EFFECT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTION ON THE PERFORMANCE OF NIGERIAN MANUFACTURING COMPANIES

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ABSTRACT
The study evaluated the effect of international financial reporting standards adoption on the performance of Nigerian manufacturing Companies from 2012 to 2021. Data were sourced from the financial reports of twenty-eight manufacturing companies spanning both consumer goods and industrial goods sectors. Difference Generalized Method of Moments (D-GMM) was used to evaluate the effect of IFRS Adoption on performance. The results showed that shareholders' funds, company size, leverage, and plant property and equipment emerged as highly significant factors influencing the performance of manufacturing in Nigeria. Moreover, the analysis revealed that IFRS adoption significantly affects the performance of manufacturing companies, with plant property and equipment, impairment, shareholders' funds, borrowing costs, and leverage acting as proxies for this adoption. It was therefore recommended that efficient management of property, plant, and equipment (PPE) be made essential for maximizing returns on equity (ROE) in manufacturing companies. Optimizing capital structure by minimizing reliance on equity financing and prudent debt management can mitigate the negative impact on ROE while promoting the IFRS adoption to enhance transparency and credibility in financial reporting.

Keywords: Compliance, IFRS Adoption, Impairment, Plant, property and Equipment

1. Introduction

International Financial Reporting Standards (IFRS) consist of accounting standards globally employed to foster international accounting congruence and symmetry, comparability and consistency in the way financial transactions are treated and reported. The International Financial Reporting Standards (IFRSs) are a set of global accounting standards developed for the preparation and presentation of the financial statements of companies. Hussain (2022) opined in conformity that harmonized accounting standards are free of logical conflict, and as such, improve financial information comparability across nations.

Dimitriou (2020) also affirmed the purpose of introducing a new accounting standard such as IFRS as a means of improving the transparency and comparability of firms which will have a direct impact on the capital market through a change in cost of capital and market liquidity. The assertion of Habib *et al.* (2019) in their empirical research evidence further lends support to the fact that uniform accounting standards will increase market liquidity, decrease transaction costs for investors, lower costs of capital, and facilitate international capital formation such flow in the long run enables reduced costs which will in turn, lead to increased cross-listings and cross-border investments. Ouda and Jorge, (2021) revealed that several researchers have confirmed that the adoption of IFRS at the country level has increased direct foreign investment, a high level of global market integration and improved quality accounting indicators.

The Nigerian Accounting Standards Board (NASB) was responsible for developing and issuing standards known as Statements of Accounting Standards (SAS) and in the new dispensation, the body was renamed Financial Reporting Council of Nigeria (FRCN) as the regulatory body overseeing the adoption and implementation of the IFRS (Kenneth, 2012). The said IFRS replaced Nigerian GAAP which was commonly and generally adopted in the year 2012 before the implementation of IFRS, financial statements were being prepared and reported through the guidance of the Nigerian Statement of Accounting Standards (SAS) as produced by the Nigerian Accounting Standards Board (NASB), an accounting regulatory body that has supreme authority to issue the Statements of Accounting Standards (SAS) as local accounting standards in preparing the financial statements in the past by companies so that compliance with the standards is promoted and enforced. However, SAS is now outdated and replaced by International Accounting Standards and the relevant regulatory body is the International Accounting Standards Board.

In the same vein, Ezejiofor (2018) asserted that the internationalization of trading activities reported cases of corporate failure of some blue-chip companies and the quest by companies to raise funds internationally beyond their shore has called for its full adoption.

The imperativeness of standardizing the financial reports of entities in Nigeria and all other countries of the world became so pronounced and as a result, yielding to the beckoning of the best practice in the world appears mandatory so that comparability of

financial statements of seemingly the same entities is on array across the world as submitted by Polukhov (2023).

The universality of operating accounting standards in the world was thought to impact the presentation of financial statements so that meaningful inference is deduced for decision-making. A good financial reporting practice supported by quality accounting standards is a pre-condition for good decisions Abhayawansa and Adams (2022). In addition, Caglio et al. (2020) opined that market illiquidity reduced with mandatory disclosures suggesting that it was a more credible information source for the user.

Switching from the old standard, just as it was in practice in Nigerian GAAP (Generally Accepted Accounting Standards) to International Financial Reporting Standards (IFRS) was an attempt to close the loopholes that were identified and these loopholes were seen to have been negatively affecting the financial statements against what is expected. The need for IFRS became apparent as a result of the collapse of many seemingly giant and multinational businesses which started going into extinction but were never shown in their financial statements because the statements did not depict the fact that the companies were going into extinction (Amaefule et al., 2018). To this end, the objective of this study is to evaluate the effect of IFRS adoption on the return on equity of the listed manufacturing companies in Nigeria.

2.0 Literature Review

2.1 Theoretical Review

2.1.1 Agency Theory

The agency dilemma, or conflict of interest, between owners (the primary) and managers (the agents), is central to the agency theory, which was developed by Stephen Ross and Barry Mitnick in 1973 (Mitnick, 2013). When a principal delegates power and responsibility to an agent, a fiduciary relationship is created (Zeckhauser & Pratt, 1985). According to agency theory, a principle-agent relationship exists when a principal entrusts an agent with certain responsibilities. The agent's opportunism or self-interest can lead to several problems for the principal in an agency relationship. For instance, the agent could not behave in the principal's best interest, or the agent might only act partially in the principal's best interest. When applied to businesses and corporate control issues, agency theory emphasizes the importance of corporate governance mechanisms like the board of directors as a check and balance to mitigate the risks introduced by the principal-agent dynamic. Management is the "agent" of the "owners" of a business, but there must be checks and balances in place to prevent abuse of power, as stated by Blair and Stout (2017). The concept of a corporation's "separation of ownership" provides a foundation for much of agency theory. The most frequently mentioned example of an agency relationship in the context of corporate governance has the management acting as agents for the shareholders. As good as this theory to the study, which adjudges that the directors are responsible for managing the manufacturing companies in the best interest of the shareholders, otherwise could be the practice where the interest of the directors overrides that of the shareholders invariably breaching the confidence reposed on them. As a result, the importance and relevance of IFRS could be defeated.

2.1.2 Compliance Theory (COT)

Compliance theory as proposed by Ronald 1993 in the context of international financial reporting standards (IFRS) refers to the study and application of regulations and guidelines set forth by standard-setting bodies, such as the International Accounting Standards Board (IASB), to ensure that financial statements and reports are prepared and presented by the prescribed requirements. The board of directors is expected to enforce necessary regulations so that the best practices in manufacturing companies will align with the best practices in presenting standard financial reports to the users. Many times when the directors and relevant accounting staff are not well grounded in the application of IFRS, its operationalization becomes difficult. The fundamental objective of compliance theory is to establish and maintain consistency, comparability, and transparency in financial reporting across different countries and jurisdictions. By adhering to IFRS, organizations can enhance the credibility and reliability of their financial information, facilitating better decision-making by users of financial statements.

Compliance with IFRS involves several key elements:

Adoption: Countries or jurisdictions may choose to adopt IFRS as their national accounting standards. This entails the integration of IFRS principles and guidelines into local accounting regulations, ensuring consistent application and interpretation of the standards.

Implementation: Organizations need to implement IFRS within their financial reporting processes. This involves understanding the specific requirements of each standard, making necessary adjustments to existing accounting policies and practices, and ensuring proper measurement, recognition, and disclosure of financial information.

2.2 Empirical Review

Fasina and Adegbite (2014) used both qualitative and quantitative methods to collect primary data on the impact of international financial reporting standards (IFRS) adoption on accounting procedures in Nigeria. Descriptive statistics, Chi-square, and analysis of variance were utilized to analyze the data acquired for the study (ANOVA). According to the study, there is a substantial positive relationship between the adoption of the International Financial Reporting Standard and financial performance as a result of an organization's cost reduction. The study found that IFRS adoption improved corporate efficiency and productivity, resulting in improved business effectiveness and performance. In addition, the study found that adopting IFRS relieves multinational corporations of the substantial costs associated with preparing financial statements, allows easier cross-border evaluation of financial reports, improves financial report quality, increases company profitability through lower share trading costs, and lowers earnings management costs. However, this study used primary data for its evaluation which is subjective whereas relevant and financially quantifiable variables like PPE, borrowing cost and impairment are used as the variables denoting IFRS adoption in the Nigeria manufacturing Companies.

Ibanichuka and Asukwo, (2018) empirically investigated the effect of the International Financial Reporting Standard (IFRS) adoption on the financial performance of petroleum marketing entities in Nigeria. The study used comparative analysis to assess the corporate performance of pre- and post-IFRS adoption in the petroleum marketing sector of Nigeria, sampling ten (10) Listed Petroleum Marketing companies. A time series research design was used for this study. One-way Analysis of Variance (ANOVA) and The One Sample t-test were the statistical tools used to test the hypotheses. The test of hypotheses and another breakdown of data were empirically completed by SPSS statistic 20.0. The findings of the study revealed that pre-IFRS and post-IFRS adoption have no significant effect on Return on Asset and Return on Equity; though, both pre-IFRS and post-IFRS adoption had a significant impact on Earnings per share. It was concluded that there was no significant relationship between IFRS adoption and the corporate performance of petroleum marketing entities in Nigeria. The study only used ROA and ROE for pre and post-IFRS adoption without considering more variables that are much more IFRS-proven. Also, pre-adoption data that were queried to have been doctored and faulty under the old standards were still used to assert that pre-adoption ROA and ROE were better than post-adoption. It is therefore not supported by this study.
Amaefule et al. (2018) examined the effect of international financial reporting standards (IFRS) adoption on the financial performance of quoted manufacturing firms in Nigeria. The study utilized data on two key financial performance indicators: earning per share (EPS) and return on assets (ROA) of five selected manufacturing firms quoted on the Nigeria Stock Exchange from 2007 to 2016; segregated into pre-IFRS (NGAAP) regime and post-IFRS regime. Descriptive analysis (Mean) and inferential statistics (paired sample t-test) were employed in analyzing the data collected. Results from the analysis indicated that, on the one hand, IFRS adoption in Nigeria exerts an insignificant negative effect on the firms' EPS while on the other hand exerting a significant negative effect on the firms' ROA. The study thus concluded that manufacturing firms in Nigeria have not fared better in their reported financial performance following the adoption of the new financial reporting standards. This study failed to include more and purely IFRS-based variables as they were used in this study, invariably; the data used were seen inadequate to justify the study.

Abe et al. (2020) examined IFRS Disclosures and Protection of Shareholders' Interests in Nigerian quoted Firms using descriptive and inferential statistics for a sample of 55 firms quoted on the Nigerian Stock Exchange selected from 2014 to 2018. The regression results showed that IFRS disclosures had a significant effect on the protection of shareholders' interests in the selected listed firms in Nigeria. It was concluded that there is an inverse relationship between the protection of shareholder interests and IFRS disclosures; however, the IFRS disclosures had significant effects on the protection of shareholders in the Nigerian quoted firms. It was concluded that the Financial Reporting Council of Nigeria should change its stance on IFRS from adoption to adaptation to allow for local accounting standards that reflect the Nigerian environment. This study used primary data which recalled that old standards were better and that IFRS adoption should not be considered. The result was first and foremost subjective and lacked insight into the dynamism brought by IFRS adoption.

Adeyanju (2020) evaluated the implication of the adoption of IFRS on the performance of private enterprises in Nigeria. In specific terms, the study sought to determine the impact of IFRS adoption on the profitability, liquidity and financial leverage of private enterprises in Nigeria between 2013 and 2018. The relevant data was obtained on the variables sourced from the audited financial statements of selected firms, including their financial indices. The population of the study consists of all the 109 private sector firms quoted on the Nigerian Stock Exchange as of 31st December 2018. The sample size of the study consisted of half of the population size, by purposive sampling. The study employed the correlational and ex-post facto design. The relevant theoretical framework is the stakeholder theory. The study employed random effect correlation and regression. From the analysis, it was found that IFRS adoption has no significant impact on the profitability, liquidity and financial leverage of selected private enterprises in Nigeria. This study claimed to have used 109 Nigerian private companies which could have involved several sectors of businesses, even that have not been IFRS-compliant, but this study used only manufacturing companies. Aside from the above, new variables under IFRS were not employed as used in this study like; PPE, Borrowing cost and Impairment.
Ndubuisi et al. (2019) examined the effect of IFRS adoption on the earnings value relevance of quoted Nigerian firms. Using a sample of 101 firms (1212 firms' year observation) that are quoted on or before 2006, and have adopted IFRS from 2006 to 2017, earnings value relevance could be investigated. As the principal objective of the inquiry, the study introduces a cross-product term, equal to the product of earnings per share (EPS) and IFRS dummy variable according to the basic Ohlson model. The paper used the Fixed Effect Model as the appropriate estimator for the analysis of the data. The estimated coefficient on the cross-product term is statistically significant and positive. The results suggest that the adoption of IFRS in Nigeria leads to higher earnings value relevance. IFRS, as a principle-based, allows managers to use their discretion in the specific treatment of financial items. In doing so, they may bias earnings. Overall, results suggest that earnings under IFRS are valued relevance about economic growth conditions, with the nature of such relevance explaining variations in the share price. The findings of this study are of utmost importance to economic policymakers, investors, and Standard Setters. This study was one-sided in its evaluation as it looked only at value that could be arrogated to the investors considering earnings alone whereas this study looked beyond earnings to establish the relevance of IFRS adoption.

Titus (2020) examined the effect of International Financial Reporting Standards (IFRS) on the financial performance of the manufacturing sector. This research work covers a period of 14 years Pre IFRS (2006 -2012) and post IFRS (2013-2019). The sample size for this study is ten (10) Manufacturing Companies listed on the Nigerian Stock Exchange. The study adopted the Ordinary Least Squares Model and Wald Test Coefficient Restrictions Model as the main analytical tools to test the formulated hypotheses. The study revealed that a weak and insignificant relationship exists between the Nigerian Manufacturing Firms' Revenue, Profit, Total Assets, and Total Liabilities, and the Nigerian Manufacturing Firms' Earnings per Share, Return on Assets, and Return on Equity before the adoption of IFRS. Based on the findings, this study recommends that investors should consider the values of earnings, book values of equity, and cash flow from operations in the annual reports of firms prepared by IFRS before making any

investment decision. Just as said above, pre-adoption data that were queried to have been doctored and faulty under the old standards were still used to adjudge whether pre-adoption was better than post-adoption.
Ibrahim (2022) studied to examine the economic consequences of the adoption of International Financial Reporting Standards (IFRS) in Saudi Arabia. More specifically, the study examined the impact of the mandatory adoption of IFRS on accounting-based performance measures. Data on study variables were obtained manually from the published financial statements of 67 listed companies in the Saudi stock market during the period 2014–2019. The Mann–Whitney U Test was used to investigate the significance of differences between the values of performance measures in the pre-and post-mandatory adoption periods. The findings of the study revealed that there were no significant differences between the values of accounting-based performance measures related to the three performance indicators (i.e. profitability, liquidity and leverage) in the post-mandatory adoption period (IFRS) compared to the values of these measures in the pre-mandatory adoption period (Saudi accounting standards). The results of the study indicated that there is a good convergence between the Saudi accounting standards that were implemented before 2017 and the IFRS that began to be applied in 2017. This convergence resulted in a low significant impact of IFRS on the financial statements of companies and then on the accounting-based performance measures calculated from them.

3.0 Research Methodology

3.1 Model Specifications

The model was adapted from the work of Adegbite (2020) and it was modified to measure the effect of IFRS adoption on the return on equity of the listed manufacturing companies in Nigeria. Return on Equity as a proxy for performance is the dependent variable to be explained by the following independent variables; Plant Property and Equipment, Impairment of Assets, Depreciation and Borrowing Cost as proxies for IFRS. Below is the model as used by Adegbite (2020) with modifications.

$PSIT_{it} = \alpha + \beta_1 IFRS_{it} + \varepsilon_{it}$ .... (1)

Where
PSIT = protection of stakeholders' interests;
IFRS = International Financial Reporting Standards;
α = the constant of the variables;
β_1 = coefficient of the parameter estimates;
ε_{it} = the error term of the linear model.

The equation 1 above is modified to have the following equation below

$Performance = f\ (IFRS\ Adoption + u)$ -- (2)

$ROE = f\ (PPE, IMPM, SHARHF, BORRC, LEV + \mu)$ -------------------------------------- (3)

$$\sum_{i-1}^{n} ROE = \sum_{i-1}^{n} PPE + \sum_{i-1}^{n} IMPM + \sum_{i-1}^{n} SHARHF + \sum_{i-1}^{n} BORRC + \sum_{i-1}^{n} LEV + u --- (4)$$

ROE = Return on Equity
PPE = Plant, Property and Equipment
IMPM = Impairment
SHARHF = Shareholders' Fund
BORRC = Borrowing Cost
LEV = Leverage

3.3 Sources of Data and Technique of Analysis

Secondary data consisting of independent and dependent variables relating to IFRS, financial performance indicators derived from the published financial statements of the manufacturing companies sampled from 2012 to 2021 and the same were used for The concept of Differenced Generalized Method of Moments (GMM) with a focus on its application in dynamic panel data models. The Generalized Method of Moments is a broad framework in econometrics for estimating parameters in a model. It provides a flexible approach that does not rely on the assumption of normality or homoscedasticity. Instead, it seeks to match theoretical and sample moments of the data. Bollen et al. (2014) and Cheng and Bang (2021). In the context of GMM, the model's parameters are chosen to minimize a criterion function, which measures the difference between the sample moments and the moments implied by the model. GMM is particularly useful when the classical assumptions of OLS (Ordinary Least Squares) are violated, or when the underlying distribution of the data is not fully known. Lechner and Breitung (1996) and Bazzi and Clemens (2013) Differenced GMM in Dynamic Panel Data Models is Dynamic panel data models involving time-series and cross-sectional data. They are commonly used to analyze economic phenomena over time, where individual entities are observed repeatedly. Differenced GMM is a technique applied specifically in this context to address issues related to endogeneity and unobserved heterogeneity (Barros et al., 2020; Bond et al., 2001).

4.0 Research Findings/Results

The results of a differenced GMM (Generalized Method of Moments) regression on the effect of IFRS adoption on Return on Equity as presented in Table 1 that a one-unit increase in the lagged ROE is associated with an increase of 0.010713 units in the return on equity at an insignificant level as the probability value shows (0.0710). PPE (Property, Plant, and Equipment) shows that a one-unit increase in PPE is associated with a change of 7.01E-10 units in the dependent variable with a very low probability value of 0.0000 depicting the fact that Property, Plant, and Equipment has a significant effect on return on equity.

Likewise, Impairment reveals that a one-unit increase in impairment is associated with a change of 1.25E-08 units in the return on equity at a very probability value of 0.0000. In the same vein, a one-unit increase in shareholders' funds is associated with a decrease of 5.63E-10 units in the return on equity at a very low level of significance of 0.0000,

revealing that there is a relationship between impairment and ROE. Equally, a one-unit increase in borrowing cost is associated with a decrease of 4.97E-09 units in return on equity with a very low level of significance 0.0000. Also, a one-unit increase in Leverage brings about an increase of 2.02E-10 units in return on equity with 0.0079 as the significant P-value.

Table 1. Differenced GMM (Generalized Method of Moments for Effect of IFRS Adoption on return on equity

Dependent V	Ind. Variables	Coefficient	Std Error	t-Statistics	Prob.
ROE	ROE(-1)	0.010713	0.005699	1.879708	0.0710
	PPE	7.01E-10	9.62E-11	7.281125	0.0000
	IMPM	1.25E-08	2.25E-09	5.559801	0.0000
	SHARHF	-5.63E-10	5.48E-11	-10.28621	0.0000
	BORRC	- 4.97E-09	6.55E-10	-7.586985	0.0000
	LEV	2.02E-10	7.03E-11	2.871138	0.0079
Effect Specification					
Cross-section fixed (First differences)					
Mean Dependent Variable		-0.006837	S.D Dependent Variable		0.734013
S.E. of Regression		0.748733	Sum squared resid		122.2110
J-statistic		23.73834	Instrument rank		28
Prob(F-statistic)		0.361093			

Source: Author's Computation, 2024

The goodness of Fit and Instrumentation is measured through the J-statistic standing at 23.73834 and Prob(F-statistic) of 0.361093 is commonly used for testing the validity of the instruments. a higher J-statistic and a low Prob(F-statistic) generally suggest that the instruments are valid. Therefore, the coefficients indicate the marginal effect of each independent variable standing for IFRS adoption on the return on equity.

4.1 Serial Correlation Test for Examining the Effect of IFRS Adoption on ROE

Table 2. Arellano-Bond Serial Correlation Test

Test order	m-Statistics	Rho	SE(rho)	Prob.
AR(1)	-202085	-60.461990	299.141138	0.8399
AR(2)	0.006198	0.357230	57.639987	0.9951

Source: Author's Computation, 2024

The Arellano-Bond Serial Correlation Test is used to check for the presence of serial correlation (autocorrelation) in the errors of a dynamic panel data model. AR(1) Test shows m-Statistics: of -202085 which is significantly negative. rho (Autoregressive Coefficient) is -60.461990 which is the estimated autoregressive coefficient for the first-order serial correlation. The standard error associated with the estimation of the autoregressive coefficient is 299.141138 while the probability value associated with the null hypothesis that there is no first-order serial correlation is 0.8399 which indicates that there is no serial correlation in the model. The highly negative M-statistics indicate a strong presence of first-order serial correlation in the errors. The estimated autoregressive coefficient (rho) being negative suggests a negative correlation between the current error and the previous error. However, the high standard error and a p-value of 0.8399 suggest that the estimated autocorrelation coefficient is not statistically significant. Therefore, the null hypothesis of no first-order serial correlation is accepted depicting that there is no serial correlation.

In addition, the AR(2) Test shows m-Statistics: 0.006198 and it is close to zero. rho (Autoregressive Coefficient) is 0.357230 which is the estimated autoregressive coefficient for the second-order serial correlation. The standard error of rho is 57.639987 associated with the estimation of the autoregressive coefficient. A P-value of 0.9951 is associated with the null hypothesis that there is no second-order serial correlation. Also, the m-statistics value being close to zero suggests weak evidence against the null hypothesis of no second-order serial correlation. The estimated autoregressive coefficient (rho) is positive, indicating a positive correlation between the errors at the current and previous two periods. The high standard error and a p-value of 0.9951 suggest that the estimated autocorrelation coefficient for the second-order is not statistically significant. Thus, the null hypothesis of no second-order serial correlation was accepted.

5. Discussion of Results, Conclusion and Recommendations

Differenced Generalized Methods of Moment were used for examining the relationship that exists between IFRS Adoption and return on equity. The study found that the adoption of International Financial Reporting Standards (IFRS) indeed had a discernible impact on manufacturing company performance as Plant property and equipment (PPE), impairment, shareholders' funds, borrowing cost and leverage, serving as proxies for IFRS adoption were found influencing the performance of manufacturing companies, underscoring the relevance of IFRS adoption in assessing performance. However, the lag of return on equity was not significant, indicating that there is no relevance of the

previous year's return on the current year's return. These findings align with those of Ndubuisi, Regina, and Ofoegbu (2019) and Abe, Ajayi-Owoeye, and Adegbile (2020), who similarly reported the significant impact of IFRS adoption on manufacturing company performance.

As a result, Manufacturing companies heavily rely on property, plant, and equipment (PPE) to produce goods. Efficient management of these fixed assets is crucial for maximizing returns on equity (ROE). Policies that encourage companies to invest in modernizing equipment, streamline production processes, and regularly maintain assets can lead to improved asset utilization and higher profitability.

Impairment of assets significantly impacts a company's financial performance. Implementing robust impairment testing procedures ensures that assets are accurately valued on the balance sheet, reflecting their true economic value. Policies promoting transparency in impairment assessments and requiring regular reviews can help maintain investor confidence and prevent overstatement of asset values.

The negative relationship between shareholders' funds and ROE suggests that an excessive reliance on equity financing may dilute returns for shareholders. Policymakers can encourage companies to optimize their capital structure by providing incentives for accessing debt markets at favourable terms, promoting equity financing only when necessary, and offering tax incentives for interest payments.

High borrowing costs can erode profitability and decrease ROE. Policymakers can implement measures to encourage prudent debt management, such as providing guidance on debt refinancing strategies, facilitating access to lower-cost financing options, and promoting financial literacy among business owners to make informed borrowing decisions.

The adoption of International Financial Reporting Standards (IFRS) can enhance the comparability, transparency, and credibility of financial statements, leading to better decision-making by investors and stakeholders. Policymakers can promote IFRS adoption by offering technical assistance, providing training programs, and incentivizing compliance through tax breaks or regulatory support.

Policymakers play a crucial role in ensuring the integrity and reliability of financial reporting. Strengthening regulatory oversight, enforcing compliance with accounting standards, and promoting best practices in transparency and disclosure can improve the quality of financial information available to investors, reducing information asymmetry and enhancing market efficiency.

Access to financing is essential for business growth and expansion. Policymakers can facilitate access to capital markets by reducing regulatory barriers, promoting the development of alternative financing options (such as venture capital or crowd-funding), and providing credit guarantees to mitigate lender risk. Additionally, fostering a supportive ecosystem for entrepreneurship and innovation can attract investment capital and spur economic development.

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