The Effect of International Financial Reporting Standards on the Association between Foreign Direct Investment and Economic Growth: Evidence from Selected Countries in Africa

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Abstract

The study aims at examining how IFRS adoption influences the relationship existing among foreign direct investment (FDI) and economic growth. The data consist of 12 developing economies that are the highest recipients of FDI in Africa, and the years of study are from 1996-2018. Using Ordinary Least Square and Generalized Least Square method of estimation, the result shows that IFRS is significantly positive to FDI. With FDI inflows in these countries, the result provides evidence that Non fully-IFRS adopted countries experience higher inflows of FDI than the fully-IFRS adopted countries. We find FDI inflows to also have positive influence on economic growth. The interaction of FDI and IFRS also influences economic growth positively when further analysis was carried on. The results provide evidence of positive relation among FDI, IFRS, and economic growth. IFRS adoption promotes FDI inflows which consequently spurs economic growth. There is, therefore, the need for policymakers to ensure adoption and enforcement of IFRS.

1. Introduction

Every country has the objective of achieving higher economic growth and ensuring its sustainability. However, the growth of economies depends on some economic factors. Several factors such as physical and human capital (Baudino, 2016; Ogundari & Awokuse, 2018; Pelinescu, 2015; Su & Liu, 2016), social capital (Thompson, 2018), financial development (Combes, Kinda, Ouedraogo, & Plane, 2019; Wang et al., 2019; Yang, 2019) have been identified to have potential influence on the growth of an economy. FDI is also a vital tool which enhances economic growth of countries (Jinadu, Ojeka, & Ogundana, 2016; Johnson, Vu, & Im, 2016). FDI is the investment that an investor from another country makes made into one country with the aim of acquiring a durable interest in the entity or the company. Several empirical research has shown that FDI boosts the growth level of an economy (Iamsiraroj & Ulubaşoğlu, 2015; Makiela & Ouattara, 2018; Raza, Shah, & Arif, 2019; Sokang, 2018). In an attempt to ensure higher inflows of FDI and consequently enhance economic growth, most countries have resorted to the acceptance of International Financial Reporting Standards (IFRS). IFRS is perceived to be the tool that eliminate information asymmetry (Abad, Cutillas-Gomariz, Sánchez-Ballesta, & Yagüe, 2018), making financial information transparent, comparable and

reliable, and consequently enhance the inflow of cross-border capital (Lee & Fargher L, 2010). Investors usually prefer to invest in markets that have quality accounting information that will assist them in making better investment choices at a very low cost (Castillo-Marino, Menéndez-Plans, & Orgaz-Guerrero, 2014; Gordon, Loeb, & Zhu, 2012). Research studies reveal that IFRS adoption is associated to increase in foreign institutional investments (Florou & Pope, 2012; Yu & Wahid, 2009), and foreign individual investments (Brüggemann, Daske, Homburg, & Pope, 2012).

Most research studies focused on how IFRS affect FDI (Gordon et al., 2012; Lungu, Caraiani, & Dascălu, 2017) economic growth (Özcan, 2016; Zaide & Huerta, 2014) and how FDI inflows affect economic growth (Makiela & Ouattara, 2018; Raza et al., 2019). Considering these empirical studies it is obvious that IFRS plays a role in the link among FDI inflows and economic growth. This study, therefore, considers the relationship between FDI, IFRS, and economic growth, using 12 developing nations in Africa. These countries were selected for the reason that they are the highest recipients of FDI in Africa, and had the highest inflows in the year 2018. These countries also have the highest economies in Africa. In reference to the 2019 World Investment report of UNCTAD, Africa escaped the global drop in FDI in 2018 as it experienced an 11% rise on that of the previous year. According to the UNTAD's World Investment Report 2019, these 12 countries were major investee economies. This study adds these contributions to existing literature: First, to the researchers' best knowledge, this is the first empirical research that analysis the consequence of IFRS on how FDI relate to economic growth, using 12 developing countries in Africa that are the highest recipients of FDI. Second, in past studies, proxies like corruption, regularity quality, quality governance, political instability, rule of law, were used as institutional qualities. This study uses IFRS as an institutional quality that influences the inflows of FDI and consequently impact on economic growth. Third, we used t-test to assess the outcome of full adoption and modification or partial adoption by countries on FDI inflows. That is, we assessed the difference in the FDI inflows among IFRS-fully adopted countries and the Non fully-IFRS adopted countries.

The remaining sections of the research study are structured as this: the second section explains the literature related to the study. The theory and the hypothesis development are described in the third section. The fourth and the fifth sections describe the methodology, and analysis and interpretation of data respectively. The sixth section gives conclusion and recommendations.

2. Literature

This part of the research explains the concept of FDI, economic growth, IFRS, and reviews the various literature on all other variables of study.

2.1. FDI

FDI, according to IMF (2004) is the direct form of investment that an entity residing in one country makes in another entity residing in a different country, whereby the entity making the direct investment has over 50% influence or voting power on the entity it is making investment. FDI can further be described as the financial transactions that exist between parties in an investment relationship. FDI is mostly in a form of inflows or outflows. FDI inflows occur when foreign funds are invested in an economy. The outward investment that a resident in a reporting economy makes directly into an external economy is known as the FDI outflows. FDI usually involves two parties (investor and the investee). The parties involved could either be persons or nations. FDI has become very critical and important for developing and emerging economies as it serves as a key factor in building up physical capital, creating employment opportunities, developing production capacity, transferring technological and managerial skills, and consequently helping in the integration of domestic economies with globalization. Through FDI, the government of investing economies are able to generate adequate resources which help in boosting the development of the economies.

2.2. Economic Growth

According to Amadeo (2019) an economy is said to experience growth when there is rise in productivity output in that economy, after the effects of inflation is removed, over a particular time period. It is further explained as the value of productivity output that is possible to be attained with same quantity of workload in a specific time period. Gross Domestic Product is the key indicator of economic growth. GDP is used in measuring the growth rate level of productivity output in an economy. There are also some socio-political issues which influence on the rate of growth of economies. This brings in another vital economic growth indicator known as Gross Domestic Product per Capital (GDPPC). GDPPC considers the individual citizen's happiness. This means that GDP is an aspect of GDPPC. Whenever there is rise in GDPPC, it indicates a total rise in GDP also. The growth of every economy is of important essence to any nation since it portends the wellbeing and prosperity of the people in the country. As such, governments are always looking for diverse means of increasing their economic growth. Several factors have been identified to precipitate economic growth. Pettinger (2017) divided these factors into: Demand-side factors and Supply-side factors. He further explained that increase in aggregate demand and higher economic growth is due to rise in the export or spending of the government, Investment, and Consumption. Levels of infrastructure, human capital, technological development, and the labor markets influence the Supply-side factors. In a situation whereby a

country does not possess enough factors of production, the government has to look for other means of driving growth. Currently, FDI seemingly serve as a means for improving economies. Hence, most governments have resorted to ways of increasing FDI so as to spur growth in their countries. FDI is believed to come with technological advancement, raw materials and improved labor force which enhance economic growth.

2.3. IFRS

The International Accounting Standard Board (IASB) established the IFRS in 2001 when they took over the responsibilities of the International Accounting Standard Committee (IASC). At the time that IASC was in charge, the Standards were called International Accounting Standards (IAS). The IASB has the objective of ensuring that financial statements that are provided by companies are of higher quality accounting information that are transparent, comparable, and reliable to enable efficiency in the financial markets across the globe.

IFRS is believe to come with lots of benefits. IFRS reduces the information gap that exist between investors and investees by means of strengthening accountability. IFRS provides vital information to capital providers and the people or companies in whom these capitals have been entrusted, therefore, making both parties accountable. With the adoption of IFRS, risks encountered by investors are reduced, creating more investment opportunities for investors across the world. Also, IFRS provides quality accounting information which aids in efficient economic decisions.

Studies from research have shown that IFRS adoption enhances FDI inflows (Gordon et al., 2012; Jinadu et al., 2016). The transparency characteristics of IFRS lessens information asymmetry and eliminates risks involved in investment. Other researchers, however, argue that due to the rise in the cost of training of accounting staffs and other associated obstacles in IFRS adoption, the intended benefits for IFRS adoption may not be achieved. IFRS has been proven to also enhance economic growth (Oppong, 2019; Özcan, 2016).

2.4. IFRS and FDI

There has been several empirical research studies which show that IFRS promotes inflows of FDI. Gordon et al. (2012) conducted a research study on IFRS and FDI for 124 countries covering a period from 1996-2009. Using the OLS approach, their result provided evidence that IFRS enhances FDI inflows. Similarly (Jinadu et al., 2016; Johnson et al., 2016; Lungu et al., 2017) found evidence for increase in FDI inflows in relation to IFRS adoption.

Using 48 African countries and the fixed effect model for estimating their regression, Akpomi and Nnadi (2017) found that IFRS influences FDI positively. Similarly, Pricope (2017) conducted a study on IFRS and FDI in poor countries. Using 38 poor countries as their sample and the Propensity Score Matching, the findings indicated that IFRS adoption positively affect FDI inflows.

Other empirical studies also found IFRS not to promote FDI inflows. Nnadi and Soobaroyen (2015) conducted a study on IFRS and FDI on developing economies in Africa. Their results showed that IFRS leads to negative impact on FDI. They claimed that rule of law, corruption, and legal system, instead of IFRS adoption, are key factors in enhancing FDI in Africa. Similarly, Efobi and Nnadi (May 2015) studied the effects of IFRS on FDI and the part institutions play in the relationship. They used 92 developing and developed countries as the sample of study and the General Method of Moments estimator for the regression. The result indicated that IFRS has no much influence on FDI. They explained that institutional qualities rather serve as key tool to FDI inflows.

2.5. FDI and Economic Growth

FDI has several significant economic benefits to the recipient countries. Pegkas (2015) analyzed the relationship that existing in FDI and economic growth among Eurozone countries. The study covered a period from 2002-2012. In their studies, Pegkas (2015) used both the Fully Modified OLS and Dynamic OLS in the estimation analysis. The results of their analysis provided evidence that FDI affect economic growth positively in the Eurozone countries. Similarly, Sokang (2018) did a study on FDI and economic growth, for the years 2006-2016, in Cambodia. In their studies, Sokang (2018) used the correlation matrix and the multiple regression method to examine the data collected. Results of their analysis showed FDI impacts on economic growth positively in Cambodia. In their studies, Soltani and Ochi (2012) used the time series analysis and the years from 1975-2009. Their findings were evidence that FDI improves growth of economies.

In their studies, Samantha and Haiyun (2017) also found FDI to be positively related to the economic growth of Sri Lanka. However, the results concluded that FDI is not a major element that influences the country's economic growth. In a study by Agrawal and Khan (2011) on how FDI affect China and India's economy, and using the OLS method of regression, the outcome was that FDI has a positive relation with economic growth. However, they found that FDI predicts less on economic growth. Increased FDI leads to positive GDP growth but only in the long-run (Sakyi, Commodore, & Opoku, 2015). Similarly, Javaid (2016) found FDI to significantly and positively influence the growth of the economy of Pakistan, both in the short-run and the long-run. Some weaknesses concerning FDI and economic growth have been identified by other empirical research studies. In a study on FDI and domestic investment (DI) on growth of the economy of Sub-

Saharan Africa from the year 1990-2003, Adams (2009) found weak association concerning FDI and economic growth. Similarly, Falki (2009) found that FDI is insignificant and negatively associated with growth in the economy of Pakistan, after data from the year 1980-2006. Akinlo (2004) investigated the influence of FDI on the growth of the economy of Nigeria using a data spanning from 1970-2001. Their results also revealed weakness in FDI and economic growth relationship. They claimed that most of the inward FDI into Nigerian economy was geared into the oil extracting industries. Comparing extractive and manufacturing FDI, they argued that extractive FDI may not be able to influence economic growth. Similarly, in their studies, Danja (2012) found FDI to contribute less to the growth and development of the economy of Nigeria.

3. Theoretical Framework and Hypothesis Development

The Signal theory explains the relation concerning IFRS adoption and FDI inflows. The signal theory implies that management of firms use the financial statements to signal their expectations to investors whose interests are in financial statements in making efficient and effective decisions. IFRS provides a higher quality confidence level for investors. The adoption of global uniform accounting standards is expected to reduce information asymmetry and lead to a higher reporting transparency. The transparency of financial reporting serves as an incentive for foreign investors and other potential foreign companies and investors to increase their investment in companies from other countries. As countries adopt IFRS, they become attractive to foreign investors as the IFRS creates confidence and assurance due to the transparency and comparability of the financial reports. Foreign investors are so much particular about the costs and the risk of investing in companies in developing countries. Developing countries, therefore, use IFRS as a means for increasing financial information reliability, and also for the reduction of information asymmetry between the users of accounting information, hence dropping the costs and risks that arise as a result of the inflows of FDI. The reduction in the costs and risks involved in operating in foreign country boosts the confidence and the assurance of these foreign investors and encourage them to invest outside their home. Investors build higher trust in investment from the decline in information asymmetry, and higher corporate governance.

Considering the above discussion, we hypothesized that:

H₁: FDI inflows increases after IFRS adoption.

Studies from several works point out FDI as an essential factor for economic growth. Positive and significant relationship exists among GDP and FDI (Bermejo Carbonell & Werner, 2018; Borensztein, De Grgorio, & Lee, 1995; Gudaro, Chhapra, & Sheikh, 2012). This means that a rise in FDI inflows portends great enhancement in the growing of an economy. Due to the economic growth benefits that come with the increase in FDI inflows, more countries, especially developing countries, are looking for various options to spur FDI inflows. IFRS, as an institutional quality, is seen to influence FDI inflows. According to Lungu et al. (2017) IFRS enhances FDI inflows. Higher FDI inflows consequently boost the growth of economies. From this, we can say that IFRS is a vital tool that enhances the positive effects of FDI on economic growth.

Considering the above discussion, we hypothesized that:

H₂: An increase in FDI inflows, in the presence of IFRS, leads to increase in economic growth.

4. Methodology

4.1. Research Design

The study made use of quantitative method in achieving its objectives. First, we analyzed whether IFRS causes a higher or lower FDI inflows in the selected countries. Second, we assessed the consequences of the increase or decrease in FDI inflows on the countries' economic growth. The study employed both the Ordinary Least Square (OLS) and Generalized Least Square (GLS) method of estimation. E-views statistical software (10th Edition) was used in our analysis. Secondary data was used for the study analysis. The period of study covers 1996-2018 for all the variables of study.

4.2. Model

In testing for the relationship concerning IFRS adoption and FDI, the following equation model was used:

$$lnFDI_{i,t} = \beta_0 + \beta_1 IFRS\,(DUMMY)_{i,t} + \beta_2 lnGDPPC_{i,t} + \beta_3 ln\,INFLAT_{i,t} + \beta_4 lnOPENN_{i,t} + \beta_5 ROL_{i,t}$$
$$+ \beta_6 POL_{i,t} + \varepsilon_{i,t} \qquad (1)$$

We later replaced lnFDI with lnGDPPC to generate the equation model for testing for the relation of FDI and economic growth.

$$lnGDPPC_{i,t} = \beta_0 + \beta_1 lnFDI_{i,t} + \beta_2 ln\,INFLAT_{i,t} + \beta_3 lnOPENN_{i,t} + \beta_4 ROL_{i,t} + \beta_5 POL_{i,t} + \varepsilon_{i,t} \qquad (2)$$

To check how IFRS affect the association between FDI inflows and economic growth, we introduced the interaction term (lnFDI * IFRS) into Equation 2.

$$lnGDPPC_{i,t} = \beta_1 IFRS + \beta_2(lnFDI_{i,t} * IFRS) + \beta_3 ln\,INFLAT_{i,t} + \beta_4 lnOPENN_{i,t} + \beta_5 ROL_{i,t} +$$
$$\beta_6 POL_{i,t} + \varepsilon_{i,t} \qquad (3)$$

Where:

$\beta_{1.......}\beta_6$ = Regression coefficients.

β_0 = Constant term.

ε = Error term.

i = Independent countries.

t = years

4.3. Variable Description

The study assigned 1 for all periods after adoption, and 0 for all periods before adoption. Control variables such as inflation, trade openness, gross domestic product per capital, rule of law, and political instability were used. Rule of law, trade openness, gross domestic product per capital are expected to positively influence FDI inflows whilst political instability and inflation are anticipated to negatively affect FDI inflows. Previous studies have been using GDP to measure economic growth. We used GDPPC as a proxy for measuring the growth of the economies. This is because we intend to know the true growth of the economies of the countries of study by considering the prosperity and the well-being of the citizens. The growth of every country must reflect in the living standards of the citizens in that particular country. The variables are explained in Table 1.

Table-1. Variable definition.

Variables	Measurements	Source of Data
Lnfdi	Natural logarithm of net foreign direct investment inflow data measured in current US Dollars	World Development Indicators (WDI) by World Bank
Ifrs(Dummy)	The Dummy variable is assigned 1 after the country has adopted IFRS, and 0 before adoption	IFRS Foundation database (www.ifrs.org)
Lngdppc	Natural logarithm of gross domestic product per Capita in current US dollars	World Development Indicators (WDI) by World Bank
Lninflat	Natural logarithm of inflation, GDP deflator (annual %)	World Development Indicators (WDI) by World Bank
Lnopenn	Openness to trade measures the sum of the exports and imports of goods and services measured as a share of gross domestic product. The natural logarithm is used.	World Development Indicators (WDI) by World Bank
Rol	Measures the perception of agents' confidence on rules and regulations of the country	Worldwide Government Indicators (WGI-2019)
Pol	Political Stability and Absence of Violence or Terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism	Worldwide Government Indicators (WGI-2019)

4.4. Sample Selection

The population consisted of 54 African countries. We examined the leading beneficiaries of FDI among the African countries and came out with 14 countries. Out of these countries, Tunisia and Cote D'Ivoire were removed because of non-adoption of IFRS. The final sample of study consisted of 12 developing countries. Table 2 shows the list of the samples of study.

Table-2. Countries of study.

Country	Years of adoption	IFRS Status
Egypt	2006	Modified
South Africa	2005	Full adoption
Morocco	2004	Partial adoption
Nigeria	2012	Full adoption
Kenya	1998	Full adoption
Ethiopia	2009	Modified
Ghana	2007	Full adoption
Algeria	2009	Modified
Zimbabwe	1996	Full adoption
Uganda	1998	Full adoption
Mozambique	2006	Partial adoption
Zambia	2005	Full adoption

Source: 2019 African Attractiveness Report from FDI Intelligence and EY Africa.

5. Data Analysis and Interpretation

5.1. Descriptive Statistics

The Table 3 displays the statistical result of the variables of study. We used the T-test to show the FDI relationship among the fully-IFRS adopted countries and modified or partially adopted countries. The IFRS status was classified into two: Full adopters and Non-full adopters. Non-full adopters consists of countries that have modified their accounting standards and those that have partially adopted. From the result, Full adopters and Non-full adopters have a mean of 20.15958 and 20.58510 respectively, and standard deviation value of 1.701312 and 1.0597180 respectively. This reveals that Non-fully adopted countries experience higher FDI inflows than the fully-IFRS adopted countries.

Table-3. Descriptive statistics.

	Mean		Standard deviation			
Variables	Full adopters	Non-Full adopters	Full adopters	Non-full adopters	t-Value	Sign. (two tailed)
Lnfdi	20.15958	20.58510	1.701312	1.0597180	2.089743	0.0376
Lngdppc	6.918536	6.959621	0.915101	1.105310	0.336956	0.7364
Lninflat	2.173410	1.583326	0.864199	1.242236	-4.491848	0.0000
Lnopenn	3.816615	3.746903	0.328074	0.398528	-1.590128	0.1130
Rol	-0.573447	-0.526282	0.614209	0.365048	0.735655	0.4626
Pol	-0.70190	-0.763831	0.707395	0.666588	-0.733548	0.4639

We considered the correlation among the various variables of study. This is presented in Table 4. From the table, FDI is positively and strongly related with GDPPC. This means that when FDI increases, GDPPC also rises. IFRS has positive correlation with both FDI and GDPPC which signifies that IFRS leads to a rise in the inflows of FDI, and economic growth.

Table-4. Correlation analysis.

Variables	Ifrs	Fdi	Gdppc	Openn	Inflat	Rol	Pol
IFRS	1.000000	0.255206	0.266856	0.160210	-0.114965	-0.023467	-0.023467
FDI	0.255206	1.000000	0.596917	0.002651	0.100278	0.252229	-0.042592
GDPPC	0.266856	0.596917	1.000000	0.128581	-0.118134	0.355599	0.049140
OPENN	0.160210	0.002651	0.128581	1.000000	0.055984	0.056344	0.407952
INFLAT	-0.114965	0.100278	-0.118134	0.055984	1.000000	-0.039792	-0.041263
ROL	-0.079060	0.252229	0.355599	0.056344	-0.039792	1.000000	0.563770
POL	-0.023467	-0.042592	0.049140	0.407952	-0.041263	0.563770	1.000000

5.2. Regression Results

5.2.1. IFRS and FDI

Table-5. OLS regression result for IFRS and FDI.

Variables	Coeff.	Std. Error	t-Statistic	Prob.
IFRS (dummy)	0.521	0.177	2.934	0.004
LNGDPPC	0.926	0.098	9.449	0.000
LNINFLAT	0.289	0.0763	3.788	0.000
LNOPENN	-0.288	0.262	-1.102	0.272
ROL	0.472	0.215	2.198	0.029
POL	-0.278	0.164	-1.697	0.091
Intercept	14.220	1.102	12.904	0.000

The regression result for IFRS and FDI is presented in Table 5. The R-square value is 0.421592 whilst the Adjusted R-squared is 0.407655. IFRS shows positive and significantly associated with FDI at 0.01. GDPPC and ROL are significant and positive to FDI. Inflation shows significant but has an unexpected positive relationship with FDI. From the result, we then conclude that IFRS promotes the inflows of FDI.

5.2.2. FDI and GDPPC

The result of FDI and economic growth is presented in Table 6. From the result, FDI is positive to economic growth at a significant level of 0.01. A percentage rise in FDI will cause a 30.7% rise in economic growth. ROL and trade openness are positive to GDPPC and seen to be significant at 0.01. Inflation and political instability have negative coefficient and significant at 0.01. From the result, we conclude that FDI assists in boosting the growth of economies.

Table-6. OLS regression results for FDI and GDPPC.

Variables	Coeff.	Std. error	t-Statistic	Prob.
Lnfdi	0.307	0.029	10.582	0.0000
Lnopenn	0.535	0.142	3.772	0.0002
Lninflat	-0.161	0.042	-3.795	0.0002
Rol	0.577	0.113	5.090	0.0000
Pol	-0.268	0.090	-2.966	0.0033
Intercept	-0.902	0.769	-1.14	0.2417

5.2.3. Interaction Analysis

We regress the interaction term, FDI *IFRS, on economic growth. The aim is to assess the role of IFRS in the relation concerning FDI and economic growth. This is presented in Table 7.

Table-7. OLS regression for interaction analysis

Variable	Coeff.	Std. error	z-stat	Prob.
Ifrs	-2.783	1.036	-2.685	0.008
Interaction (Fdi * Ifrs)	0.148	0.050	2.960	0.003
Lnfdi	0.239	0.027	8.773	0.000
Lnopenn	0.661	0.137	4.837	0.000
Lninflat	-0.245	0.047	-5.258	0.000
Rol	0.415	0.131	3.163	0.002
Pol	-0.174	0.103	-1.701	0.090

The Table 7 shows the result of the interaction analysis. This test was carried out to check effect of IFRS on FDI inflows and economic growth relationship. The R-square is 0.550136 and the Adjusted R-square is 0.537867. The result reveals that the interaction term, FDI*IFRS, is significant and positively affect economic growth. FDI is also significant and positively associated with GDPPC. We, therefore, conclude that IFRS, as an institutional quality, reinforces the influence of FDI on economic growth.

5.2.4. Robustness Test

We used the Generalized Linear Square (GLS) estimator to check the robustness of the result of the interaction analysis. The result of the GLS is presented in Table 8. We find consistency in the significance level, sign, and values of coefficient. The result reveals that the interaction term has positive coefficient and significant at 0.01. FDI, rule of law, trade openness show positive and significant with GDPPC.

Table-8. GLS Robustness test for interaction analysis.

Variables	Coeff.	Std. Error	z-Statistic	Prob.
IFRS	-0.783	1.036	-2.685	0.007
Interaction (FDI * IFRS)	0.148	0.050	2.960	0.003
LNFDI	0.239	0.027	8.773	0.000
LNOPENN	0.661	0.137	4.837	0.000
LNINFLAT	-0.245	0.047	-5.258	0.000
ROL	0.415	0.131	3.163	0.002
POL	-0.174	0.103	-1.701	0.090

6. Conclusion

The study is interested in the relationship among FDI, IFRS, and economic growth. The data consisted of 12 developing economies in Africa and covered the years 1996-2018. OLS regression and GLS estimator were used. The result showed that: First IFRS adoption and other variables such GDPPC, ROL are significant and positively influence FDI inflows. Second, Non fully-IFRS adopted countries experience higher inflows of FDI than the fully-IFRS adopted countries. Third, FDI, trade openness, and rule of law are significant and positively affect economic growth. Fourth, the interaction term also provided evidence of positive association with economic growth. For these findings, we make a conclusion that IFRS causes FDI inflows to increase, and the increased FDI inflows consequently enhances improvement in the economies of IFRS-adopting countries. This result provides key policy implications to policymakers of developing countries. The government of various developing countries should take notice of the benefits of embracing IFRS and ensure proper enforcement in improving the inflows of FDI in enhancing economic growth. Policymakers should take notice of the levels in IFRS adoption. Countries that have good regulatory policies and safe and secure business environments need not necessarily fully adopt IFRS as the result showed that countries that have adopted by means of modification or partial experience higher FDI inflows than those with full adoption. Though IFRS adoption is seen to improve FDI inflows, the result showed that full IFRS adoption does not

necessary promise a higher increase in FDI. Other institutional qualities like rule of law, correction, and political instability affect FDI inflows. In as much as the government is ensuring proper enforcement of IFRS, corruption should also be controlled by means of ensuring that government spending behavior is being made transparent. There should be effective changes concerning laws in improving corruption. Individuals and agencies found culprit to corruption should be made to face the law strictly to frighten others from doing such acts. Rule of law ought to be effectively enforced to impart confidence in foreign investors. Countries with quality rule of law are seen to be safe and secure environments for transacting business. Political instability is also seen to be another factor that inhibit FDI inflows. Government should draft proper policies to ensure stability in politics. Moreover, the result indicated that openness to trade leads to increase in economic growth. Countries should therefore, ensure that their economies are freely open to global trade. As countries open their economies to the world for trade, they should also pay attention to illegal trading activities which could be a treat to affect the positive benefits of trade openness.

6.1. Limitations and Commendations

There are some limitations to this study. First, the research focused on only 12 developing countries in Africa using IFRS. However, there are lots of IFRS-adopted countries in Africa. Therefore, future researchers can delve more into this by using more IFRS-adopting countries. Second, there was limitation in the variables of study. Further research could also be done by adding economic indicators such as exchange rate, labor force, education, and tax.

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