distribution. It should however be noted that a company that does not pay a dividend is not necessarily without a profit (Anwer, Neel and Wang, 2013). When a company considers growth opportunities more important, it may choose to sacrifice the payment of a dividend and this probably may be one of the reasons many investors are not concerned about the company's dividend payment or policy. However, some specific information was considered crucial for investment decision by foreign investors. Such informations include director's personal information and risk management information.

The study also examined whether adoption of IFRS in the preparation of financial statements improves the quality of accounting information disclosed to the users of a financial statement. With the Univariate t-statistic result obtained, the study documents that adoption of International Financial Reporting Standards improves the quality of accounting information disclosure. It is therefore recommended that other emerging markets should adopt the IFRS for quality financial reporting. There is a need for the stock market regulators in Nigeria to put a mechanism in place to ensure strict compliance by all the listed companies. It is important for the management to increase disclosure on directors' personal information and risk management information since that information are important to foreign investors.

Lastly, whether the type of investment is sensitive to the disclosure of accounting information was investigated. For this purpose, foreign direct investment data was split into individual and institutional investors. It was discovered that the coefficients of equity information, cash flow information, segmental information and dividend information although positive, are consistently insignificant, suggesting that variations in foreign direct investments are, by themselves, not directly associated with disclosure of such accounting information, an observation that is consistent with prior studies (Wahyuni and Hartono, 2010; Dhiamisenik, 2013; Krishnan and Person; 2008; Anwer, Neel and Wang, 2013). This may be an area for future studies. Future studies may also classify the FDI into oil and non-oil sector to ascertain which sector of the economy is capable of driving FDI.

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## Appendix 1: Composition of Disclosure Index

| Code | Question | Scoring Rule | Max. Score | Weight |
|---|---|---|---|---|
| **1** | **DIRECTORS' PERSONAL INFORMATION** | | **10.00** | **100%** |
| 1a | The company disclosure the total share holds by directors | 1 if 1a = 1; 0 otherwise | | 1.00 |
| 1b | Executive directors' remuneration and share options was disclosed | 1 if 1b = 1; 0 otherwise | | 1.00 |
| 1c | Non-executive directors' fees and allowances were disclosed | 1 if 1c = 1; 0 otherwise | | 1.00 |
| 1d | The company disclosed details of interlocking directors | 1 if 1d = 1; 0 otherwise | | 1.00 |
| 1e | The company disclosed the previous experience of the directors | 1 if 1e = 1; 0 otherwise | | 1.00 |
| 1f | The company disclose information on interlocking directorship | 1 if 1f = 1; 0 otherwise | | 1.00 |
| 1g | The company disclosed the total number of meeting by each director | 1 if 1g = 1; 0 otherwise | | 1.00 |
| 1h | There was disclosure on the conflict of interest involving the directors | 1 if 1h = 1; 0 otherwise | | 1.00 |
| 1i | There was disclosure on director's interest in contract with the company | 1 if 1i = 1; 0 otherwise | | 1.00 |
| 1j | There was disclosure on the promotion of director's gender balance | 1 if 1j = 1; 0 otherwise | | 1.00 |
| **2** | **RISK INFORMATION** | | | **11.00** |
| 2a | There is a disclosure on risk management framework | 1 if 2a = 1; 0 otherwise | | 1.00 |
| 2b | There is disclosure on the company risk limit | 1 if 2b = 1; 0 otherwise | | 1.00 |
| 2c | The company's risk appetite is disclosed in the annual report | 1 if 2c = 1; 0 otherwise | | 1.00 |
| 2d | There is disclosure on the review of risk management framework | 1 if 2d = 1; 0 otherwise | | 1.00 |
| 2e | The risk management framework is integrated into day-to-day operation as disclosed | 1 if 2e = 1; 0 otherwise | | 1.00 |
| 2f | The risk management function is headed by a management staff | 1 if 2f = 1; 0 otherwise | | 1.00 |
| 2g | The firm conduct a comprehensive risk assessment at least annually as disclosed | 1 if 2g = 1; 0 otherwise | | 1.00 |
| 2h | There is disclosure on the review of internal control system that strengthens risk management | 1 if 2h = 1; 0 otherwise | | 1.00 |
| 2i | There is periodic review of changes in economic and business environment | 1 if 2i = 1; 0 otherwise | | 1.00 |
| 2j | There is disclosure on the firm risk policy | 1 if 2j = 1; 0 otherwise | | 1.00 |
| 2k | The company disclose conflict of interest policy in the financial statement | 1 if 2k = 1; 0 otherwise | | 1.00 |

| | | | | |
|---|---|---|---|---|
| **3** | **INFORMATION ON CHANGE IN EQUITY** | | **10.00** | |
| 3a | There is a disclosure on the changes in a company's share capital | 1 if 3a = 1; 0 otherwise | | 1.00 |
| 3b | There is a disclosure on the company's accumulated reserves | 1 if 3b = 1; 0 otherwise | | 1.00 |
| 3c | There is disclosure on the company's determination of retained earnings | 1 if 3c = 1; 0 otherwise | | 1.00 |
| 3d | There is a break down on changes in the owners' interest in the organization | 1 if 3d = 1; 0 otherwise | | 1.00 |
| 3e | There is disclosure on the application of retained profit or surplus from one accounting period to the next | 1 if 3e = 1; 0 otherwise | | 1.00 |
| 3f | There is disclosure on determination and payment of dividend | 1 if 3f = 1; 0 otherwise | | 1.00 |
| 3g | There is disclosure on issue and redemption of shares during the period | 1 if 3g = 1; 0 otherwise | | 1.00 |
| 3h | There is disclosure on the non-controlling interest attributable to other individuals and organizations | 1 if 3h = 1; 0 otherwise | | 1.00 |
| 3i | There is disclosure on gains and losses recognized directly in equity | 1 if 3i = 1; 0 otherwise | | 1.00 |
| 3j | There is disclosure on increase or decrease in share capital reserves | 1 if 3j = 1; 0 otherwise | | 1.00 |
| **4** | **CASH FLOW INFORMATION** | | **6.00** | |
| 4a | There is disclosure on investments in subsidiaries | 1 if 4a = 1; 0 otherwise | | 1.00 |
| 4b | There is disclosure on investment in associates and joint venture | 1 if 4b = 1; 0 otherwise | | 1.00 |
| 4c | There is disclosure of the method used in determining the cash flow (equity or cost method) | 1 if 4c = 1; 0 otherwise | | 1.00 |
| 4d | There is disclosure on changes in liabilities arising from financing activities | 1 if 4d = 1; 0 otherwise | | 1.00 |
| 4e | The company disclosure the components of cash and cash equivalent | 1 if 4e = 1; 0 otherwise | | 1.00 |
| 4f | The amount of cash and cash equivalent held by the company that is not available for use is being disclosed | 1 if 4f = 1; 0 otherwise | | 1.00 |
| **5** | **SEGEMENT INFORMATION** | | **6.00** | |
| 5a | The list all the company subsidiaries was included in the financial statement | 1 if 5a = 1; 0 otherwise | | 1.00 |
| 5b | The company disclosed whether business transactions within related parties are done at arm's length | 1 if 5b = 1; 0 otherwise | | 1.00 |
| 5c | The company disclosed the rate used in the conversion of foreign branches report for consolidation purposes | 1 if 5c = 1; 0 otherwise | | 1.00 |
| 5d | There was disclosure on what constitute a reporting segment | 1 if 5d = 1; 0 otherwise | | 1.00 |
| 5e | There was disclosure on how a reporting segment derives its income | 1 if 5e = 1; 0 otherwise | | 1.00 |
| 5f | There was disclosure on non-current assets in individual foreign country | 1 if 5f = 1; 0 otherwise | | 1.00 |

| 6. | DIVIDEND INFORMATION | 5.00 | |
|---|---|---|---|
| 6a | There was a disclosure on the interim dividend in the financial statement | 1 if 6a = 1; 0 otherwise | 1.00 |
| 6b | There was disclosure on final dividend declared in the financial statement | 1 if 6b = 1; 0 otherwise | 1.00 |
| 6c | There was a disclosure in the financial statement on dividend payout ratio | 1 if 6c = 1; 0 otherwise | 1.00 |
| 6d | There was disclosure of distribution of non-cash assets to the shareholders | 1 if 6d = 1; 0 otherwise | 1.00 |
| 6e | There was disclosure in the financial statement on deferred dividends | 1 if 6e = 1; 0 otherwise | 1.00 |