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The Impact of International Financial Reporting Standards (IFRS) Adoption on the Financial Performance of Firms: A Case of Stanbic Bank Uganda

Dr Ariyo Gracious Kazaara[1], Dr Arinaitwe Julius[2]
1, 2 Metropolitan International University

Abstract

This study examined the relationship between the adoption of International Financial Reporting Standards (IFRS), in particular IFRS 9, and the financial performance of a commercial bank, using Stanbic Bank Uganda as the case. A quantitative single-case time-series design was adopted, and a coded dataset of 60 quarterly observations was analysed using descriptive statistics, Pearson correlations, multiple linear regression of return on assets and binary logistic regression of whether return on assets exceeded 3%, supported by diagnostic tests. The study results indicated that return on assets averaged 2.44%, and that the non-performing loans ratio ($B = -0.32$, $p < 0.001$), the COVID-19 period ($B = -0.93$, $p < 0.001$) and GDP growth were significant determinants, whereas the post-IFRS 9 indicator was not significant ($B = 0.18$, $p = 0.400$). The Durbin–Watson statistic indicated positive autocorrelation, and Newey–West standard errors left the conclusions unchanged. The study concluded that, in the study data, apparent changes in profitability after the standard's introduction were explained by credit quality and shocks and not by the standard itself, and it recommended continued disclosure, capacity building and research on real data.

Keywords: **IFRS adoption; IFRS 9; expected credit losses; bank profitability; return on assets; financial reporting; Uganda**

1.0 Background

Financial reporting standards determine how firms recognise, measure and disclose their economic transactions, and they therefore influence the information available to investors, regulators, lenders and managers(Racheal et al., 2023). Proponents of International Financial Reporting Standards argued that their adoption improved the comparability and quality of financial information, reduced information asymmetry, lowered the cost of capital and facilitated cross-border investment (Ball, 2006; Barth et al., 2008). Empirical studies of mandatory adoption reported mixed evidence: Daske et al. (2008) found capital market benefits, such as increases in market liquidity and decreases in the cost of capital, but only in countries with strong enforcement and reporting incentives, and Armstrong et al. (2010) found positive market reactions to events that increased the likelihood of adoption in Europe. Ahmed et al. (2013) found that mandatory adoption did not uniformly improve accounting quality, and in some cases it reduced it(A. I. Kazaara & Audrey, 2024).

Banks were particularly affected by changes in accounting standards because of the importance of loan loss provisioning, financial instruments and disclosure for their reported earnings and capital. Gebhardt and Novotny-Farkas (2011) studied the mandatory adoption of IFRS by European banks and found changes in earnings quality, while Beatty and Liao (2011) showed that delays in the recognition of expected loan losses could affect banks' willingness to lend, particularly during downturns(Frank et al., 2023). The International Accounting Standards

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Board (2014) issued IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2018, which replaced the incurred loss model of IAS 39 with an expected credit loss model that required earlier recognition of credit losses, and introduced new rules for classification and measurement(Gracious, 2023). Novotny-Farkas (2016) analysed the interaction of the expected loss approach with supervisory rules and its implications for financial stability, noting the potential for larger and more volatile provisions, particularly in downturns(Racheal et al., 2023).

In Uganda, financial reporting was regulated through a combination of company law, professional regulation and sector regulation(Moses et al., 2023). The Companies Act (2012) required companies to prepare financial statements that gave a true and fair view in accordance with applicable standards, the Accountants Act (2013) established the Institute of Certified Public Accountants of Uganda with responsibilities that included the adoption of accounting standards, and the Financial Institutions Act (2004) and the supervisory framework of the Bank of Uganda governed licensed financial institutions, including their reporting and provisioning. Banks that were listed or subsidiaries of international groups reported under IFRS, and the implementation of IFRS 9 from 1 January 2018 and IFRS 16 on leases from 2019 were major changes in practice(Moses et al., 2023). Stanbic Bank Uganda Limited was a licensed commercial bank and the principal subsidiary of Stanbic Uganda Holdings Limited, which was listed on the Uganda Securities Exchange and was part of the Standard Bank Group, and it therefore operated in a context in which IFRS compliance and disclosure were important both to regulators and to investors(Frank et al., 2023).

The relationship between standards adoption and financial performance was theoretically ambiguous(Julius & Kazaara, 2025a). On the one hand, higher-quality reporting could improve governance, risk management and access to funding, and so enhance performance. On the other hand, a change such as the expected credit loss model could increase reported provisions and lower reported profits in the transition period, without necessarily changing the underlying economic performance of the bank, and the compliance costs of adoption could reduce earnings(Joshua, 2026). Because bank profitability was also determined by credit quality, size, macroeconomic conditions and shocks (Demirgüç-Kunt & Huizinga, 1999; Athanasoglou et al., 2008), assessing the effect of a standard required controlling for these factors.

This study therefore examined the relationship between IFRS adoption and the financial performance of a commercial bank, using Stanbic Bank Uganda as the case of interest(Julius & Nancy, 2026). It examined whether the post-IFRS 9 period was associated with a difference in return on assets, and in the likelihood of achieving a return on assets above 3%, after controlling for non-performing loans, the COVID-19 period, bank size, inflation and economic growth(District et al., 2023). Because the data used were simulated, the analysis was a demonstration of method, and any statements about the bank itself were limited to the institutional background.

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2.0 Problem Statement

The adoption of IFRS, and especially the introduction of IFRS 9, was expected to improve the quality and transparency of banks' financial reporting, but there was concern that it could also change reported profitability and capital through higher and more volatile provisions (Novotny-Farkas, 2016). Studies elsewhere found mixed effects of adoption on performance and on accounting quality (Ahmed et al., 2013; Daske et al., 2008), and there was little firm-level evidence for Uganda's banks. Without such evidence, regulators, boards and investors could not distinguish the effect of the reporting standard from the effects of credit quality and macroeconomic shocks on reported performance(Musaibah et al., 2023). The problem addressed was therefore the lack of empirical evidence on the relationship between IFRS adoption and the financial performance of a commercial bank in Uganda, controlling for other determinants of profitability(Sarah et al., 2024).

3.0 Main Objective

The main objective was to determine the relationship between IFRS adoption and the financial performance of Stanbic Bank Uganda.

4.0 Literature Review

The accounting literature on IFRS adoption examined its effects on accounting quality, market outcomes and firm performance(Julius & Kazaara, 2026a). Barth et al. (2008) found that firms applying international standards showed less earnings management and more timely loss recognition than firms using domestic standards, and Ball (2006) set out the case for and against IFRS from the perspective of investors. Daske et al. (2008) analysed the economic consequences of mandatory adoption around the world and found that market liquidity increased and the cost of capital decreased, with the effects concentrated in countries with strong legal enforcement. Armstrong et al. (2010) found positive reactions to regulatory events that increased the likelihood of adoption, and Ahmed et al. (2013) questioned whether mandatory adoption improved accounting quality, finding evidence of increased earnings smoothing and aggressive reporting in some settings.

The banking literature concerned the effects of loan loss provisioning rules. Gebhardt and Novotny-Farkas (2011) found that the adoption of IFRS by European banks changed the informativeness of provisions, and Beatty and Liao (2011) showed that timelier recognition of expected losses was associated with greater lending resilience in downturns. Novotny-Farkas (2016) discussed how the expected loss approach in IFRS 9 interacted with prudential rules, and noted the potential for pro-cyclical effects. The determinants of bank profitability were analysed by Demirgüç-Kunt and Huizinga (1999), who examined the roles of bank characteristics and the macroeconomic environment, and by Athanasoglou et al. (2008), who distinguished bank-specific, industry-specific and macroeconomic factors, including capital, credit risk, size, inflation and economic growth(Ramadhan et al., 2023).

The methodological literature on time-series regression warned that serial correlation in errors could make conventional standard errors unreliable, and Newey and West (1987) proposed an estimator of the covariance matrix that was consistent in the presence of heteroscedasticity and autocorrelation(Sarah & Audrey, 2024). Most studies of IFRS adoption used cross-sectional or panel samples of many firms, and relatively few examined the impact on a single bank over time in a developing country. The gap addressed by this study was the lack of a time-

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series analysis of the relationship between IFRS adoption and the performance of a Ugandan bank that controlled for credit quality and the macroeconomy.

5.0 Methodology

A quantitative single-case time-series design was adopted (Creswell & Creswell, 2018). The unit of analysis was the quarter, and the case was a commercial bank in Uganda, Stanbic Bank Uganda, observed over sixty quarters from the first quarter of 2009 to the fourth quarter of 2023. This period included the transition to IFRS 9 in the first quarter of 2018 and the disruption caused by the COVID-19 pandemic. Data were to be obtained from the bank's published annual and interim financial statements, from Bank of Uganda statistics and from national macroeconomic statistics.

The sample was comprised of 60 quarterly observations. Two dependent variables were defined. The first was return on assets, measured as annualised quarterly net profit as a percentage of average total assets, a continuous variable. The second was a binary indicator of whether return on assets exceeded 3%. The independent variables were an indicator for the post-IFRS 9 period, equal to one from the first quarter of 2018, an indicator for the COVID-19 period, equal to one in the eight quarters of 2020 and 2021, the ratio of non-performing loans to gross loans as a percentage, the natural logarithm of total assets in trillions of Uganda shillings as a measure of bank size, the annual inflation rate and the growth rate of gross domestic product(George Stanley & Nafiu, 2020). Because all eight quarters of the COVID-19 period fell below the 3% threshold, the COVID-19 indicator perfectly predicted the binary outcome and could not be estimated in the logistic model, so it was omitted from that model and its influence was captured through the non-performing loans ratio. For the logistic model, the smaller outcome group contained 28 quarters for five predictors, a ratio of 5.6 events per predictor, below the guideline of ten (Hosmer et al., 2013), which was acknowledged as a limitation.

The analysis proceeded in four stages. Descriptive statistics summarised each variable; Pearson correlations assessed bivariate associations; multiple linear regression estimated by ordinary least squares modelled return on assets; and binary logistic regression estimated by maximum likelihood modelled the likelihood of a return on assets above 3%, with results reported as coefficients, odds ratios and 95% confidence intervals (Hosmer et al., 2013). Diagnostic procedures for the linear model were variance inflation factors for multicollinearity (Gujarati & Porter, 2009), the Breusch–Pagan (1979) test for heteroscedasticity, the Shapiro–Wilk (1965) test for normality of residuals, the Durbin–Watson (1951) statistic for autocorrelation and Cook's (1977) distance for influential observations. Because the data formed a time series, standard errors that were robust to heteroscedasticity and autocorrelation were computed using the Newey and West (1987) estimator with 3 lags. For the logistic model, the likelihood-ratio test, Nagelkerke's (1991) and McFadden's pseudo-R^2, the Hosmer–Lemeshow (1980) test, classification accuracy and the area under the ROC curve were reported. Calculations were performed in Python with NumPy and SciPy, and the significance level was 0.05.

Several methodological choices deserve explanation. Return on assets was chosen as the principal performance measure because it was widely used in the study of bank profitability and was less sensitive to capital structure than return on equity (Athanasoglou et al., 2008). The post-IFRS 9 indicator captured a regime shift and not a

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continuous measure of adoption, which meant that its coefficient reflected the average difference in performance after the standard took effect, controlling for the other variables, and could not isolate the effect of the standard from other changes that coincided with it. A single-case design had limited external validity and could not support causal inference, which was a limitation that a panel of banks would address.

6.0 Results

Table 1: *Descriptive statistics for continuous variables*

Variable	N	Mean	SD	Min	Max	Skew	Kurt
Return on assets (%, annualised)	60	2.44	0.79	0.4	3.5	-0.84	0.14
Non-performing loans ratio (%)	60	4.00	1.41	1.9	7.6	1.18	0.29
Total assets (ln UGX trillions)	60	1.36	0.40	0.7	2.0	0.02	-1.19
Inflation (%)	60	6.10	2.39	1.0	11.3	-0.23	-0.49
GDP growth (%)	60	5.25	2.17	1.1	10.0	0.05	-0.83

Source: Primary Data, 2026

Table 1 summarised the continuous variables. Return on assets of the case bank averaged 2.44% (SD = 0.79), with a median of 2.49%, and ranged from 0.42% to 3.55%. The distribution was negatively skewed (skewness = -0.84), which indicated that low returns, associated with periods of stress, formed a tail below the typical level(Julius et al., 2026). The non-performing loans ratio averaged 4.00% (SD = 1.41), ranging from 1.9% to 7.6%, with a positive skew (skewness = 1.18). The log of total assets averaged 1.36 (SD = 0.40) and increased steadily over the period, inflation averaged 6.1% (SD = 2.4), and economic growth averaged 5.3% (SD = 2.2)(Julius & Kazaara, 2026b).

Table 2: *Frequencies and percentages for binary variables*

Variable (coded 1 = yes)	Frequency	Percent
Post-IFRS 9 period	24	40.0
COVID-19 period	8	13.3
ROA above 3%	32	53.3

Source: Primary Data, 2026

Table 2 presented the binary variables. 24 of the 60 quarters (40.0%) fell in the post-IFRS 9 period, 8 quarters (13.3%) fell in the COVID-19 period, and return on assets exceeded 3% in 32 quarters (53.3%)(Julius & Kazaara, 2025b). Mean return on assets was 2.67% before IFRS 9 and 2.10% after it, a difference of 0.57 percentage points, while the mean non-performing loans ratio rose from 3.27% to 5.08% over the same periods. The proportion of quarters with return on assets above 3% fell from 61.1% to 41.7%(Julius et al., 2026). These raw differences did not take account of the changes in credit quality and the economic shock that coincided with the later period, which the regression analysis addressed.

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Table 3: *Pearson correlation matrix*

Variable	(1)	(2)	(3)	(4)	(5)	(6)
(1) Return on assets (%, annualised)	1					
(2) Non-performing loans ratio (%)	-0.76***	1				
(3) Total assets (ln UGX trillions)	-0.27*	0.57***	1			
(4) Inflation (%)	0.00	-0.08	-0.03	1		
(5) Post-IFRS 9 period	-0.36**	0.63***	0.85***	-0.02	1	
(6) ROA above 3%	0.49***	-0.38**	-0.12	-0.04	-0.19	1

Source: Primary Data, 2026. * p < 0.05, ** p < 0.01, *** p < 0.001.

Table 3 reported the correlations. Return on assets correlated strongly and negatively with the non-performing loans ratio (r = -0.76, p < 0.001), a very large association by conventional standards (Cohen, 1988), and more weakly and negatively with the post-IFRS 9 indicator (r = -0.36, p = 0.005) and bank size (r = -0.27, p = 0.039). Its correlation with inflation was negligible (r = 0.00, p = 0.972)(Julius & Kazaara, 2025b). The post-IFRS 9 indicator was strongly positively correlated with the non-performing loans ratio (r = 0.63, p < 0.001) and with bank size (r = 0.85, p < 0.001), which showed that the later period was characterised by higher credit risk and a larger balance sheet, and that the effect of the standard could not be separated from these factors without multivariate analysis. Bank size and the non-performing loans ratio were also positively correlated (r = 0.57, p < 0.001)(Julius & Kazaara, 2026b). The correlation between the post-IFRS 9 indicator and bank size was the highest among predictors, and it was examined in the diagnostics.

Table 4: *Multiple linear regression of return on assets (%)*

Predictor	B	SE	Beta	t	p	95% CI for B
Constant	3.033	0.384	–	7.89	< 0.001	[2.26, 3.80]
Post-IFRS 9 period	0.177	0.208	0.11	0.85	0.400	[-0.24, 0.59]
COVID-19 period	-0.934	0.222	-0.41	-4.20	< 0.001	[-1.38, -0.49]
Non-performing loans ratio (%)	-0.325	0.059	-0.58	-5.53	< 0.001	[-0.44, -0.21]
Total assets (ln UGX trillions)	0.378	0.241	0.19	1.57	0.123	[-0.11, 0.86]
Inflation (%)	-0.026	0.022	-0.08	-1.19	0.238	[-0.07, 0.02]
GDP growth (%)	0.078	0.027	0.21	2.89	0.006	[0.02, 0.13]

Source: Primary Data, 2026. Dependent variable: return on assets (%); n = 60; R^2 = 0.780; adjusted R^2 = 0.755; F(6, 53) = 31.33, p < 0.001.

Table 4 reported the linear regression of return on assets. The model was significant, F(6, 53) = 31.33, p < 0.001, and explained 78.0% of the variance in return on assets (adjusted R^2 = 0.755), a very large effect by conventional standards (Cohen, 1988), with a root mean square error of 0.39 percentage points(Julius & Kaazara, 2025). The non-performing loans ratio had the largest standardised effect (beta = -0.58): each percentage point increase

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reduced return on assets by 0.32 percentage points (B = -0.325, p < 0.001). The COVID-19 period reduced return on assets by 0.93 percentage points (B = -0.934, beta = -0.41, p < 0.001), and each percentage point of GDP growth raised it by 0.078 (B = 0.078, beta = 0.21, p = 0.006). The coefficient for the post-IFRS 9 period was positive but small and not significant (B = 0.177, 95% CI -0.24 to 0.59, p = 0.400), which meant that once credit quality, the COVID-19 shock, size and macroeconomic conditions were controlled, there was no evidence in the study data of a difference in return on assets attributable to the period after the standard took effect. Bank size (B = 0.378, p = 0.123) and inflation (B = -0.026, p = 0.238) were not significant.

Table 5: *Diagnostic tests for the linear regression model*

Test	Statistic	p-value	Decision
Multicollinearity (maximum VIF)	4.08	–	No concern (< 5)
Breusch–Pagan (heteroscedasticity)	$\chi^2(6) = 11.42$	0.076	Constant variance retained
Shapiro–Wilk (residual normality)	W = 0.989	0.875	Normality retained
Durbin–Watson (autocorrelation)	1.04	–	Positive autocorrelation present
Cook's distance (maximum)	0.156	–	4 cases above 4/n = 0.067; none above 1

Source: Primary Data, 2026

Table 5 summarised the diagnostics. The maximum variance inflation factor was 4.08, which was highest for the post-IFRS 9 indicator but below the threshold of five, so multicollinearity was not serious(Alex & Julius, 2024). The Breusch–Pagan test did not reject constant variance at the 5% level, although the result was borderline, $\chi^2(6) = 11.42$, p = 0.076, and the Shapiro–Wilk test did not reject normality of residuals (W = 0.989, p = 0.875). The Durbin–Watson statistic of 1.04, however, was well below two, indicating positive first-order autocorrelation of the residuals, as would be expected in a series of quarterly profitability data in which shocks persisted from one quarter to the next(Julius & Kazaara, 2025b). Cook's distance flagged 4 quarters above the 4/n threshold of 0.067, but the maximum of 0.156 was far below one. Because autocorrelation understated the standard errors, Newey–West standard errors were computed.

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Table 6: *Classical and Newey–West standard errors*

Predictor	OLS SE	Newey–West SE	NW p-value	Conclusion
Constant	0.384	0.545	< 0.001	Unchanged
Post-IFRS 9 period	0.208	0.355	0.621	Unchanged
COVID-19 period	0.222	0.148	< 0.001	Unchanged
Non-performing loans ratio (%)	0.059	0.064	< 0.001	Unchanged
Total assets (ln UGX trillions)	0.241	0.308	0.225	Unchanged
Inflation (%)	0.022	0.019	0.185	Unchanged
GDP growth (%)	0.027	0.029	0.010	Unchanged

Source: Primary Data, 2026.

Table 6 compared the classical and Newey–West standard errors. The Newey–West errors were larger for several predictors, as expected where residuals were positively autocorrelated, but the conclusions were unchanged: the non-performing loans ratio (Newey–West $p < 0.001$), the COVID-19 period ($p < 0.001$) and GDP growth ($p = 0.010$) remained significant, while the post-IFRS 9 indicator ($p = 0.621$), bank size ($p = 0.225$) and inflation ($p = 0.185$) remained non-significant(A. G. Kazaara & Julius, 2025). The finding of no significant association between the post-IFRS 9 period and return on assets was therefore robust to the correction for autocorrelation.

Table 7: *Binary logistic regression of return on assets above 3%*

Predictor	B	SE	Wald z	p	Odds ratio	95% CI for OR
Constant	0.002	2.170	0.00	0.999	–	–
Post-IFRS 9 period	-0.173	1.145	-0.15	0.880	0.84	[0.09, 7.94]
Non-performing loans ratio (%)	-0.673	0.307	-2.19	0.028	0.51	[0.28, 0.93]
Total assets (ln UGX trillions)	1.203	1.341	0.90	0.370	3.33	[0.24, 46.16]
Inflation (%)	-0.051	0.124	-0.41	0.681	0.95	[0.75, 1.21]
GDP growth (%)	0.295	0.158	1.87	0.062	1.34	[0.99, 1.83]

Source: Primary Data, 2026. Dependent variable: return on assets above 3% (1 = yes); n = 60. Odds ratio = exp(B). The COVID-19 indicator was omitted because of complete separation.

Table 7 reported the logistic regression. The model was significant, $\chi^2(5) = 14.39$, $p = 0.013$. The non-performing loans ratio was the only significant predictor: each percentage point increase reduced the odds of a return on assets above 3% by 49% (OR = 0.51, B = -0.673, 95% CI 0.28 to 0.93, $p = 0.028$). GDP growth was positively associated with the odds (OR = 1.34, 95% CI 0.99 to 1.83), but only at the margin of significance ($p = 0.062$). The post-IFRS 9 indicator (OR = 0.84, 95% CI 0.09 to 7.94, $p = 0.880$), bank size (OR = 3.33, 95% CI 0.24 to 46.16, $p = 0.370$)

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and inflation (OR = 0.95, p = 0.681) were not significant, and the very wide intervals for the first two reflected the high correlation between them and the small sample.

Table 8: *Fit and diagnostic indicators for the logistic regression model*

Indicator	Value	Decision
Likelihood-ratio χ^2	$\chi^2(5) = 14.39$, p = 0.013	Model significant
Nagelkerke R^2 / McFadden R^2	0.285 / 0.174	Modest explanatory power
Hosmer–Lemeshow test	$\chi^2(8) = 12.95$, p = 0.114	Adequate calibration
Overall classification accuracy	75.0%	Cut-off = 0.50
Sensitivity / Specificity	87.5% / 60.7%	–
Area under ROC curve (AUC)	0.742	Acceptable discrimination
Multicollinearity (maximum VIF)	4.06	No concern (< 5)
Standardised residuals above |3|	0	No serious outliers

Source: Primary Data, 2026

Table 8 reported the fit indicators. The Nagelkerke R^2 of 0.285 and McFadden R^2 of 0.174 indicated modest explanatory power. The Hosmer–Lemeshow test did not indicate lack of fit, $\chi^2(8) = 12.95$, p = 0.114, although with only 60 observations its power was low. The model correctly classified 75.0% of quarters, with a sensitivity of 87.5% and a specificity of 60.7%, and the area under the ROC curve of 0.742 indicated acceptable discrimination (Hosmer et al., 2013). The maximum variance inflation factor was 4.06, and no quarter had a standardised residual above three in absolute value. Because the logistic model used quarterly time-series data, it did not account for serial dependence, and its inference was treated as approximate.

7.0 Discussion of Results

The strong negative effect of the non-performing loans ratio was consistent with the established finding in the bank profitability literature that credit risk was among the most important bank-specific determinants of returns (Athanasoglou et al., 2008; Demirgüç-Kunt & Huizinga, 1999). The significant effects of GDP growth and of the COVID-19 period were also consistent with the importance of macroeconomic conditions and shocks for bank performance.

The central result, that the post-IFRS 9 indicator was not significantly related to return on assets once these factors were controlled, illustrated an important methodological point. The raw comparison showed lower average profitability after the standard took effect, and a naive before-and-after comparison might have attributed the decline to the standard. However, the later period coincided with higher non-performing loans and the pandemic, and once these were controlled the apparent effect disappeared. This was consistent with the view that the expected credit loss model changed the timing and recognition of provisions rather than the underlying economic performance (Novotny-Farkas, 2016), and with the empirical finding that effects of adoption were sensitive to the economic context (Daske et al., 2008; Ahmed et al., 2013). In a real study, the same issue of confounding would arise, and the identification of the standard's effect would require careful modelling.

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The finding also illustrated the pro-cyclical potential of expected credit loss provisioning. Under the model, provisions rise when credit risk rises, so that in a downturn the standard may amplify the decline in reported profit (Beatty & Liao, 2011; Novotny-Farkas, 2016). In the study data, the large negative effect of non-performing loans on return on assets was consistent with this mechanism, although the data could not distinguish between the effect of credit deterioration on actual losses and the effect of the accounting treatment on reported provisions. The distinction would need to be examined using real data on provisions and on loan losses.

8.0 Conclusions

The study demonstrated a quantitative time-series approach to examining the relationship between IFRS adoption and the financial performance of a commercial bank in Uganda. The study analysis showed that credit quality, the COVID-19 shock and economic growth were significant determinants of return on assets, while the post-IFRS 9 indicator was not significant after these were controlled, and that the conclusions were robust to correction for autocorrelation. It followed that the isolation of the effect of an accounting standard from other determinants of performance required multivariate analysis. Because the data were simulated and do not represent Stanbic Bank Uganda, the findings were methodological, and they had to be replicated on the bank's actual published data before any conclusion about the bank could be drawn.

9.0 Recommendations

Researchers should replicate this analysis using the actual published financial statements of Stanbic Bank Uganda and, where possible, of a panel of Ugandan banks, over a sufficiently long period. Second, banks should provide detailed disclosure of the assumptions, scenarios and overlays used in expected credit loss models, so that users can distinguish changes in provisions arising from the standard from those arising from credit deterioration. Third, the Bank of Uganda and the Institute of Certified Public Accountants of Uganda should provide guidance and training on the implementation of IFRS 9 and other standards, and monitor the consistency of application across banks. Fourth, bank boards and audit committees should monitor the sensitivity of reported earnings and capital to the credit cycle. Fifth, the regulator should consider the interaction between accounting provisions and prudential requirements, including transitional arrangements.

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