

APPRAISAL OF CORPORATE REPORTING REGULATION AND SUSTAINABLE DEVELOPMENT OF AFRICA: EVIDENCE FROM THE 54 SIGNATORIES TO THE AFRICAN CONTINENTAL FREE TRADE AREA

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Abstract

This study investigated the effect of corporate reporting regulation and sustainable development of Africa with evidence from 54 signatories to the Africa Continental Free Trade Area from 2002-2021. Two specific objectives were the focus of the study and corresponding two hypotheses were formulated for the study. Ex-post facto research design was employed in the study. The population of the study included all 54 signatories to the Africa Continental Free Trade Area from 2002-2021. The study relied on secondary sources of dataset which was obtained from websites of relevant authorities IFRS foundation, Global Reporting Initiative, United Nations Global Compact, Sustainable Stock Exchange Initiative, World Bank, International Monetary Fund, UN Statistics Division and official documents of states. Amongst other preliminary analysis and tests, the panel least square regression analysis was done in validating the hypotheses. The study found IFRS adoption to have significant positive effect on the economic development of signatories to the AfCFTA with p -value = 0.0000. The study also found a significant negative effect on the attainment of sustainable development goals (SDG1-Poverty) of signatories to the AfCFTA with p -value = 0.0216. Consequent on the findings of the study, it is recommended that signatories to the African Continental Free Trade Area agreement should make the IFRS a compulsory financial regulation standard for members as this has shown evidence of improving transparency in reporting thereby enhancing foreign investors' trust which ultimately increases FDI creating ripple effect on gross domestic products and reduces poverty in the area.

Key words: Asset, PPE, Current asset, Performance, Panel regression, Interaction

Introduction

Since the end of colonial control, many countries in Africa are still struggling to stand economically and attain self-sufficiency in production. Africa has been lagging behind in world economy; the continent which boasts of over 1.3 billion people with abundant natural and human resources contributing about 3% in the world economy. The continent has been saddled with poor infrastructure to support life and business, lack of market for its manufactured products, hostile economic and political

environment and so on. These problems and many more have resulted in the production of goods and services that are less competitive at the international market. The manufacturing sector which is very essential for economic growth and development is in a comatose state as a result of lack of market for goods produced in Africa. Many economies in Africa have suffered economic setbacks because of their market and political inability. This has resulted to high rate of unemployment and wide spread poverty experienced in the continent today.

In order to take advantage of collective effort and achieve synergy to boost individual countries, the African Union in 2018 established the African Continental Free Trade Area (AfCFTA) - the largest trading bloc since the World Trade Organization, with aggregate gross domestic product of 2.5 trillion USD, 54 African countries and a population of 1.3 billion (Bengoa, Mathur, Marayanan & Norberg, 2021; Gachuri, 2020). The operational phase of the AfCFTA was launched at the Niger Summit of the African Union in 2019. The AfCFTA is governed by five operational instruments, which are the rules of origin, the online negotiating forum, the monitoring and elimination of non-tariff barrier, a digital payment system and the African Trade observatory.

Alas, four years after the establishment of AfCFTA and three years after the agreement is operational, Africa still contributes barely 3% to the global GDP, with high incidence of poverty and unemployment (Coleman, 2020). Studies have also shown that businesses also face among other things regulatory differences in cross border trade. (Songwe et al, 2021).

There is therefore need to acknowledge that bringing different participants from different jurisdictions requires them to have a common level of reporting to ease understanding of corporate reports and for easy comparison across all jurisdictions. However, none of the protocols of the trade agreement contains any guideline or policy agreement on corporate reporting. Since corporate report is an essential tool for communicating with stakeholders. Hence, it has become highly necessary to investigate the regulatory environment of corporate reporting to find out if it encourages investments that promote economic and sustainable development in Africa.

At the backdrop of these arguments, the researchers formulated the following hypotheses to navigate their investigations:

H₀₁: IFRS adoption have no significant positive effect on the economic development of signatories to the AfCFTA.

H₀₂: IFRS adoption have no significant negative effect on the attainment of sustainable development goals (SDG1-Poverty) of signatories to the AfCFTA.

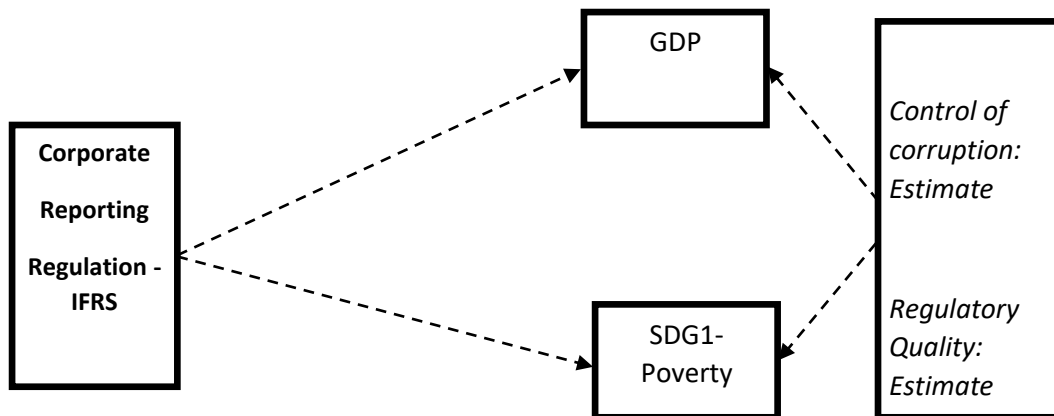
The paper is organised as follows' the next section reviews relevant literature with regards to context justification and provide a theoretical background for the study, respectively. Next describes the sample data and empirical methodology. The last section summaries the main results, offers conclusion and recommendations.

Review of Related Literature

Conceptual Framework

In this study, the independent variable is the corporate reporting regulation of African countries, the dependent variables are the economic growth and sustainable development goals 1- which is elimination of poverty and the control variables are corruption and regulatory quality of the countries under study. The relationship among these variables is shown in the diagram below and the concepts are discussed in this chapter, along with the theoretical framework of the work and the empirical review.

Figure 1: Schematic representation of the conceptual framework



Source: Authors' conceptualization, 2023

Conceptual Reviews

Corporate reporting

Corporate reporting is the process by which an organization communicates relevant material information about itself to its stakeholders for decision making (Islam, 2017). It is prompted by the need to disclose relevant information about an organisation and its management to different stakeholders. A lot of importance has been placed on corporate reporting that good corporate reporting is often regarded as a sign of effectiveness and efficiency in corporate governance. (Deloitte, 2016; Aruwa, 2010).

The aim of corporate reporting is to create information, to connect to the different stakeholders, form a basis for comparison and enable the users of such information to make better decisions. It is also a basis to source for funding from investors. Usually, these reports are made in a systematic manner to enhance understandability and comparability by following standards set by relevant authorities. Corporate reporting includes audit reporting, financial reporting, corporate governance, corporate social responsibility reporting, integrated reporting and other reports published by organisations from time to time (Cordos, Fülöp & Măgdaş, 2020, Deloitte, 2016; Federation of European Accountants (FEE),2015). For the purpose of this study, corporate reporting refers to the process by which organisations make relevant disclosures to different interest groups within and outside the organisations, on its activities in the past, what it is doing and what it intends to do in the future and strategies put in place to achieve the goals focusing on the financial reporting.

Financial reporting

Financial reporting is the crux of corporate reporting and has been in existence for a long period of time. It is also known as the traditional corporate report. It includes financial statements and accompanying notes that are prepared in accordance to generally accepted accounting practice (GAAP) (Cordos et al, 2020). It has to do with disclosures on the financial state of an organisation as well as its performance of the period under review. The reports usually follow accounting principles and concepts and adhere to standards set by relevant authorities.

Regulatory environment for corporate reporting

Regulatory environment refers to the laws, policies and regulations put in place by the government or its agencies or other non-governmental agencies to regulate and monitor business conduct as well as enforce compliance. The laws and regulations are monitored and enforced by institutions established by the government for such purpose. The regulatory environment is part of the external business environment because it is not under the direct control of management. This environment is so important that it can affect the strategic objectives, performance and even existence of an organization. It can also stimulate or hinder economic growth and development of a country because investors consider the regulatory environment of a country before choosing to locate a new business or expand existing ones (Borek, Parlikad, Webb & Woodall, 2014). In corporate reporting, the regulatory environment is made up of laws, standards and guidelines which business organisations are required to adhere to in the preparation of it corporate reports. Some of the popular standards and organisations in corporate reporting will be discussed below.

International Financial Reporting Standards (IFRS)

The growth in international trade and global business brought about the need to have a robust accounting standard that can be applied in any country of the world. IFRS came as the solution to the problem of divergent national accounting standards (IFRS

Foundation, n.d). It is a principled based accounting standard issued by International Accounting Standard Board (IASB). It replaced and adopted the International Accounting Standard (IAS) published by the International Accounting Standard Committee (IASC) in 2001. The work of IASB is supported by the International Financial Reporting Standard Interpretation Committee (IFRIC) to provide International Financial Reporting Interpretations where there is disagreement in practice (Institute of Chartered accountants of Nigeria (ICAN), 2021).

It is pertinent to note that national financial reporting regulations must approve the use of IFRS before it can be applied by companies in that jurisdiction (ICAN, 2021). Currently, over 140 jurisdictions require companies to use IFRS to prepare financial statements and many more permit its use.

A lot of benefits have been accrued to the use of IFRS. It is believed that the use of IFRS increases the comparability of financial reports prepared in different jurisdictions across the globe. It facilitates the access to international finance as foreign investors are able to understand the basis on which the financial statements are based thereby reducing the cost of capital and information gap; this can foster the expansion of international trade and simplify the preparation of group accounts especially with subsidiaries in different jurisdictions. (ICAN, 2021).

Economic sustainability

The United Nations' Brundtland report defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987 in (Aggarwal, 2013, Mensah, 2019). The relevance of sustainable development deepens with the dawn of every day because the population keeps increasing but the natural resources available to human kind do not (Mensah, 2019).

The current study looked at economic sustainability from the stand-point of increase in gross domestic product (GDP) which is an increase in the production of goods and services - in terms of quality and quantity in a society for a particular period of time and decline in poverty as stated in SDG-1. Economic growth has proven to be the most effective tool for poverty reduction and improvement of standard of living that any successful strategy for poverty reduction must have at its core measures to promote rapid and sustained economic growth.

Economic growth leads to creation of job opportunities, improved human capital development, better quality of life and improvement in the overall wellbeing of any country. It is imperative to note that the institutional setting in any economy affect the level of investment in human and physical capital, the scope of technology transfer and a whole host of the key conditions for economic growth (Amadeo, 2022; Roser, 2022).

Empirical Review

Cualain and Tawiah (2023), to review existing literature on the consequences of IFRS adoption in Europe with a specific focus on different enforcement environment. They employed a critical review approach- review in Europe the comparative analysis among for countries based on enforcement environment, review of high-quality journals based on Chartered Association of Business Schools (CABS) journal rankings. They found that the consequences of IFRS adoption depend on the country's enforcement environment. Strong enforcement results to more pronounced effects.

Arena, Azzone Ratti, Urbano and Vecchio (2022), explored the sustainable development goals (SDG) reporting practices in oil and gas industry and the characteristics of companies that engage in SDG reporting. Sample was 75 oil and gas companies; content analysis was used for data collection. Descriptive statistics and two tailed non parametric test were used for analysis. They found that SDG was relevant in the oil and gas industry; the level of internationalization, location of head quarter in Europe and availability of funds affect report.

Erin, Bamigboye and Oyewo (2022), examined the SDG reporting of the top 50 companies in Nigeria. They employed survey method and content analysis of 2016-2018 annual report of selected companies. They found that companies performed poorly on SDG reporting; lack of regulatory framework and voluntary disclosure are the major factors that cause low level of report in addition to lack of management commitment.

Ellili and Nobanee (2022), investigated the degree of sustainability disclosure of listed banks in the UAE financial market and analyzed the effect of sustainability disclosures on banking performance. They used content analysis and dynamic pane regression. They found that level of sustainability disclosure is low and sustainability disclosures have a significant impact on bank performance.

Mulhunayake and Kawshalya (2021), examined the impact on IFRS adoption on the accountinbg information quality in terms of value relevance and the effect of key financial mesrures of financial statements in Sri Lanka. Data was sourced from annual financial statements and Colombo stock exchange reports for 2008/2009 – 2017/2018. Regression was used to analyse the data. They found that the book values of equity increased upon IFRS adoption.

Gaps in Knowledge

The drawbacks arising market and political inability in Africa resulting to high rate of unemployment and wide spread poverty has necessitated the established the African Continental Free Trade Area (AfCFTA). Despite this initiative, Africa still performs poorly in the global market outlook. Some researchers already carried out studies which captures IFRS adoption and its consequences. For instance, Cualain and Tawiah (2023) reviewed existing literature on the consequences of IFRS

adoption but only focused in Europe. There is need to extend such studies to Africa in other to evaluate the outcome.

Also, Erin, Bamigboye and Oyewo (2022); Arena, Azzone, Ratti, Urbano and Vecchio (2022), who carried out their study in Nigeria examined the SDG reporting of the top 50 companies in Nigeria from 2016-2018. There is need to extend the time scope to capture variations that could have been prompted by the COVID-19 Pandemic.

Finally, Mulhunayake and Kawshalya (2021) in Sri Lanka who conducted a study on the impact IFRS adoption only focused value relevance from 2008-2018. It is therefore imperative to address the aforementioned gaps which could throw some insights to the epileptic sustainable development in Africa.

Methodology

Research design

The study employed the ex-post facto research design while combining with, descriptive statistics. This design is chosen because the study aims to explore the characteristics of the population, analyze their interaction with one another in order to make inferences from the analysis and also because the focus will be on events that have already occurred which cannot be manipulated but was used as it is.

Population of study and Sampling techniques

The population of study was made up of all the 54 signatories to the Africa Continental Free Trade Agreement from 2002-2021. No sampling technique was applied to the study because no sample was taken for the study. The entire population was studied

Instrument of Data Collection

The research used secondary data. Data was collected from websites and database of relevant authorities like IFRS foundation, Sustainable Stock Exchange Initiative, World Bank, and official documents of states. The instrument of data collection was document review. This instrument was chosen because it was the most appropriate for the study.

Reliability of the Instrument

The instrument of data collection is reliable and can be replicated by anybody. The sources of data are easily available and trusted by agencies and governments around the world for decision making.

Method of Data Collection

Content analysis was used to collect data from websites of relevant authorities IFRS foundation, Global Reporting Initiative, United Nations Global Compact,

Sustainable Stock Exchange Initiative, World Bank, International Monetary Fund, UN Statistics Division and official documents of states.

Method of Data Analyses

The study employed both *descriptive* and *inferential* statistical techniques to analyse the dataset under study. The following descriptive statistics were computed as the mean, median, standard deviation, minimum, maximum values, and Skewness-Kurtosis statistics, etc. The correlation matrix was also constructed to identify the correlation between the dependent and independent variables. Lastly, Fixed or Random effect and Pooled OLS regression was used to validate the hypotheses. Other preliminary diagnoses test was also carried out such as Variance Inflation Factor (VIF) to test for Multicollinearity test, Jarque-Bera normality test, and Hausman’s test serial correlation test. These tests helped to determine the most appropriate model to employ. The goodness of fit of the model was tested using the Coefficient of Determination (R-squared) and analysis was done via E-Views statistical software. In view of the dependent, independent and control variables of the study, the following model was developed to examine the relationship between the independent variables, dependent variables and control variables. This approach is in line with Hair, Black, Babin, Anderson, and Tatham (2006).

$$N_GDP = f(IFRS, CC, RQ) \dots\dots\dots (1)$$

$$POV = f(IFRS, CC, RQ) \dots\dots\dots (2)$$

Equations 1-2 can be written econometrically as presented in equations 3-4 as follows:

$$N_GDP_{it} = \eta_0 + \eta_1 IFRS_{it} + \eta_2 CC_{it} + \eta_3 RQ_{it} + \sum_t \dots\dots\dots (3)$$

$$POV_{it} = \eta_0 + \eta_1 IFRS_{it} + \eta_2 CC_{it} + \eta_3 RQ_{it} + \sum_t \dots\dots\dots (4)$$

Where:

N_GDP_{it} = Log transformed value of Gross domestic product of country *i* at time *t*.

POV_{it} = Poverty index of country *i* at time *t*.

CC = Control of corruption: Estimate

RQ = Regulation quality: Estimate

IFRS = International financial reporting standard adoption

t = Time dimension of the variables

η₀ = Constant or Intercept.

η₁₋₄ = Coefficients to be estimated or the Coefficients of slope parameters.

The expected signs of the coefficients (a priori expectations) are such that η₁, η₂ and η₃ > 0; while, η₄ < 0

Data Presentation and Analysis

The empirical analysis required a total five variables computed for each of the selected country year. The data presentation and analysis are sub-divided into five sections, as follows: The descriptive (univariate properties) statistics of the selected firm specific financial variable; The correlation matrix of the selected variables. The Hausman test statistic (Fixed vs. Random Effects Regression) and the Variance Inflation Factors (VIF); the test of hypotheses and the discussion of findings emanating from the study.

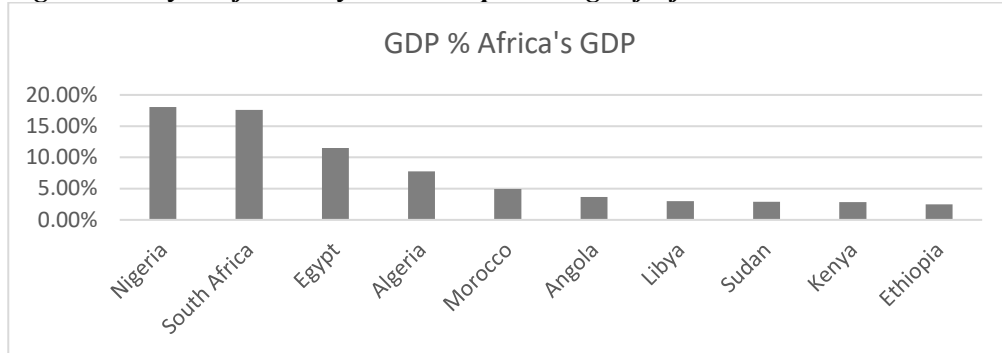
Data Presentation

Table 4.1: Data presentation according to Top 10 largest economy in Africa from 2002-2021 (presented in average value)

Country	CC	RQ	IFRS	GDP (USD)	GDP% of Africa's GDP	Poverty_Index
Nigeria	-0.902	-1.151	1.35	350,924,000,000.00	18.06%	2.01
South Africa	0.389	0.089	2.85	342,336,000,000.00	17.62%	11.87
Egypt	-0.511	-0.601	0.3	223,575,000,000.00	11.51%	3.02
Algeria	-0.616	-0.973	0	150,903,000,000.00	7.77%	0.28
Morocco	-0.158	-0.343	1.4	96,458,517,830.00	4.96%	0.69
Angola	-1.017	-0.55	0.7	71,552,640,240.00	3.68%	1.62
Libya	-1.71	-1.284	0	57,827,886,874.00	2.98%	0
Sudan	-1.419	-1.347	0	56,572,351,047.00	2.91%	2.33
Kenya	-0.297	-0.947	3	55,405,408,008.00	2.85%	4.15
Ethiopia	-1.018	-0.584	1.2	48,086,242,659.00	2.47%	4.59

Source: World Economic Reports, IMF, (2002-2021)

The table 4.1 showed the panel data for our variables included in the model given in average form. The independent variables included; international financial reporting standards (IFRS) while the control variables included; control of corruption (CC) and regulation quality (RQ). On the other hand, the dependent variables are gross domestic products (GDP) used as proxy for economic development and SDG1- which points to poverty index for the countries in Africa.

Fig.4.1: Analysis of Country GDP as a percentage of Africa's GDP

Source: Ms-Excel plot from Dataset (2002-2021)

Fig. 4.1 shows the top 10 African countries by GDP percentage of Africa's total GDP. From the chart, Nigeria is the largest economy in Africa, with an average GDP of 351Billion USD from 2002-2021 covering 18.06% of Africa's total GDP. However, this represents a decline on several occasion from 2009 (which marked the effect of the Global financial distress in 2008). Nigeria also fell into depression in 2015 when the Nigerian borders where closed, inflation rose to an all-time high and several businesses relocated from the country. This depression became severe in 2016 when the rate of depression rose to 21.84% against the 16.46 in 2015. From 2017, Nigeria began to experience recovery but later plunge into depression again in 2020 owing to the COVID-19 pandemic and its impact on the Nigerian economy, particularly the oil sector, which is a major source of revenue for the country. Despite these setbacks, Nigeria remains a major player in the African economy, with a diverse economy that includes agriculture, manufacturing, and services.

South Africa is the second-largest economy in Africa within this period, with a GDP of 342Billion USD from 2002-2021. South Africa's economy has been struggling in recent years, with low growth rates and high levels of unemployment. The COVID-19 pandemic has only worsened these problems, with lockdowns and restrictions affecting many sectors of the economy. However, there are signs of recovery, particularly in the mining and manufacturing sectors.

Egypt is the third-largest and one of the fastest growing economies in Africa, with a GDP of 224Billion USD from 2002-2021. Egypt's economy has been growing steadily in recent years, with a focus on infrastructure investment, tourism, and natural gas production. However, the COVID-19 pandemic has also had an impact on Egypt's economy, particularly in the tourism sector, which has been hit hard by travel restrictions and lockdowns.

Algeria which is the fourth-largest economy in Africa, has a GDP of 151Billion USD from 2002-2021. Algeria's economy is heavily dependent on the oil and gas sector, which accounts for around 60% of the country's budget revenues. However, like

many other oil-producing countries, Algeria has been hit hard by the fall in oil prices and the COVID-19 pandemic.

Morocco is the fifth-largest economy in Africa, with a GDP of 96Billion USD from 2002-2021. Morocco's economy is relatively diversified, with key sectors including tourism, agriculture, and manufacturing. However, like many other countries, Morocco has been hit hard by the COVID-19 pandemic, particularly in the tourism sector.

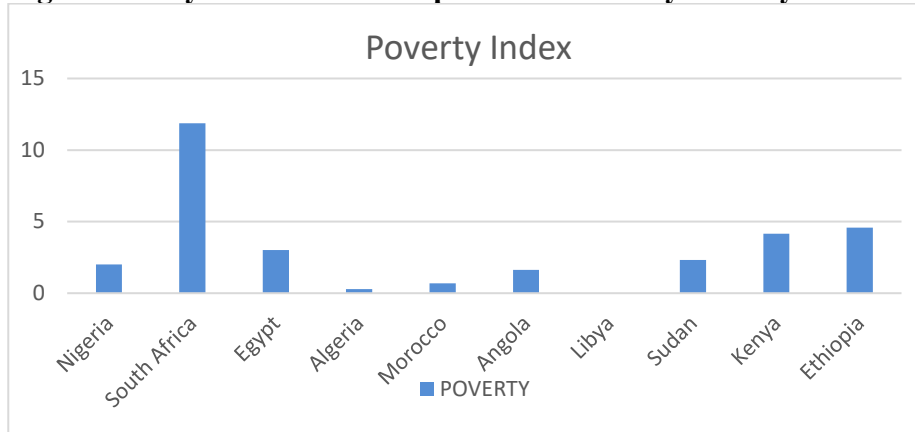
Angola is the sixth-largest economy in Africa, with a GDP of 72Billion USD from 2002-2021. Angola's economy is heavily dependent on the oil sector, which accounts for around 90% of the country's exports. Like other oil-producing countries, Angola has been hit hard by the fall in oil prices and the COVID-19 pandemic.

Libya is the seventh-largest economy in Africa, with a GDP of 58Billion USD from 2002-2021. Libya's economy is diverse, with key sectors including oil, agriculture and mining. However, like many other countries, Libya has been hit hard by the COVID-19 pandemic, particularly in the tourism sector.

Sudan is the eight-largest economy in Africa, with a GDP of 57Billion USD from 2002-2021. Sudan had been plagued by political instability thus affecting its economy which covers, mining, and oil. Sudan was also hit by the COVID-19 pandemic, particularly in the tourism sector.

Kenya is the ninth-largest economy in Africa, with a GDP of 55Billion USD 2002-2021. Kenya's economy is diverse, with key sectors including agriculture, manufacturing, and services. However, like many other countries, Kenya has been hit hard by the COVID-19 pandemic, particularly in the tourism sector.

Ethiopia is the tenth-largest economy in Africa, with a GDP of 48Billion USD from 2002-2021. Ethiopia's economy is also diverse, with key sectors including agriculture, manufacturing, and services. However, the COVID-19 pandemic has had a significant impact on the country's economy, particularly in the tourism sector.

Fig.4.2: Analysis of Africa's Top 10 economies by Poverty Index

Source: Ms-Excel plot from Dataset (2002-2021)

Despite being the largest economy in Africa, Nigeria has a high poverty index of 2.01, with approximately 40% of its population living below the poverty line. This can be attributed to a number of factors, including high levels of unemployment, income inequality, and a lack of access to basic services such as education and healthcare.

South Africa which is the second largest economy in Africa has a poverty index of approximately 11.87, which is relatively high compared to many other African countries. Despite the cosmopolitan nature of major cities in South Africa, poverty and inequality remain major challenges in the country, particularly for historically disadvantaged communities. This has been exacerbated by the COVID-19 pandemic, which has had a significant impact on the country's economy.

Egypt has made significant progress in reducing poverty in recent years, with a poverty index of approximately 3.02. This can be attributed to a number of factors, including economic reforms, increased investment in infrastructure and social services, and a growing tourism industry.

Algeria has a poverty index of approximately 0.28, which is relatively low compared to many other African countries. However, the country has been heavily impacted by the decline in global oil prices, which has had a significant impact on its economy and led to high levels of unemployment.

Morocco has a poverty index of approximately 0.69, which is also relatively low compared to Nigeria, South Africa and other African countries. The country has made significant progress in reducing poverty in recent years, particularly through investment in education and healthcare, as well as efforts to promote economic growth and job creation.

Although Angola is not considered among the 5 largest economies in Africa, it has a relatively low poverty index of approximately 1.62, which is relatively low compared to many other African countries. The country has also been heavily

impacted by the decline in global oil prices, which has had a significant impact on its economy and led to high levels of unemployment.

The dataset collected showed that Libya has a poverty index of approximately 0.0, within the period of 2002-2021 which is questionably low considering the political unrest and conflicts that has plagued the country.

Sudan has a poverty index of approximately 2.33, which is relatively high compared to Algeria, Morocco and Libya but low compared to Nigeria, South Africa and other African countries. The country has been heavily impacted by years of conflict and political instability, which have severely impacted its economy and led to high levels of displacement and food insecurity.

Kenya has a poverty index of approximately 4.15, which is relatively high compared to many other African countries. The country has made significant progress in reducing poverty in recent years, particularly through investment in infrastructure and social services, as well as efforts to promote economic growth and job creation. Finally, Ethiopia has a poverty index of approximately 4.59, which is relatively high compared to many other African countries. The country has made significant progress in reducing poverty in recent years, particularly through investment in infrastructure and social services, as well as efforts to promote economic growth and job creation. However, the country continues to face significant challenges related to food insecurity and displacement.

Descriptive Statistics

The descriptive statistics of the variables utilized in the study were presented in Tables 4.2. The table below shows the mean, median, standard deviation, observations, minimum and maximum values of each selected variable. The description helps in showing the nature of the data and normality of the dataset.

Table 4.2: Descriptive statistics of main variables employed in the study

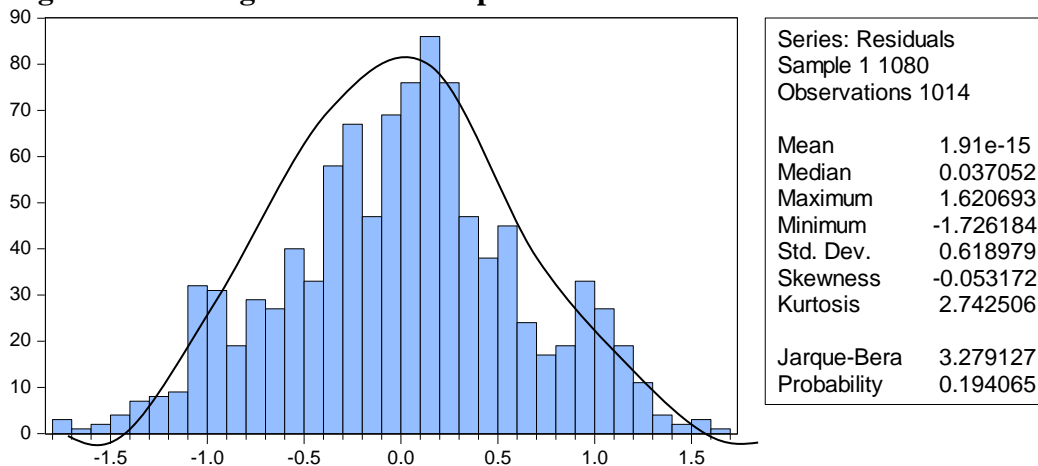
	CC	IFRS	NFR	POV	RQ
Mean	-0.676932	1.120316	0.229783	5.238560	-0.615413
Median	-0.681284	0.000000	0.000000	0.000000	-0.689433
Maximum	1.196947	3.000000	3.000000	80.70000	1.633352
Minimum	-2.282205	0.000000	0.000000	0.000000	-1.778053
Std. Dev.	0.591262	1.360608	0.624808	15.11394	0.626859
Skewness	0.213668	0.473408	3.239676	2.860556	0.664867
Kurtosis	3.525039	1.347603	13.65174	10.10303	3.065914
Jarque-Bera	19.36239	153.2356	6567.401	3514.533	74.88980
Probability	0.000062	0.000000	0.000000	0.000000	0.000000
Sum	-686.4089	1136.000	233.0000	5311.900	-624.0288
Sum Sq. Dev.	354.1357	1875.321	395.4606	231400.8	398.0603
Observations	1014	1014	1014	1014	1014

Source: E-Views 9.0

The observations row shows the number of cases included in each analysis of the variables of the study as one thousand and fourteen for both the dependent and independent variables. From the table above, the average of each variable shows the measure of central tendency which represents the mean value of the variables; while, the standard deviation is the measure of the average distance between the values of the data in the set and the mean. A low standard deviation ($SD < 1$) indicates that the data points tend to be very close to the mean; while a high standard deviation ($SD > 1$) indicates that the data points are spread out over a large range of values. A high standard deviation points to the presence of bias and abnormality in the dataset. The summary statistics revealed that only the poverty index revealed a standard deviation of above 1. This could be attributed to the nature of data collected for poverty index for the relevant countries and year.

The summary statistics also depict the skewness and kurtosis for all variables which reports on the normality of the data. The skewness revealed a value of 0.213668, 0.058251, 0.473408, 2.860556 and 0.664867 for CC, N_GDP, IFRS, POV and RQ respectively while and kurtosis revealed a value of 3.525039, 2.766911, 1.347603, 65174, 10.10303 and 3.065914 for CC, N_GDP, IFRS, POV and RQ respectively. The skewness and kurtosis threshold upholds that those values between -2 to +2 and -7 to +7 are reported as normal distribution (George & Millery, 2010; Bryne, 2010). The skewness and kurtosis value are therefore indicative that the independent variables are fairly normally distributed as they cluster towards the center and are also peaked.

Figure 4.1: Histograms of the independent and control variables



The histograms displayed above show that CC, N_GDP, IFRS, POV and RQ are fairly normally distributed as they cluster towards the center and are also peaked. This bell-shaped shape is a reflection of the normality of the dataset.

Correlation Matrix

The Pearson correlation describes the strength and direction of the linear association between two variables. The results indicate variables that have a correlation as shown in Tables 4.3 below.

Table 4.3: Covariance and Correlation analysis of variables

Covariance Analysis: Ordinary
 Date: 03/02/23 Time: 13:49
 Sample: 2002 2021
 Included observations: 1014

Covariance Correlation t-Statistic Probability	CC	N_GDP	IFRS	POV	RQ
CC	0.349246 1.000000 ----- -----				
N_GDP	0.049139 0.117023 3.748494 0.0002	0.504869 1.000000 ----- -----			
IFRS	0.312598 0.388957 13.43110 0.0000	0.190281 0.196919 6.389470 0.0000	1.849429 1.000000 ----- -----		
POV	0.489423 0.054822 1.746623 0.0810	-0.286575 -0.026698 -0.849631 0.3957	0.037767 0.001838 0.058482 0.9534	228.2059 1.000000 ----- -----	
RQ	0.237699 0.641956 26.63464 0.0000	-0.040534 -0.091050 -2.908551 0.0037	0.171698 0.201507 6.544595 0.0000	0.694245 0.073349 2.339675 0.0195	0.392564 1.000000 ----- -----

*Source: E-views, ver. 9.0 *Significant @ 5%*

The correlation analysis reveals the nature of association between the variables employed in the study. The correlation matrix also showed the absence of multicollinearity as none of the independent variable (IFRS) and control variables (CC, RQ) presented a near-perfect correlation. This supports the unbiased inclusion of all independent and control variables in the model developed for the study.

Another interesting insight from the correlation matrix is the relationship between poverty and gross domestic product (GDP). The table revealed a negative insignificant association between GDP and poverty in Africa (corr. = -0.0267, t-stat = -0.0850, p-value = 0.3957). While there is no logical reason why GDP should have

negative relationship with poverty, it can be said that the rise in a nations GDP has shown very insignificant effect on the poverty level in Africa. This is arguably attributed to the inequitable distribution of wealth in most African countries.

Also, the correlation matrix revealed a positive association between corporate regulations and control of corruption and regulatory qualities. The implication of this is that, countries with sound corporate regulations in place have done well in controlling corruptions and enhancing the quality of regulations.

Hausman Specification Test

The Hausman Test is used to check for which model to employ in the statistical analysis based on appropriateness. The following hypothesis guided these analyses for both model:

H_0 : Random-effects model is appropriate

H_1 : Fixed-effects model is appropriate

Table 4.4: Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	18.015866	4	0.0012

Source: E-views 9.0

The hausman test for model one revealed a probability value of 0.0012 ($P < 0.05$) which is below the decision threshold for hausman's test. Hence, we reject the null hypothesis and conclude that fixed effect model (FEM) is appropriate for validating our hypothesis one and two.

Variance Inflation Factors (VIF)

Table 4.5: Variance Inflation Factors (VIF) of models
Variance Inflation Factors
Date: 03/02/23 Time: 15:32
Sample: 1 1080

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.001720	4.534803	NA
IFRS	0.000251	2.053625	1.223382
CC	0.002145	4.565190	1.974500
RQ	0.001655	3.364179	1.712253

Source: E-views, ver. 23

Generally, a VIF above 4 or tolerance below 0.25 indicates that multicollinearity might exist. However, when VIF is greater than 10 or tolerance lower than 0.1, there is significant multicollinearity in the model. Table 4.4.1 shows the VIF and tolerance value for our independent and control variables falling below the acceptable threshold of 4 and 10. Hence, we conclude that there is no multicollinearity in our model.

Test of Hypotheses

Hypothesis One

H_{01} : IFRS adoption have no significant positive effect on the economic development of signatories to the AfCFTA.

Table 4.6: Fixed Effect Regression

Dependent Variable: N_GDP

Sample: 2002 2021

Periods included: 20

Cross-sections included: 52

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.914283	0.027412	361.6719	0.0000
IFRS	0.121379	0.007247	16.74805	0.0000
CC	0.059998	0.036108	1.661618	0.0969
RQ	-0.030125	0.034078	-0.883999	0.3769
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.937680	Mean dependent var	10.02819	
Adjusted R-squared	0.934171	S.D. dependent var	0.710892	
S.E. of regression	0.182395	Akaike info criterion	-0.512568	
Sum squared resid	31.90401	Schwarz criterion	-0.245614	
Log likelihood	314.8720	Hannan-Quinn criter.	-0.411175	
F-statistic	267.2086	Durbin-Watson stat	0.249483	
Prob(F-statistic)	0.000000			

Source: E-views 9.0

The regression model I shown in table 4.6 with one independent variable (IV) and two control variables (CVs), as follows: IFRS adoption, control of corruption and Regulation quality. In model validation, the following are considered: F-statistics and the overall R^2 are used. The overall R-squared is 0.937680 and the adjusted R-squared, 0.934171. The p -value of the F-statistics is (0.0000). That is, less than .05 which confirms the statistical significance of the model. Specifically, IFRS adoption is the variable of interest for hypothesis one. The *coefficient* of the variable of interest: IFRS was (0.121379) and *t-statistic* (16.74805) positive and statistically

significant as P-value = 0.0000 (p -value < 0.05). Therefore, the null hypothesis is rejected and alternate, accepted. We conclude therefore that IFRS adoption have significant positive effect on the economic development of signatories to the AfCFTA.

Hypothesis Two

H_{02} : IFRS adoption have no significant negative effect on the attainment of sustainable development goals (SDG1-Poverty) of signatories to the AfCFTA.

Table 4.7: Fixed Effect Regression

Dependent Variable: POV

Sample: 2002 2021

Periods included: 20

Cross-sections included: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.90317	2.144759	6.016139	0.0000
IFRS	-1.315442	0.571670	-2.301052	0.0216
CC	4.778707	2.830028	1.688572	0.0916
RQ	4.974645	2.648742	1.878116	0.0607
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.105482	Mean dependent var	5.075257	
Adjusted R-squared	0.056080	S.D. dependent var	14.98060	
S.E. of regression	14.55448	Akaike info criterion	8.245428	
Sum squared resid	214798.6	Schwarz criterion	8.510275	
Log likelihood	-4358.427	Hannan-Quinn criter.	8.345753	
F-statistic	2.135195	Durbin-Watson stat	2.285227	
Prob(F-statistic)	0.000004			

Source: E-views 9.0

The also revealed result specifically for IFRS adoption which is the variable of interest for hypothesis two as regressed against SDG1-poverty. The *coefficient* of the variable of interest: IFRS was (-1.3154) and *t-statistic* (-2.3011) negative and statistically significant as P-value = 0.0216 (p -value < 0.05). Therefore, the null hypothesis is rejected and alternate accepted. We conclude therefore that IFRS adoption have significant negative effect on the attainment of sustainable development goals (SDG1-Poverty) of signatories to the AfCFTA.

Discussion of findings

The study focused on corporate reporting regulation and sustainable development in Africa from the stand point of AfCFTA. Findings from the study revealed that IFRS adoption have significant positive effect on the economic development of signatories

to the AfCFTA. In line with the findings of this study is Cualain and Tawiah (2023) in Europe who reviewed existing literature on the consequences of IFRS adoption in Europe and found that the consequences of IFRS adoption shows a pronounced effects if properly enforced.

The current study also found a significant negative effect of IFRS adoption on the attainment of sustainable development goals (SDG1-Poverty) of signatories to the AfCFTA. This is also in line with Arena, Azzone Ratti, Urbano and Vecchio (2022); Erin, Bamigboye and Oyewo (2022); Mulhunayake and Kawshalya (2021) and Gu et al (2019), who investigated the effect of IFRS adoption on FDI inflows in Africa using fixed effect regression on 45 African countries and found out that IFRS adoption leads to FDI inflows.

Also, Chipalkatti et al, (2021) found similar result where they examined the role of environmental, social and governance factors in attracting foreign direct investment and enabling progress toward the attainment of the sustainable development goals using fixed effect estimation model on a sample of 161 countries and found that sustainability reporting attracts FDI to commodity exporting countries. The agreement of findings from different environment and geographical units strongly lay emphasis on the fact that corporate reporting regulation lays a good background for sustainable development in Africa.

Conclusion and Recommendation

Several prior studies on factors which promotes sustainable economic growth have been published in recent years. However, they do not comprise the entire 54 member countries of the African Continental Free Trade Area. For instance, Degos et al., (2019) dealt with only anglophone African countries while other studies examine the accounting systems and practices in Francophone countries (Lassou, 2017; Lassou & Hopper, 2016). The current study differs from the aforementioned studies in that it analyzes and compares these factors in the 54 member countries of the African Continental Free Trade Area, and makes several contributions to the body of knowledge. First, the study investigated the factors that might play an important role in decisions of African countries to adopt IFRS.

The adoption of IFRS as a set of high-quality accounting standards has increased since the first set of core standards was completed in 1998. African countries are however experiencing several challenges to IFRS adoption and compliance (Mwaura & Nyaboga, 2009). Because of the relationship between the adoption of IFRS and increased transparency, it is therefore important to understand the factors that affect the decisions of countries to adopt IFRS in the literature (Shima & Yang, 2012).

Recognizing the fact that investors should benefit from increased transparency, as a second contribution, the study also examined whether African economies that adopted IFRS are able to benefit from more economic developments propelled by increase in gross domestic products (GDP) and reduced poverty level. The study found a significant positive effect of IFRS adoption and application on gross domestic products. The study also found a significant negative effect of IFRS adoption and application on SDG-1 which emphasizes on poverty in the region. Consequent on the findings of the study, the study therefore recommends that countries of the African Continental Free Trade Area make the IFRS a compulsory financial regulation standard for members as this has shown evidence of improving transparency in reporting thereby enhancing foreign investors' trust which ultimately increases FDI creating ripple effect on gross domestic products and reduces poverty in the area.

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