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FINANCIAL REPORTING REGULATION AND DIVIDEND PAYOUT: MODERATING EFFECT OF INFORMATION ASYMMETRY

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Abstract

This study examined the influence of a major reform in financial reporting regulation (the adoption of the International Financial Reporting Standards (IFRS) on dividend payout of companies that adopted IFRS. A survey method was adopted where the entire population of non-financial firms listed on the Nigerian Stock Exchange (NSE) was examined from 2007-2017. As a result, a total of 77 listed non-financial firms were studied. The findings of the study revealed a positive and significant increase in the dividend payout of the Nigerian listed non-financial firms after the mandatory adoption of IFRS. Thus, the study concludes that the transition to the new regulation has impacted on the financial reporting quality of the listed non-financial firms in Nigeria. Based on the findings of this study, a full transition to the new financial regulation (the adoption of IFRS) is therefore recommended for all the non-financial firms listed on the Nigerian Stock Exchange.

Keywords: IFRS, Dividend payout, Information Asymmetry and Nigeria.

1. Introduction

International Financial Reporting Standards (IFRS) provides high quality, transparent and comparable information in financial statements and other reports to help investors in all global markets and other users to make informed economic decisions (Epstein & Mirza, 1999). Relevance and reliability of financial information largely hinged on the accounting principles used. To ease comparability of results, it becomes necessary to provide an internationally regulatory framework for the publication of financial information in order to make appropriate corporate decision (Turki, Wali & Boujelbene, 2017).

IFRS is the codification of accounting standards, interpretations and framework designed for the preparation and presentation of accounting statements. These standards are developed and issued by the International Accounting Standard Board (IASB), the major aim of which is to provide relevant and reliable financial statements. Another intent behind the introduction of the new accounting

regulation is to enhance transparency (reduce opacity) and reduce information asymmetry among capital market participants (Leuz & Wysocki, 2008). IFRS is anchored upon a principle-based standard which gives companies more flexibility to choose accounting policies and estimates (Yurisandi & Puspitasari, 2015).

The compulsory adoption of IFRS posits a great interest to managers and investors. Although its effect on the informational content of accounting has been recently debated, stressing whether information asymmetry will be affected by the application of the international standards. Even if more and more countries adopt IFRS, a lingering debate about the benefit of the mandatory application of the new standards may persist based on the learning effect.

The adoption of IFRS has brought a new estimation philosophy and enhanced business performance. The new international standard has impacted on both the quality and quantity of the information disclosed by financial reporting companies which have changed the meaning and

significance of several indicators used by investors. Dicko & Khemakhem (2010) stipulate that IFRS adoption has certainly been a source of increasing the frequency and number of published financial statements.

Dividends are of foremost importance to shareholders (DeAngelo & DeAngelo, 2006). Institutions and investors show much concern about cash dividend policy of the respective firms in which they invest. Unarguably, dividend forms part of the return on investment (ROI) for investors (Bradford, Chen & Zhu, 2013).

Dividend policy has effect on the price and attractiveness of stocks Bradford, Chen & Zhu, (2013). Shahwan, (2019) substantiates Bradford, Chen & Zhu, (2013) that effective dividend policy attracts potential and existing investors to invest and reinvest. Chen et.al, (2019) cited (Bhattacharya 1979; John & Williams 1985; Miller & Rock 1985; DeAngelo et al. 2000; Baker & Wurgler 2004; DeAngelo & DeAngelo 2006; Guttman et al. 2010; Lambrecht & Myers 2012) who posits that the payment of dividends revealed information about the current and future cash flow of firms based on the information content hypothesis. In particular, dividend distribution signals the earnings strength of firms and lower financial risk.

The corporate landscape in Nigeria is akin to that of the U.S. and the U.K. in terms of dividend payout policy and the payout ratio. State owned enterprises have less influence over Non state-owned firms in terms of dividend payout policy. Unlike in china where the state ownership of listed firms has significant influence in predicting firms' dividend policies Bradford, Chen & Zhu, (2013). However, payment of cash dividend in Nigeria is much prevalent because the Companies and Allied Matters Acts (CAMA) has restricted share repurchases.

A large body of theoretical and empirical literature was produced on dividend policy after the publication of dividend irrelevance hypothesis by Miller & Modigliani (1961) where Bradford, Chen & Zhu, (2013) cited Miller & Modigliani (1961) which posits that the value of a firm is independent of its dividend policy under perfect capital market. Further, the existence of market imperfections and the challenge of quantifying their impacts on the theory and practice of dividend policy has prompted the

production of more literature on dividend policy (Al-Malkawi, Rafferty, & Rekha Pillai, 2010; Baker, 2009).

The payment of dividend was a common practice in the Nigerian public corporations using the NG GAAP. This study aimed to examine whether a significant change is recorded in the dividend payout ratio of firms in the Nigerian corporations following the mandatory adoption of the new financial regulation with effect from 2012. While a growing body of prior researches have focused on the effect of financial reporting on firms' financing and investment decisions, little evidence however exist on how financial reporting affects firms' dividend policy, a major corporate decision that occurs regularly, involves substantial amounts of money, interacts with all other important decisions, and has a significant impact on firm value (Koo, Ramalingegowda & Yu 2017; Chen & Gavius 2015).

The objective of this study is to investigate the effect of IFRS adoption on the financial reporting quality in Nigeria by comparing the two periods: pre and post IFRS adoption relative to firms' dividend payout.

Using the ordinary least squares (OLS) regression approach, the study examines the resulting impact of IFRS adoption on firm's dividend payout on the Nigerian corporate landscape from 2007- 2017.

The finding of this study contributes to the literature by providing evidence proving the impact of IFRS adoption towards enhancing the quality of financial reporting in the emerging economy and the resulting effect of the fair value accounting in the reduction of information asymmetry which has led to increase in the dividend payout ratio among listed firms in Nigeria. Furthermore, the study has corroborated previous researches in advance economies on the positive impact of IFRS adoption and the enhancement in the quality of financial statement (Dumontier & Raffourier 1998, who indicates earlier adoption of IFRS in Switzerland. Healy et. al 1999; Leuz & Verrachia 2000; Daske et. al 2008 & Armstrong et.al 2008). IFRS adoption was found to have positive relationship with dividend payout (Koo et al, 2017; Harakeh, Lee & Walker, 2019).

The remaining parts of the study are organized as follows. Chapter 2 reviews related literature and develops the hypothesis. The 3rd and 4th chapters discuss the research methodology and empirical findings respectively, while the conclusion is presented in chapter 5.

2. Literature Review

2.1 IFRS and Dividend Payout

Shahwan, (2019) cited (Khan & Ramirez, 1993 and Nissim & Ziv, 2001) who described dividend policy as a guide by which management determined the proportion of the profits to be distributed to existing shareholders as part of return on their investment; and the part of the profit to be retained for future investment. Thus, dividend policy is said to be stable when a firm is committed to a persistent installment payment of cash dividend regardless of profit's fluctuations (Gwilym, et, al., 2000).

An interesting, rather unexamined aspect of the transition from cost-based accounting to fair value accounting is whether and how company dividend payout policies have changed as a result of this transition. In other words, the adoption of IFRS does change the firm dividend payout policies (Chen & Gaviols, 2015). Studies have shown that the historical stability in dividend payouts can communicate substantial information about the firm (Brown et al., 1977; Dickens et al., 2002).

Dividend policy refers to “the practice that management follows in making dividend payout decisions or, in other words, the size and pattern of cash distributions over time to shareholders” (Lease et al., 2000). Dividends are of integral importance to shareholders (e.g., DeAngelo & DeAngelo, 2006). Some studies on dividend policy have documented that firms seek to maintain a stable dividend payout policy (Shevlin, 1982; DeAngelo et al., 1992; Naveen et al., 2008). Meanwhile, Managers are willing to maintain and avoid dividend cut (Brav et al., 2005).

However, dividends distribution generates a conflict of interests between shareholders and other stakeholders in a firm. For instance, Chen & Gaviols (2015) cited Galai & Weiner, (2015) that from the debt holders' perspective, dividends paid to shareholders reduce the firm's value,

thereby increasing the value of the implicit put option and the probability of default. This conflict of interests and the risk of the firm's entering financial distress are exacerbated if the payment of dividends is based on unrealized profits because the latter may reverse in the future (the clawback problem). Thus, whether firms adopt IFRS to distribute cash dividends from paper profits is an important question with economic implications (Galai & Weiner, 2015).

In a perfect capital markets, the value of a firm is independent from its dividend policy; therefore, dividend policy should be irrelevant in corporate finance decisions. Market imperfections exist such as taxes, transaction costs, asymmetric information, and agency problems; and the ensuing challenge is quantifying the impacts of these market imperfections on the theory and practice of dividend policy. These market imperfections have provided the basis for the development of various theories of dividend policy including tax-preference, clientele effects, signaling and agency costs (Bradford, Chen & Zhu 2013).

In financial markets such as those in the U.S., ownership is highly diverse, and market power can force management to distribute cash dividends to meet the cash demand of investors. It is not the same case in China. Shareholders in China, especially minority shareholders, have less power to force management or controlling shareholders to implement dividend policies that reflect minority shareholders' wishes when they differ from management people or controlling shareholders (Lee & Xiao, 2003).

2.2 Information Asymmetry and Dividend Policy

The agency problem over dividend policy is triggered by the presence of asymmetric information among capital market participants (i.e. managers and shareholders) (Allen & Michaely, 2003). Management sometimes, do take decisions to benefit themselves privately at the expense of shareholders especially, when outside shareholders lack complete information about the managers' behavior (La Porta et al., 2000). Consequently, when information asymmetry is high and outside shareholders cannot monitor managerial decisions, dividend payments are expected to decrease (Koo et al., 2017).

The free cash flow problem is the most serious agency problem with which managers expropriate shareholder's wealth by underpaying dividends to maximize their personal benefits instead. This includes investing in value-destroying projects to increase executive compensation, power, and prestige. Due to high level of information asymmetry and reporting opacity, shareholders may unlikely discover such managerial activities. (Koo et al., 2017).

However, mitigating information asymmetry and enhancing transparency can reduce the free cash flow problem by constraining managerial volition over free cash flow. Therefore, when shareholders are capable of monitoring managerial decisions, managers are under pressure to increase dividends rather than retaining them inside the firm. Principally, information asymmetry arises when the agent (management) knows more about the fundamental value of the firm and its investing activities than the principal (shareholders) does, (Miller & Rock, 1985).

Information asymmetry arises when company's management deliberately withhold certain information for investors in order to gain extraordinary dividend from the shares they owned. Such exploitation of the prior knowledge of private information places big investors above small investors by having extraordinary returns in favor of big investors (Bhattacharya et al., 2013).

In similar argument, (Hemant & Chen, 2012) sees asymmetry of information from the point of inequality between management and internal and external stakeholders in the possession of private information in order to gain undue advantage by the management. The pecking order theory, according to Myers and Majluf (1984) explains the relationship between information asymmetry and dividend policy. They theorize that, under high levels of asymmetric information, management finance their investments at a high cost where prices for issued equity are relatively low while creditors demand higher interest for issued debt. To avoid such a costly financing, management retains cash inside the firm instead of paying dividend. The theory also postulates that, firms prefer financing new investments from its retained earnings and raise debt or equity capital where internally

generated resources are insufficient. And as retain earnings ability hinges on profitability, an inverse correlation between leverage and profitability is expected (Rajan & Zingales, 1995).

To determine firms' capital structure affected by information asymmetry, information asymmetry variables and other attributes that have connection with managerial financial decisions need to be distinguished. Potential attributes as suggested by empirical studies includes firm's profitability, tangibility, growth opportunities, size, and ownership structure to a larger extent (institutional ownership and state ownership) (Harakeh et al., 2019).

Information asymmetry may fall significantly if managers increase dividend payments to pacify investors (DeAngelo et al., 2008). Thus, an inverse causal relationship exists between information asymmetry and dividend. According to Lintner (1956), dividends are sticky, thus firms are mostly reluctant to omit dividends.

Dividend signaling theory is one of the dominant explanations for firms' dividend behavior (Allen & Michaely, 2003). Managers know more about the firm's true worth than do its investors and use dividends to convey information to the market (Bhattacharya, 1979; John & Williams, 1985; Miller & Rock, 1985).

Firms with less asymmetric information pay higher dividends. This finding is consistent with the pecking order theory but inconsistent with the signaling theory (Sanjay Deshmukh, 2005). The higher the level of asymmetric information, the lower the dividends. This is a prediction of the pecking order theory which contrasts with that provided by the signaling models.

Miller and Rock, (1985) develop a model in which higher dividends are associated with higher earnings. Their model implies that, other things equal, the value of dividend payments as a signal, increases with the level of asymmetric information between the firm and its investors. Therefore, the prediction of the pecking order theory with respect to the level of asymmetric information shows opposite to that provided by the dividend-signaling framework of Miller & Rock (1985).

Analyst earnings forecast is also used to gauge the degree of information asymmetry between managers and investors. The analyst earnings forecast and errors and the dispersion in forecast was found to be negatively, and very often significantly associated with a firm's likelihood of paying dividends, initiating or increasing dividends, and with the level of dividends paid. On the whole, firms with more transparent information environments pay out more dividends (Li & Zhao, 2008).

Li & Zhao, (2008) argued whether corporate dividend policies are affected by the degree of information asymmetry that firms face, and also whether the relation is consistent with the signaling view of asymmetric information. Their findings revealed that, firms that are more subject to information asymmetry are less likely to pay, initiate, or increase dividends, and disburse smaller amounts. They found a negative relation between asymmetric information and dividend policy. The results do not support the signaling theory of dividends.

2.3 Hypothesis Development

According to the financial economics literature, information asymmetry is a major factor in determining dividend policy behavior (Allen & Michaely, 2003; DeAngelo et al., 2008). An environment with good corporate governance with rich information reduces part of the information asymmetry between managers and investors, which consequently affects dividend (Hail et al., 2014). Agency theory posits that managers would take advantage of the high information asymmetry and limited scrutiny on the part of investors to expropriate shareholders' wealth (Jensen, 1986). Thus, if IFRS adoption mitigates information asymmetry, investors are more capable of monitoring managers who are anticipated to raise dividend payout than to benefit privately via incurring excess operating expenses. Furthermore, the pecking order theory suggests that under the environment of high information asymmetry, management would prefer to finance investments from the free cash flow because external financing is too costly. In specific terms, when external investors have minimal information on the fundamental value of the firm, they would underprice issued equity and demand high interest rates on debt offered. External investors thought that managers are

selling an overpriced security and thus, undo this effect by discounting offered securities to reach Nash equilibrium (Shivakumar, 2000). Accordingly, management prefer to retain the free cashflow instead of paying out as dividend because of the high cost related to external financing. Consequently, if IFRS reduces information asymmetry, the external financing should be less costly and managements are expected to pay more dividend. Ramalingegowda et al., (2013) posits that the disagreement over investing and financing decisions including dividend policy are the prime agents of agency conflict. However, IFRS adoption improves harmonization and enables comparability of information. The improved financial statements disclosure has reduced managerial incentives to invest in value destroying projects. This has also led to increase in dividend payout. In light of the preceding discussion, we formulate the hypothesis below.

H₀ : IFRS adoption reduces information asymmetry which consequently leads to increase in dividend payout.

3. Methodology

To identify the resulting effect of IFRS adoption on dividend payout; following the extant literature, Ordinary Least Square (OLS) Regression model is used for the research methodology to measure the impact of IFRS adoption on dividend payout during the pre and post IFRS adoption periods in Nigeria. Secondary data collected from annual reports of all the listed firms in the sample of this study were used. The analysis involves 77 listed non-financial firms with 423 firm-year observation over ten-year period (2007-2017). This will cover the pre IFRS and post IFRS adoption periods. Data were obtained from the financial statements of all the firms under study via Wharton Research Data Services (WRDS).

The study commenced the data series in 2007 which was beginning of the 5year selected as the IFRS pre adoption period. The database ends in 2017 as the last year of the 10year period of study adopted. (Pre-adoption period is 2007 – 2011 & post-adoption period is 2013 – 2017). Financial firms such as Banks, Insurance Companies and other miscellaneous financial firms were excluded from the study because of extreme differences in their capital

structures and regulatory environment compared with other firms as done in prior study (Elbadry, 2015).

3.2 Variable Measurement

3.2.1 Dependent Variable

The dependent variable for this study is the dividend payout. To further estimate the impact of IFRS adoption on dividend payout, the dependent variable (*Div*) which indexes cash dividend payout ratio is calculated as the total cash dividend paid divided by total realized earnings as used in previous studies such as (Hail, Tahoun and Wang, 2014; Harakeh, Lee & Walker, 2019). For robustness, an alternative date prior to the adoption of IFRS is chosen to determine the effect of IFRS adoption on firm's dividend payouts.

3.2.2 Independent Variable

The main explanatory variable in this study is the IFRS adoption as a dummy variable which takes the value of 1 for the period after 2012, and 0 for the period before 2012. The variable IFRS captures a time varying indicator “*post dummy*” which takes the value of 1 for period after the year 2012 and zero for the period before the year 2012. Using the Ordinary Least Square (OLS) regression model, the variable *IFRS* shows the difference in information asymmetry and dividend payout for the pre and post IFRS adoption periods.

3.2.3 Control Variables

$$DIV_{it} = \beta_0 + \beta_1 IFRS \times Infoasym_{it} + \beta_2 Lev_{it} + \beta_3 Tan_{it} + \beta_4 Profit_{it} + \beta_5 Sales_{it} + \beta_6 Earn.Vol._{it} + \sum Year + \sum Firm + \epsilon_{it} \dots \dots \dots 1$$

The coefficient of interest β_1 captures the probability that IFRS adoption reduces information asymmetry which influences dividend payout. Our prediction is that in the post IFRS adoption period, firms are more likely to increase dividend payout.

In compliance with the prior studies, this study used control variables relating to information asymmetry and dividend payout. The control variables adopted in this study display some firm specific characteristics. *Leverage* is measured as long-term debt divided by total assets. *Tangibility* is measured as property, plant and equipment (PP&E) normalized by total assets. *Profitability* is measured as operating income normalized by total assets. *Firm size* is estimated as the natural logarithm of company's total sales (Naranjo et al., 2013).

Earnings Volatility computed as standard deviation of ROA over a period of 5 years to time t. market to book ratio (MTB ratio) is computed as the market value per share divided by the book value per share with the market value obtained as the twelve-month period closing price multiplied by the number of common stock outstanding.

3.3 Regression Model

In this study, the empirical strategy used is the Ordinary Least Square (OLS) regression model to test our prediction that IFRS adoption reduces information asymmetry which has effect on firm's dividend payout. Thus, we predict that dividend payout is higher in the post IFRS adoption periods following the reduction in information asymmetry. To test this prediction, we estimate the following regression model:

Table 1 reveals information about the different variables describing the main features of the sample. Descriptive statistics, correlations and panel data regressions are calculated using STATA 14.0 statistical software.

4. Result and Discussion

4.1 Descriptive Statistics

Table 1: Descriptive statistics

	N	Mean	St.Dev	Min.	Median	Max.
IFRS Dummy	423	.426	.495	0	0	1
Dividend paid	423	6.31	2.08	2.197	6.165	11.687
Inf. Asym.	423	11.652	2.309	5.663	11.807	17.258
Tangibility	423	.422	.208	.04	.412	.86
Leverage	423	.55	.18	.139	.55	.949
Profitability	423	.09	.077	-.015	.067	.419
Firm Size	423	9.727	1.717	6.251	9.517	13.33
Earnings vol.	423	.002	.005	0	.001	.034
MTB ratio	423	5.244	2.263	-1.718	5.419	10.229

Source: Authors' Computation (2022).

Note: the table presents the number of observations (N), Mean, Std. Dev., 1st Perc., Median, 99th Perc. for all variables of the study.

IFRS Dummy represents post IFRS adoption period. Dividend paid is calculated as the total cash dividend paid divided by the total realized earnings. Information asymmetry is measured by the volume of trade. Tangibility is measured as Property Plant and Equipment divided by total assets (PPE/TA). Leverage is measured as total debt divided by total assets (TD/TA). Profitability is calculated as operating income divided by total asset (OP/TA). Firm size is measured as logarithm of total sales. Earnings volatility is measured as the standard deviation of ROA over a period of 5 years to time t. Market to Book ratio (MTB ratio) is computed as the market value per share divided by the book value per share with the market value obtained as the twelve-month period closing price multiplied by the number of common stock outstanding.

The table 1 provides descriptive statistics for sample of 77 non-financial firms listed on the Nigerian Stock Exchange that have fully adopted IFRS since 2012. The sample period extends from 2007 to 2017: The five years prior to the adoption of IFRS (2007-2011) and the five years following the adoption of IFRS (2013-2017). The table displays the information for the pooled sample period. The sample includes a total of 423 firm-year observations with sufficient information required for our various analyses. Extreme values (top and bottom 1%) of continuous variables are winsorized.

IFRS is a dummy variable that takes the range 0 and 1, where 0 represents pre adoption period while 1 represents post adoption period. IFRS takes the range 0 percentile to 1 percentile with an average value of approximately 4.3%. Dividend paid has a mean value of 6.31 million Naira and a close median of 6.17 million Naira. The dividend paid has a minimum and maximum value of 2.2 and 11.17 million Naira respectively. Tangibility has a mean value of N422,000 and a median value of N412,000. Tangibility has minimum value of N4,000 and a maximum value of N86,000. Leverage has a mean and median value of N55,000 respectively; it has a minimum value of N139,000 and a maximum value of N949,000. Profitability has a mean value of N9,000 and a median value of N67,000; it has a minimum value of N-15,000 and a maximum value of N419. Firm size has a mean value of N9.727 million and a median value of N9.517 million; it has a minimum value of N6.251 million and a maximum value of N13.33 million. Earnings volatility has a mean value of N2,000 and a median value of N1,000; it has a zero minimum value and a maximum value of N34,000. MTB has a mean value of N5.44 million and a median value of N5.419 million; it has a minimum value of N-1.718 million and a maximum value of N10.229 million.

4.2 Regression Result

4.2.1 IFRS Adoption, Information Asymmetry and Dividend Payout.

Test of hypothesis: IFRS adoption reduces information asymmetry which consequently leads to increase in dividend payout.

Table 2 is presented below. The table shows the regression analysis for dividend paid during the period of study. The predicted value of information asymmetry of the first regression from the hypothesis one is used to justify the increase in dividend payout after the IFRS adoption. Dividend paid appears positive and significant following the reduction in information asymmetry due to IFRS adoption. The control variables (Profitability, Firm Size and Leverage) have been associated with a firm's dividend payout in previous studies (e.g., Rozeff, 1982; Fama & French, 2001). Tangibility and leverage appear to be negatively associated with dividend payout. This is

established in prior study in Mubin et al., (2014). Earnings volatility appears to be positively related to dividend. This is justified in Zakaria et al., (2012). The result shows a negative but insignificant association between dividend and Market to Book value. This is also found in prior study conducted by Amidu & Abor, (2006) who also found a negative association between Markets to Book Value. Previous studies revealed that Firm size and profitability are positively and significantly associated with dividend payouts (Harakeh et al., 2019). Leverage is shown to be negatively associated with dividend payouts (Harakeh et al., 2019).

Table 2: IFRS Adoption, Information Asymmetry and Dividend Payout.

VARIABLES	Dividend_paid_
IFRS *Inf. Asymm	0.592***
	-5.708
Tangibility	-0.165
	(-0.297)
Leverage	-0.51
	(-1.095)
Profitability	5.515***
	-5.038
Firm Size	0.960***
	-11.385
MTB1	-0.007
	(-0.420)
Earnings Volatility	0.702
	-0.208
Constant	-2.992***
	(-3.190)
Observations	423
Adjusted R-squared	0.934
Year Fixed Effects	YES
Firm Fixed Effects	YES
Clustered by firm	YES

Source: Authors' Computation (2022).

Table 5 shows the resulting effect of information asymmetry as an interacting term of the post _IFRS dummy and information asymmetry on the dividend paid on control variables (Tangibility, Leverage,

Profitability, Firm Size and Market to Book Value of Equity & Earning Volatility). Unreported standard errors are clustered at the firm level. T-statistics are

shown in parenthesis. Significant coefficients at 1%, 5% and 10% are marked with ***, ** and *respectively.

5. Conclusion and Recommendations

This study explored the effect of a major reform in financial reporting regulation, the adoption of the International Financial Reporting Standards (IFRS) on information asymmetry and dividend payouts of non-financial firms listed on the Nigerian stock exchange. IFRS adoption has been the most important transition in financial reporting regulation on the Nigerian corporate landscape. Additionally, the regulation was ostensibly meant to improve reporting quality and increasing financial statement comparability within and across countries.

According to the agency theory and the pecking order theory, conflicts over the dividend policy heighten when information asymmetry increases (Jensen, 1986; Myers & Majluf, 1984). Thus, IFRS adoption is presumed to enhance the information content of firms and to better their corporate governance and reporting. A reduction in the level of asymmetric information between managers and shareholders is anticipated. A decrease in information asymmetry is presumed to strengthen and enhance the monitoring abilities of investors (agency theory) and facilitate external financing of investments by managers (pecking order theory). Subsequently, managements are expected to maintain less cash within their firms and

increase dividend payments. The hypothesis for this study was tested using the Ordinary Least Square (OLS) regression. The result shows that, following the adoption of IFRS, the level of asymmetric information decreased, and this was accompanied with a significant increase in dividend payments among Nigeria's non-financial firms. Thus, a reduction in the level of asymmetric information between managers and shareholders is unveiled and that firms' dividend payout ratio was also positively influenced by the new regulation.

The study explored within the sample, dividend payout ratio and finds that in the post IFRS adoption period, dividend payout ratio has significantly increased. On the whole, the finding of the study appeared to be consistent with the hypothesis that the migration to the new regulation decreases information asymmetry which led to the increase in firms' dividend payout ratio. Finding of the study is robust to various tests by employing alternative proxies of the main variables. Also included are the year and industry dummies to control for time and industry fixed effects. Policy makers, investors and academics might be interested in the long run relationship between information asymmetry and dividend payout. Thus, future research might consider a further study in that respect. Based on the findings of this study, a full transition to the new financial regulation (the adoption of IFRS) is therefore recommended for all the non-financial firms listed on the Nigerian Stock Exchange.

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