Institutional Structure, IFRS Adoption and Foreign Portfolio Investment in Africa

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Abstract: This paper examines institutional structures, IFRS adoption and Foreign Portfolio Investment FPI among some selected African countries. Previous studies have focused only on IFRS adoption and FPI but literature have shown that institutional structure may likely affect their relationship, so this study assesses the moderating effect of institutional structure. Panel data analysis is applied to estimate the formulated model and analyze the data. The results show that adoption of IFRS have significant impact on FPI and that Institutional variables plays important roles on the extent to which IFRS affects FPI. Findings further reveal that institution variables are more significant in the countries that fully adopted IFRS thus aiding its effect on FPI. It shows that countries should look beyond adoption of IFRS to attract FPI but to also focus on their institution structures as it serves as catalysis for efficient implementation of IFRS. The study has contributed to the existing literature by examine the moderating effect of institutional structure which no study has done before.

Keywords: Institutional Structure; IFRS adoption; Foreign Portfolio Investment

JEL Classifications: G11; G14; G18

Introduction

Over the years institutions have been seen as very germane to conception, formulation and implementation of policies in different countries. The situation is no different in the Sub Sahara African SSA countries where there have been documented evidences of a lot misnomers in the institutional frameworks and this has taken its toll on effectiveness of government policies in the sub region (Wehrfritz & Haller, 2014).

Cieslewicz (2014) observed, the accounting system of a country is administered via documentations referred to as accounting principles and this does not exist independently of the influences of that particular country's underlying institutions. This implies that quality institutions are important for the accounting system of a country to function. According to Wysocki (2011), the form,

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efficiency, and quality of any accounting system are influenced in part by other institutions. In some literatures institutions effect on policy implementation is termed "political will" which is the interest of government institution to implement a particular policy.

In the same vein, without strong support from institutions, the financial reporting in a country is likely to be ineffective. Wehrfritz and Haller (2014) argued that institutional factors may directly influence the application of the IFRS and its economic outcomes. Based on the above arguments, prior studies (Soderstrom & Sun, 2007; Wysocki, 2011; Wehrfritz & Haller, 2014) have suggested that examining the economic consequences of changing accounting standards should not be done in isolation of the underlying institutions.

International Financial Reporting Standards (IFRS) is one of those accounting standards that scholars believe will need a virile institutional framework for it to be effectively implemented and monitored. The adoption of IFRS is born out of the need to have a global set of accounting standards that can be uniformly applied by all has been a contentious issue in financial reporting for decades. It is believed that the differences in national accounting standards and practices affect cross-national comparisons of financial information. This issue has been recognized as an important informational barrier to cross-border investment (Ahearne, Griever & Warnock, 2004). Previous studies (Ahearne et al., 2004; Tweedie & Seidenstein, 2005; Brennan & Cao, 1997) suggest that a greater comparability of accounting information facilitates international transactions, minimizes exchange costs and provides a more efficient allocation for resources. This is why foreign portfolio investment is also affected by the implementation of IFRS.

Foreign portfolio investment (FPI) consists of securities and other financial assets passively held by foreign investors. It does not provide the investor with direct ownership of financial assets and is relatively liquid depending on the volatility of the market. However, FPI in the Sub Sahara Africa countries have been dwindling within the last two decades. For instance, total FPI in the sub region fell by 2.1% in 2014 and also fell further by 2.4% in 2016. Some authors believed that allowing IFRS to be effectively implemented via institutional support will go a long way to improve FPI in the SSA.

While the impact of IFRS on FPI have enjoyed much patronage from authors in the past, the effect of institutional structure on FPI is just gaining attention from researchers. This study will contribute to the existing literatures by examining the impact of institutional structures on FPI within the contest of countries that have fully adopted IFRS and those that have not fully adopted it. This will provide insight in to the moderating role of institutional structure in promotion FPI among different SSA countries. In all based on data availability twenty countries that have not fully adopted and fifteen countries in the SSA that have fully adopted

IFRS thus, making a total of thirty five countries are covered in the study. The rest of the paper is divided into methodology, results and discussion, then, conclusions and recommendations.

Methodology

This section of the paper describes the research method embraced to achieve the objective of the study. The model specification, definition of variables, sources of data and method of analysis or estimating techniques are also included.

Model Specification

Following the work of Rahim, Vijay& Mostafa (2014) additional variable (COR_{it} $*IFRS_{it}$) is added to the equation that describes the relationship between institutional structure and FPI. The variable justifies the significance of institution relative to the relationship between IFRS and FPI. This helps to capture the changes in the institutional environment of each country. Corruption is considered as one of important measures of institutional structure. It envisaged that if the level of corruption is reduced in an economy; it would affect the efficiency and good performance of all other institutional variables such as regulatory quality index, rule of law, political system. The model to be estimated is stated as follows:

$$LnFPI_{it} = f \ (\beta_0 + \beta_1 IFRSFA_{it} + \beta_2 IFRSNA_{it} + \beta_3 INF_{it} + \beta_4 INT_{it} + \beta_5 lnEXR_{it} + \beta_6 EG_{it} + \beta_7 TOP_{it}$$

$$B_8 TAX_{it} + \beta_9 lnMCAP_{it} + \beta_{10} REG_{it} + \beta_{11} COR_{it} + \beta_{12} COR_{it}*IFRS_{it} + \mu_{it)} \ …………. \ (1)$$

Definition, Measurements and Sources of Variables

$LnFPI_{it}$ is the natural log of foreign portfolio investment in country i at period t. It represents the inflows of investment in equity and debt. The source is the Balance of Payments and International Investment Positions of IMF data warehouse on portfolio investment in millions of US Dollars. It shows the stock of foreign assets and liabilities and their subcomponents, such as portfolio debt, portfolio equity and foreign direct investment. Cyrus *et al*. (2006) apply this variable to determine how it influences the investor protection. The data were captured using natural logarithm.

$IFRSFA_{it}$ represents a country i at period t that has fully adopted IFRS. The variable is measured using count data, starting from the date the country adopted IFRS. This is done to categorise countries according to the time they adopted IFRS. The application of counting variable index as basis of measuring IFRS adoption permits for differentiation among the countries the time they fully adopted IFRS. For the purpose of this study the total maximum count variable index will be 11 points for those countries that have fully adopted IFRS from 2005 over 2015 and less if year

of fully adoption is not starting from 2005. Efobi *et al*. (2014) report that the method brings the time dimension into estimating the IFRS variables. This measurement, count variable index, is employed in this study to determine the value of IFRS adoption to achieve objective one. Thus, employing binary values or ordinal values to achieve objective one may not be proper since the focus is to compare FPI inflows before and after adoption of IFRS among countries that have fully adopted IFRS. Data for IFRS were sourced from Deloitte (2017), IASB/IFRS databases and PwC database. These websites and databases provide relevant information in relation to IFRS status of different countries and year of adoption.

$IFRSNFA_{it}$ represents IFRS not fully adopted (IFRSNA). In view of this, the IFRS variable is treated as ordinal variable (ranking higher or lower) to determine the status of adoption as follows: Code 1 for countries not permitted IFRS, while code 2 measured IFRS permitted. Likewise, code 3 measured countries that required IFRS for some domestic listed companies and code 4 is for countries that required IFRS for all domestic listed companies that is fully adopted IFRS for all their listed companies (Judge et al., 2010 as well as Nandi & Soobaroyen, 2015). Thus, the IFRS not permitted is coded "1", the IFRS permitted is coded "2", the IFRS required for some is coded "3", whilst the IFRS fully required for all domestic companies is coded "4" This will assist the study to achieve the second objective in order to determine the significant inflows of FPI among countries that have fully adopted IFRS and countries that have not. Data were sourced from Deloitte (2017) and extract from Table 3.2, status of IFRS adoption in Africa.

INF_{it} stands for the rate consumer price index inflation of country i at period t. It is one of the macroeconomic variables that influence foreign investment. If the rate is higher, foreign investors tend to be discouraged from investing in such economy. The expectation is that if the rate is low, it would encourage the flow of foreign portfolio investment. Data were obtained from the World Development Indicators.

INT_{it} denotes interest rate in country i at period t and it is proxy with the real rate of interest. The high rate of interest will be attractive to investors. Data were sourced from IMF database.

$lnEXR_{it}$ is the foreign exchange rate of a country i at period t using national currency per special drawing rights (SDR) yearly period average. This variable is more significant to the foreign investors in equity investment since an unfavourable rate would affect the conversion of the returns from investment. This shows that if the exchange rate is too high, this would discourage investment. Data were sourced from the IMF Publication on International Financial Statistics.

EG_{it} represents the economic growth of country i at period t using Gross Domestic Product per capital of a country in US Dollars as proxy. The assumption is that when the economy is experiencing economic growth, it will affect the standard of living

and attract more patronage of foreign investors. Data were sourced from World Development Indicators database.

TOP$_{it}$ captures the trade openness in country i at period t measured by each country's exports plus imports, divided by each country's GDP. This measurement is common as a measure of trade openness (Matadeen et al., 2011). It is also referred to as trade liberalisation or free trade. Data were collected from the World Development Indicators database.

TAX$_{it}$ was proxy with annual corporate tax rate in i country at period t. A country with high rate of corporate tax would not be attractive to foreign investors. This will have a negative effect on FPI. Data were collected from the IMF database.

LnMCAP$_{it}$ is the value of market capitalisation and captured by using the logarithm of it in country i at period t. It is expected that the adoption of IFRS would improve international liquidity, since it enables comparison of financial statements worldwide and reduces the information asymmetry. Thus, the expectation is that countries that adopt IFRS would have an increase in FPI compared to non-adopting countries due to flow of more liquidity. Data were sourced from World Development Indicators database and various websites of individual country's stock exchanges in Africa.

REG$_{it}$ represents how proactive a government is in formulating and implementing policies in country i at period t. The index captures the extent of the government to formulate and implement regulations that influence private sector development. It is measured in units that range from -2.5 to 2.5. The higher value reflects the competency of the government to formulate and implement the policies. The data were sourced from World Governance Indicators database, The Global Economy database and Kaufmann *et al,* (2009). The data was divided by 100.

COR$_{it}$ represents the degree of perception of level of corruption in the public sector in country i at t period on a scale of 0 to 10. Where a scale of "0" indicates a highly corrupt country while 10 means the country is very clean. Adoption of IFRS is assumed to improve the financial reporting quality, which would reduce the rate of corruption. It is therefore assumed that in IFRS adopting countries the rate of corruption would be reduced. The data is sourced from Transparency International Development Corruption Perception Index.

*COR$_{it}$*IFRS$_{it}$* indicates the interactive of the corruption as a variable that measure the institution and IFRS to determine how effective the government institution impact on accounting environment in a country that will influence inflow of FPI. The importance of this variable is tested in the model to determine the degree of its coefficient either positive or negative. If it is positive, it implies that the adoption of IFRS will enhance more flows of FPI in economy that is less corrupt and institutionally efficient.

Estimating Techniques

The study adopts the panel data regression to analyze the relationship between Instituional structure, FPI and IFRS among SSA countries. There are four possibilities and options when it comes to panel data regression which is reviewed below:

The Fixed Effect Model

The term "fixed effect" is due to the fact that although the intercept may differ among firms, each firm's does not vary overtime, that is time-variant. This is the major assumption under this model i.e. while the intercept are cross-sectional variant, they are time variant.

i. Within-Group Fixed Effects

In this version, the mean values of the variables in the observations on a given firm are calculated and subtracted from the data for the individual, that is;

$$Y_{it} - \hat{Y}_i = \sum_{1=2}^{k} \beta_i \left(X_{ijt} - X_{ij} \right) + \partial(t - \bar{t}) + E_{it} - \bar{E}_i \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(1)$$

And the unobserved effect disappears. This is known as the within groups regression model.

ii. First Difference Fixed Effect

In the first difference fixed effect approach, the first difference regression model, the unobserved effect is eliminated by subtracting the observation for the previous time period from the observation for the current time period, for all time periods. For individual i in time period t the model may be written:

$$Y_{it} = \beta_i + \sum_{1=2}^{k} \beta_j X_{ijt} + \partial t + \infty_i + E_{it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(2)$$

For the previous time period, the relationship is

$$Y_{it} = \beta_i + \sum_{1=2}^{k} \beta_j X_{ijt} - 1 + \partial(t - 1) + \infty_i + E_{it-1} \dots\dots\dots\dots\dots\dots\dots\dots\dots(3)$$

Subtracting (2) from (3) one obtains.

$$\Delta Y_{it} = \beta_i + \sum_{1=2}^{k} \beta_j \Delta X_{ijt} + \partial t + E_{it} - E_{it-1} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(4)$$

and again unobserved heterogeneity has disappeared.

iii. Least Square Dummy Variable Fixed Effect

In this third approach known as the least squares dummy variable (LSDV) regression model, the unobserved effect is brought explicitly into the model. If we define a set of dummy variables A_i, where A_i is equal to *1* in the case of an observation relating to firm i and *0* otherwise, the model can be written

$$Y_{it} = \sum_{j=2}^{k} \beta_j X_{ijt} + \partial t + \sum_{t=1}^{n} \infty_j A_i + E_{it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots.(5)$$

Formally, the unobserved effect is now being treated as the co-efficient of the individual specific dummy variable.

Results and Discussion

Under this section, various data collected on the variables are subjected to data analysis and interpretation. The results are also discussed and appropriate inferences made. However, the descriptive statistics are presented first.

Descriptive Statistics

The summary of statistics describing the distribution of data collected on the variables in terms of their means and standard deviations are presented in table 1.

Table 1. Summary of statistics of IFRS fully adopted and non-fully adopted countries

Variables	Observations	Mean	Standard Deviation	Minimum	Maximum
LNFPI	385	7.393129	3.04687	0	11.34707
IFRSFA	385	1.464935	1.8637	0	4
IFRSNFA	385	.6285714	.6371439	0	3
INF	385	.0729503	.0731259	-.358	.5
INTR	385	.0718077	.0764282	-.4231	.35211
LNEXR	385	4.426546	2.996339	-4.3125	9.29759
EG	385	.0263989	.0349856	-.22331	.18876
TOP	385	.9745103	.9318407	0	7.22018
TAX	385	.2906364	.0506743	.15	.4
LNMCAP	385	4.027316	4.658619	0	11.9744
REG	385	-.0042775	.0054438	-.01577	.0166
COR	385	.0323818	.011073	.011	.066
CORIFRS	385	.0805117	.061363	.011	.264

The mean values of the FPI for both the fully and adopted and non-fully adopted countries is 7.393129. While the maximum value is 11.34707, the minimum value is 0. The implication is that on the average the FPI is fairly closer to the maximum limit than the minimum limit indicating relatively above average levels of FPI among the countries sampled in the study. For the standard deviation, the value is 3.04687 implying that the standard deviation value is closer to the minimum than the maximum thus indicating that the data on FPI did not exhbit much variance across the countries during the period under review. All 3.04687 macroeconomic variables captured in the analsyis are with relatively low mean except inflation rate which record a mean that is closer to the maximum limit than the minimum limit.

Panel Data Analysis

The panel data analysis starts with the investigation of the variables for stationarity test using the panel unit root test. The results is presented in table 2

Table 2. Unit root test

Variables	Panel unit root test method			
	Im, Pesaran and Shin IPS		ADF Fisher	
	IPS statistics	Order of integration	ADF Fisher statistics	Order of integration
LNFPI	-3.9085	I(1)	144.2642	I(0)
IFRSFA	-2.6541	I(0)		
IFRSNFA	-3.9782	I(0)	298.0842	I(0)
INF	-2.9566	I(0)	286.0595	I(0)
INTR	-2.5436	I(0)	379.9689	I(0)
LNEXR	-2.7058	I(1)	221.4113	I(1)
EG	-2.6781	I(0)	247.8240	I(0)
TOP	-2.8794	I(0)	538.2861	I(1)
TAX	-2.5439	I(0)	208.7455	I(1)
LNMCAP	-29876	I(0)	92.6735	I(0)
REG	-3.3088	I(0)	269.9691	I(0)
COR	-3.4828	I(1)	350.8042	I(1)
CORIFRS	-3.4828	I(1)	350.8042	I(1)

Source: Author's computation

The results of the unti root test as presented on table 2 is an indication that all the variables are stationary at levels and after the first difference. For instance all the variables are stationary at levels except TAX, TOP, COR and CORIFRS. Panel data analysis requires that all the variables in the panel model to be estimated must be stationary. Therefore. All variables in this study have been shown to be combinations of I(1) and I(0). Considering the nature of the data included in the study, fixed effect is chosen as the method of analysis and the result is presented in table 3.

Table 3. Fixed effects results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.721547	2.270427	0.317803	0.7508
IFRSFA	0.360657	0.146727	2.458008	0.0145
IFRSNFA	-0.630189	0.958161	2.317919	0.7210
INF	-3.093779	1.638850	-1.887775	0.0499
LNEXR	0.827392	0.465038	1.779193	0.0461
INTR	0.706588	1.647826	0.428800	0.6683
LNMCAP	-0.011836	0.092765	-0.127589	0.8985
EG	2.829716	9.727629	3.603758	0.0004
REG	157.3682	41.14856	3.824392	0.0002
TAX	-1.838559	4.097796	-0.448670	0.6540
TOP	-0.286263	0.196687	-1.455421	0.1465
COR	286.0785	39.25283	7.288099	0.0000
CORIFRS	-59.79768	13.98806	-4.274910	0.0000
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.738628	Mean dependent var		7.393129

Adjusted R-squared	0.703933	S.D. dependent var	3.046870
S.E. of regression	1.657865	Akaike info criterion	3.960656
Sum squared resid	931.7469	Schwarz criterion	4.432992
Log likelihood	-716.4263	Hannan-Quinn criter.	4.147986
F-statistic	21.28895	Durbin-Watson stat	0.819951
Prob(F-statistic)	0.000000		

The fixed effect result shows that full adoption of IFRS (IFRSFA) have significant impact on FPI while non-full adoption of IFRS (IFRSNFA) failed to have significant impact on FPI. The results further show that the coefficient of IFRSFA 0.360657 is positive while that of IFRSNFA is negative -0.630189. This is an indication that adoption of IFRS fully will have significant positive impact on FPI while partial adoption or non-adoption will not have significantly influence on the FPI these countries.

Again, some macroeconomic variables have been shown to be germane to FPI behavior in these countries. For instance, inflation rate coefficient is -3.093779 and it is significant at 5% level. The results imply that a rising inflation rate will have negative and significant impact on FPI inflow into these countries. Inflation rate is therefore an important variable affecting FPIs.

Another macroeconomic variable with significant impact is exchange rate. The coefficient of exchange rate is 0.827392 and it is significant at 5% level. This also shows that FPI is significantly influenced by the exchange rate of these countries. The implication is that foreign investors attached significant importance to the level of exchange rate before bringing in their portfolio investments into these countries.

In addition, the rate of economic growth of these countries has also been identified as another macroeconomic variable with significant effect on the FPI inflow. Economic growth has a positive coefficient of 2.829716 and it is statistically significant at 1% thus, implying that the level og growth achieved by these countries constitute and important determining factor that influence FPI inflow.

Other variables in the fixed effects model with significant impacts on the FPI are the regulatory authorities REG, corruption COR and CORIFRS. These variables are proxies for institutional structure and they exert significant effect on FPI inflow of these countries. These results further underscore the importance of institution in the behavior of the FPIs in these countries.

Finally, the overall strength of the fixed effect model is shown by the value of the R square which indicates that about 70% systemic variations in the FPI is explained by all the variables in the fixed effects estimated panel model. The F statistics is also significant at 1%. This further affirms the importance of these variables in determining FPI inflow in the countries. This is an indication that, adoption of IFRS fully with all these variables will jointly influence FPI significantly. Furthermore,

the validity of this conclusion is examined through the Generalized Methods of Moment GMM which is presented in table 4.

Table 4. Systemic GMM Results for determinants of IFRS adoption

GMM Type= One-Step	
Numbers of instruments	48
Wald chi2(11)	46.12
Prob > chi2	0.000

The results of the systemic GMM, which serves as robustness check on the linear panel model, have shown a high level of consistency in our results. This is an indication that all the variables that were significant under the fixed effect panel model are also significant under the GMM thus, indicating a good outcome for the analysis.

Diagnostic test: Normality test

Despite the robustness check through the GMM, the study further investigated the validity of the parameter estimates of the panel model using the normality test. The result is presented in figure 1.
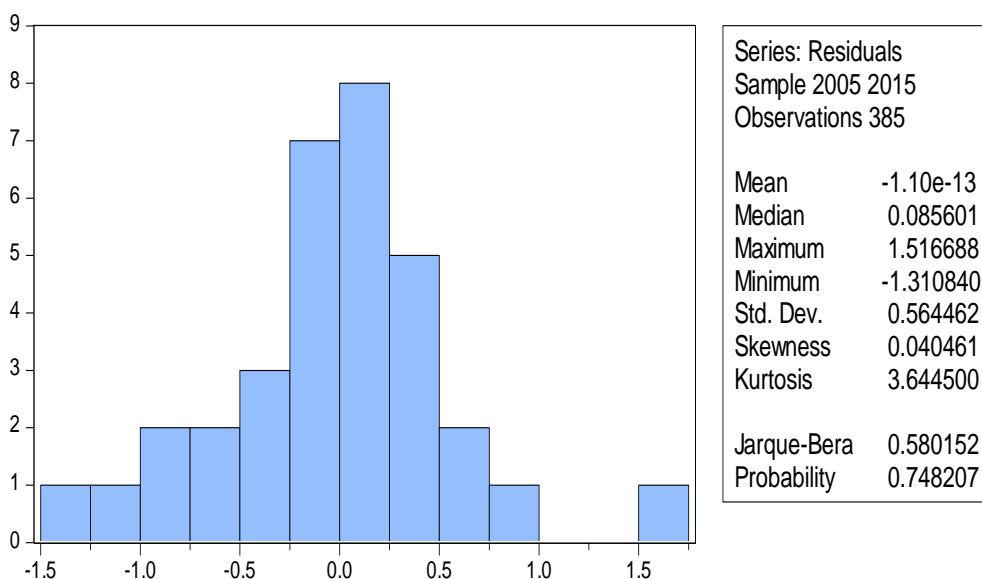
Figure 1. Normality test

Results as shown in figure 1 has a Jarque Bera statistics of 0.580152 and probability of 0.748207. The implication of this result is that the estimated panel model is normally distribute meaning that the results as interpreted via the parameter estimates is reliable.

Institutional structure effect on IFRS adoption and FPI relationship

However, the moderating effect of institution variables in the effectiveness of IFRS on FPI inflow is further investigated. This is done by splitting the results into two that is, fully adopted countries and non-fully adopted countries. The result is presented in table 5.

Table 5. Institutional variables and IFRS adoption/FPI relationship

IFRS Non-Fully Adopted Countries				IFRS Fully Adopted Countries		
Variable	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
C	-5.697545	4.005951	0.1566	7.064784	2.541699	0.0062
REG	381.9085	102.9174	0.0003	34.95330	8.219626	0.0188
COR	-49.30365	98.82225	0.6184	-94.91088	23.28600	0.0001
COR_IFRS	126.5371	88.67535	0.1552	173.1352	14.19181	0.0011
EG	17.56126	4.467629	0.0001	1.578810	2.456136	0.5214
INF	-6.090681	2.726368	0.0266	0.973316	1.534924	0.5270
INT	0.269558	2.792679	0.9232	1.493530	1.424151	0.2961
LNEXR	1.979190	0.729502	0.0073	-0.829264	0.538541	0.1259
LNMCAP	-0.117578	0.114696	0.3066	0.330241	0.217424	0.1310
TAX	0.303943	5.548864	0.9564	-7.994709	4.178473	0.0577
TOP	-0.394547	0.236528	0.0969	0.220170	0.791779	0.7814
	R-squared	0.740059		R-squared	0.710646	
	F-statistic	18.65296		F-statistic	14.32652	
	Prob(F-statistic)	0.000000		Prob(F-statistic)	0.000000	

Results on table 5 further underscores the importance of institutional structures in determining FPI inflow into African countries. The most dominant out of the three variables used to proxy institutional structures is the REG, which represents how proactive a government is in formulating and implementing policies. Results from the both the fully adopted and non-fully adopted countries indicate that there is a positive and significant relationship between FPI and REG. According to the coding of the REG, it is measured in units that range from -2.5 to 2.5. The higher value reflects the competency of the government to formulate and implement the policies. Therefore, the positive relationship shows that the more proactive a government of a country is in formulation and implementation of policies the higher the values of the FPIs for the country. Findings from this analysis show that for both fully and non-fully adopted countries, their governments' pro-activeness in formulation and implementation of policies is an important determinant of FPIs.

Corruption index is another variable used for institutional structure in the study and the results show that while it is significant in fully adopted countries, it is not significant in the non-fully adopted countries. Notwithstanding, the sign is negative and going by the scale of the corruption perception index as used in the analysis, the

result show that the cleaner a country is the higher the volume FPI. However, this is only significant in the IFRS fully adopted countries.

The third variable used for institutional structure is $COR_{it}*IFRS_{it}$ which indicates the interactive of the corruption as a variable that measure the institution and IFRS to determine how effective the government institution impact on accounting environment in a country. The results from table 4.18 show that the variable is more significant in IFRS fully adopted countries than non-fully adopted countries. The implication of this result is that corruption interaction with IFRS constitute a significant factor influencing FPIs in countries that have fully adopted countries.

It should also be noted that macroeconomic variables such as inflation rate, economic growth and exchange rate are more significant in determining FPIs in non-fully adopted countries than in the fully adopted countries. This simply shows that in the absence of IFRS foreign investors consider macroeconomic indicators as important factors that determines their investment decisions.

However, on comparative grounds, the institutional structure variables are more significant in the fully adopted countries than the non-fully adopted countries as shown table 5. The level of dominance of institutional structure is shown through statistical significance of the variables used to capture it in the estimated panel models. This is a pointer to the fact that institutions are very important in determining the effectiveness of IFRS on inflow of FPIs into African Countries.

Conclusions and Recommendations

Based on the results and findings from the study, some important conclusions are made Firstly, the results have shown that countries that have fully adopted IFRS record its significant impact on their FPIs. Again, this is supporting our findings in objective one, which shows that there is a significant difference in the levels of FPI before and after the adoption of IFRS. This result further underscores the importance of full adoption of IFRS as it constitutes an important driver of FPIs in these countries. According to the results from Efobi, Iyoha and MUkoro (2014) full adoption of IFRS usually gives more confidence to foreign investors and boost the domestic investment climate. Therefore, the results from this analysis is supporting these findings.

Secondly, it has been revealed from the results that non-adoption of IFRS fully will not have significant impact on FPI. The coding of the countries that either have not adopted or that have partially adopted add beauty to the results as it indicates that the extent of the adoption also have its own effect on the FPIs. Although, both non-adoption and partial adoption have been shown not have significant impact on FPI yet the result revealed that the extent of adoption reflects on the FPIs of these countries. The implication of the results is that countries that allow IFRS for some

companies but not all and companies might not witness its impact significantly on their levels of FPIs.

Again, it can be concluded from the study that the effects of institutional structures on FPIs appear to be more significant in the IFRS fully adopted countries than in the IFRS non-fully adopted countries. The reason behind this might not be unconnected to the fact that foreign investors are more concern with the institutional structures that will create enabling environment for IFRS to influence their portfolio investments positively. However, in the IFRS non-fully adopted countries, foreign portfolio investors are more concern with the macroeconomic indicators or environments of these countries as determinants of their investment decisions. The major implication of this finding is that IFRS will have more influence on FPI when institution structure of a country is very vibrant.

Among the variables that failed to have individual significant impacts on FPI is market capitalization. This is an indication that stock markets development in Africa are still very far from having the desired impact on FPI. This might not be a good omen for the capital markets in Africa since FPI measures the inflow of portfolio investment into a country and their destinations should be capital markets. Therefore, in a situation where the major indicator of stock market is not an important driver of FPI then there are still some developmental problems with the stock markets in Africa.

It is recommended that African countries should not just focus on adoption of IFRS alone in order to improve their FPI inflow but to also work on their institutions structure as it has been confirmed from the findings for this study that institutional variables are very germane in influencing the effectiveness of IFRS on FPI.

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