The Impact of IFRS Mandatory Adoption on the Performance of Saudi Banks

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Abstract: - The study aims to determine the impact of IFRS mandatory application on financial and market performance, in the Saudi Arabian banking sector for the period from 2012 to 2021. The results of this study show that there is no relationship between the IFRS mandatory application and each of the rates, return on equity, and return on assets, while there is an inverse relationship with earnings per share. In terms of the effect on the market performance, the study concluded that there is no relationship between the IFRS mandatory application and each of the volume and value of trading, and there is a positive relationship on the growth rate. The study attributed these results to several reasons, the most important of which is the gradual application of the IFRS, which was followed by Saudi Arabia, in accordance with strict executive procedures from the Saudi Arabian Monetary Authority (SAMA).

Key-Words: - IFRS, mandatory adoption, financial performance**,** market performance, accounting information quality, Banks

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1 Introduction

The Kingdom of Saudi Arabia's interest has increased recently in developing the Saudi financial market, believing in the importance of financial markets in achieving the goals of economic development in general and the Kingdom's Vision 2030 in particular. The economic development of any country must be accompanied by a financial development of the same strength and ambition.

As a member of the G20, the Kingdom has taken many decisions and procedures aimed at enhancing levels of transparency, disclosure, and governance. These decisions contribute to improving the investment environment in the market in addition to preparing the regulatory and legislative environment in line with international trends.

Among the prominent steps in this field is the plan that the Kingdom put in place in 2012 to convert to international accounting standards. It was implemented in four stages, taking into account several factors. After studying the application of these standards from all aspects (Sharia, legal, professional ...), the kingdom decided on the mandatory application of IFRS in its full version on all establishments listed in the Saudi financial market at the beginning of 2017. It should be noted that the emergence and application of IFRS as a method for the globalization of accounting came in response to the needs and requirements of the globalization of the economy, especially financial markets. This globalization led to an increase in interest in the relationship between stock markets and accounting practices. So, the shift to IFRS on a large scale is an improvement in the quality of financial reports and enhancing transparency and accounting disclosure. Thus, these standards support the efficiency of the market by increasing confidence in the financial statements, reducing risks for new investors, and working in an integrated international regulatory environment, which facilitates comparison and analysis.

According to the above, this paper aims to determine the impact of IFRS mandatory adoption on the financial and market performance of Banks listed on the Saudi Stock Exchange through:

-Determining the nature of the Saudi capital market response to the changes resulting from the mandatory application of international standards.

-Determine the most important factors affecting positively and negatively the relationship between the IFRS mandatory adoption and the performance of companies in the Saudi market.

The importance of the study stems from the increasing interest in accounting literature to study the impact of the application of international standards in the markets of many countries, which coincides with the recent mandatory application in the Kingdom of Saudi Arabia and the emergence of the need to evaluate this decision. At the same time, there are few studies that dealt with measuring the impact of the mandatory application of international reporting standards on the market performance of companies in the Arab environment in general and in the Kingdom of Saudi Arabia in particular. The study is also considered supportive of the continuous evaluation process for the IFRS application which allows for continuous improvement and development.

Practically, the results of the study can be used to judge:

- The impact of the application of international financial reporting standards on improving the quality of information contained in financial reports and increasing their transparency.
- The efficiency of the Saudi stock market by measuring the response to changes in the quality and quantity of disclosed information, accompanying the mandatory application of international financial reporting standards.
- The problems and obstacles that may prevent the success of the mandatory application in the Saudi market.

2 Literature Review

The need for international financial reporting standards (IFRS) has increased in light of the global economy, the globalization of capital markets, the successive developments in information technology, and the publication of financial reports on the Internet. Since (2001) the International Accounting Standards Board has begun to develop a unified set of high-quality and internationally acceptable standards of financial reporting. The goal of this decision is to ensure the provision of transparent and complete information that clearly reflects the real situation of companies in order to protect stakeholders on the one hand and inform the financial markets on the other hand.

Proponents of International Financial Reporting Standards (IFRS) have argued that adopting IFRS as a global standard will contribute to reducing differences between these reports in different countries, strengthening the comparability of financial information, improving its explanatory power as an indicator of company performance, reducing its cost, improving transparency and limiting information asymmetry and increasing the quality of financial reporting.

Prior studies have investigated the relationship between the adoption of financial reporting standards and corporate performance, quality of accounting information, and comparability. However, these studies did not reach similar results, there was a noticeable divergence.

2.1 IFRS Mandatory Adoption

IFRS is an extension, development, and continuous improvement of the content of the accounting standards issued in order to respond to the successive developments in the international business environment.

The tendency to apply the IFRS carries a change in the philosophy of looking at accounting, from being just a system for collecting and processing information in a way that helps in settling potential conflicts between stakeholders, to becoming a financial reporting system for the professional investor in an advanced and renewable work environment**,** [1]. This later is characterized by the expansion of the global activities of enterprises with the growing role of multinational companies and the need for the transfer of production factors and capital from different countries, and to deal with a large base of users of financial statements that are not homogeneous in terms of culture and language, [2].

The rapid development and expansion of international financial markets have allowed companies and investors to bypass national borders in search of better funding sources and investment opportunities while giving investors an opportunity to diversify their investment portfolios in a way that reduces potential risks, [2].

In light of these variables, international accounting compatibility has become necessary in order to send a unified and reliable message to the market, through the presence of high-quality accounting standards that guarantee the quality of financial statements and reports in terms of enhancing comparability, relevance, accuracy and addressing the problems of information asymmetry and profit management, [3].

From the perspective of advanced economies, the adoption of IFRS will reduce the expenses and time of issuing new local standards, and raise the efficiency and control of professional practice so that it is ethical and helps to reduce financial corruption, [4].

IFRS is also characterized as principles-based standards, they rely on a set of concepts based on general economic definitions that allow the practitioner to treat economic events according to their essence, which gives them a high degree of simplicity and clarity. They represent an integrated system of standards, which refer to each other, so they reduce the possibility of conflict between its requirements, [5], [6].

Accordingly, IFRS has one direct effect, which is raising the quality of financial statements followed by a number of indirect effects, such as increasing the financial market efficiency, and liquidity, and reducing the cost of capital, [7].

This prompted the bodies of control and supervision of the accounting profession in most countries to take steps towards obligating companies, banks, and financial institutions to adopt IFRS, so the Countries have taken three different strategies when adopting the standards: convergence, partial adoption, and full adoption, [8]. In terms of commitment, countries' positions varied between voluntary and mandatory implementation, which led to an increase in the number of countries implementing the standards, approximately 130 countries, [9].

The results showed that the difference in legal, economic, and environmental factors is one of the most important reasons behind the different decision strategies for adoption, [4], [8] [10]. Some studies indicate that countries that have strong investor protection systems and high rates of economic growth are more likely to adopt mandatory IFRS, [11]. On the other hand, the strength of legal systems and the degree of accounting obligation may be an incentive to implement IFRS, despite the weakness of investor protection systems and the decline in economic indicators, [8].

The level of accounting knowledge, human qualification, and the nature of the organizational environment are among the factors with a positive significant relationship to the decision to transfer to adopting IFRS, [12].

One of the most important obstacles to the implementation of IFRS, especially in developing countries, is the absence of efficient markets for most assets, which does not allow the use of fair value, [13], as well as the failure to satisfy stakeholders, who sometimes have conflicting interests, [14].

In addition, mandatory adoption requires persistent and intense efforts in the field of actual implementation, which increases the costs of transformation, [15].

However, the study, [16], found a positive impact of IFRS mandatory adoption in achieving the desired goals of accreditation, and the quality of financial reports in the European context during the period from 2001 to 2009. The study, [17], also attributed the success of the application in some Pacific islands to the laws binding on this application.

The mandatory adoption of IFRS also allows comparisons between the financial performance of companies in the same country, or in different countries, in a way that supports the globalization of financial markets, and contributes to saving the costs of preparing local accounting standards for each country separately, [3].

However, the mandatory adoption of IFRS in itself is not sufficient to achieve the desired goals of the application, as [7], emphasized that the proper application of these standards and their success in achieving their goals differ from one country to another, according to the availability of a set of elements. We can summarize them as follows:

- Standard quality level
- The legal and political system in the country
- Financial reporting incentives and the associated capital structure, ownership in the tax system,

the extent of the development of financial markets

In the context of comparing the costs and obstacles and the expected benefits, in light of the different elements, many Arab countries have taken the decision of mandatory adoption IFRS, including the Kingdom of Saudi Arabia.

In 2012, the Kingdom prepared a plan for the transition to international accounting standards, which was implemented in four stages, after studying the application of these standards in all respects (legal, legal, technical...) provided that the mandatory application of international financial reporting standards in its full version will be on all institutions listed in the Saudi Stock Exchange at the beginning of 2017. Believing that IFRS is characterized by comprehensiveness, integration, and modernity in covering financial transactions compared to Saudi standards.

The time plan for the transformation came in order to give enough time to study the standards in all aspects related to the local environment and to involve many relevant parties to ensure that they achieve their goals. This resulted in the Authority's approval of a set of additional disclosures that are an integral part of the application of standards in the Kingdom, as they provide information that enables the decision maker to judge the extent to which the establishments' revenues, investment and sources of financing which comply with the requirements of Sharia.

The study, [18], confirms the possibility of adopting IFRS in the Saudi accounting environment, specifically in financial institutions, taking into account the fundamental differences in the Saudi accounting system that adopts Islamic Sharia law.

The business environment in the Kingdom of Saudi Arabia, which represents the components of the IFRS application, is characterized by the following,

- The Kingdom enjoys the sovereignty of a free economic system with the state carrying out some vital economic activities
- Joining international organizations as the International Traders Organization of Accounting Bodies, and as a member of the Economic Group of Twenty
- The economic environment in the Kingdom has developed to attract foreign investment, increase the financial surplus, achieve the highest rates of economic growth, and enter the global financial markets.
- The local environment is compatible with the characteristics of globalization in terms of the use of modern technologies in the field of information and communication technology.
- Local laws, and regulations, comply with international requirements.

In light of the importance of the banking sector by its special nature, its primary impact on the economy as a whole through its frequent dealings with investors, depositors, and other stakeholders, and its ability to install confidence in the monetary system through its association with the regulatory authority and the government, in addition to its sensitivity and its rapid impact on any global financial crisis, the Kingdom of Saudi Arabia gave the banking sector a good opportunity by allowing it to be implemented since 2012. This decision contributed to increasing the readiness of banks and adapting their conditions through training and gaining experience before deciding to implement the mandatory application of IFRS in its full version in 2017, which helped in achieving the desired objectives of the application and which has repercussions on the market and financial performance of this vital sector.

2.2 IFRS Adoption and Corporate Performance

The study, [19], analyzed the impact of the financial reporting standards adoption on the performance indicators of previous studies in a number of European countries, then determined the differences between the financial ratios prepared according to IFRS and the ratios prepared according to Czech accounting standards for a sample of 18 Czech companies. After performing this comparison, they found that the Impact varies from one country to another, and there is no impact of the adoption of standards on performance indicators in the Czech Republic**.** This is consistent with what was, [20], found when studying the impact of adopting IFRS on the performance of food processing companies in Nigeria, this results indicate that the differences in market performance between the previous and subsequent periods of IFRS are not significant, which shows a weak relationship between the adoption of IFRS Finance and performance of food and beverage manufacturers listed on the Nigeria Stock Exchange.

In contrast, [21], indicated that there is a strong positive relationship between IFRS adoption and financial performance and that this relationship is attributed to reducing the cost of the firm. They showed that the adoption of IFRS improves organizational efficiency and productivity for efficacious organizational performance and ensures better allocation of the organization's resources.

A study to examine the impact of mandatory adoption of international reporting standards in manufacturing and mining firms operating in South Africa, [22], found that there was a significant impact of IFRS on return on assets, return on equity, and the ratio of market value to book value of the company, but revealed a positive impact on Earnings per share.

The study, [23], studied the direct and indirect impact of the compulsory imposition of standards on the financial performance of French companies listed on the French Stock Exchange. They found that there was no direct impact of imposing standards on the financial performance of companies, but there was an indirect effect resulting from the cost of capital.

Concerning the studies conducted on the Saudi environment, [24], identified the impact of the application of international financial reporting standards on sample of Saudi companies listed in the Saudi financial market, the results indicate a decline in the value of equity and net profit due to transition to IFRS.

It is clear from the presentation of these studies that there is no agreement between the results of previous research regarding the impact of the mandatory application of IFRS on the financial performance of companies, and the results of some studies contradict each other, and this was an incentive to study the relationship between imposing IFRS and the financial performance of Saudi banks. Therefore, the first hypothesis can be formulated as follows:

H1: The Mandatory application of IFRS has no effect on the financial performance of Saudi banks.

Proponents of the IFRS have argued that mandatory accounting standardization improves both the quality of accounting and the comparability of accounting information. Several studies were conducted to determine the effect of imposing IFRS on accounting quality and comparability.

The study, [25], study examined the impact of the mandatory application of IFRS on the quality of accounting using a large-scale sample of 20 countries. Three reporting quality criteria were used; income smoothing, reporting aggressiveness, and earnings management. The study concluded that the mandatory application of IFRS led to a decrease in the quality of accounting reports.

Similarly, [26], found that the accounting quality decreased after switching to IFRS in a study conducted on a sample of 297 British companies obligated to apply the IFRS.

Contrarily, [27], examined the impact of the mandatory application and investor protection on the quality of earnings in a sample of 46 countries. They found that imposing IFRS increases the earning quality when the country provides great protection for investors. In the constant, [28], found that earnings management after mandatory IFRS application increased in France but did not change in Australia and the United Kingdom.

The study, [29], aimed to evaluate the benefits and costs resulting from the transition to IFRS in Saudi Arabia, and found that the transition will lead to greater transparency, accountability, and efficiency, in addition to opportunities to enhance foreign investments.

The study, [30], investigated the degree of profit smoothing in banks during the mandatory application of IFRS in Nigeria. They found that imposing IFRS reduced profit smoothing and thus improved the quality of accounting information.

In a study [31] aimed to identify to the opportunities and challenges facing the Saudi banking sector related to the implementation of IFRS, it was concluded that it leads to improving the quality of financial statements and increasing transparency.

The widespread transition to IFRS has led to numerous studies to examine its effects. One area of research interest has been the impact on comparability. The study, [32], tested whether imposing IFRS improves comparability in EU countries using three criteria: similarity of accounting function, degree of information transmission, similarity of information content of income, and book value of equity. They conclude That IFRS adoption improves cross-country accounting information comparability.

The study, [33], tested whether the obligated application of IFRS increases the benefits of capital markets by enhancing comparability. The results confirmed that the IFRS mandatory application improves compatibility, which in turn increases the benefits of capital markets.

The study, [34], examined whether cross-country comparability and reporting quality have an impact on the economic benefits of mandatory implementation of IFRS identified by previous research, which include: increases in Tobin's Q, stock liquidity, accuracy of analyst forecast, and agreement of analyst forecast. The results indicated that increasing cross-country comparability has an important role in the economic benefits of the mandatory application of IFRS in 2005.

The Financial Accounting Standards Board aimed to issue international reporting standards to improve the quality and transparency of accounting information so that it reflects the economic performance and the true financial position of companies, the study, [35], and the financial statements available to investors be more comparable which enabling them to make rational economic decisions when allocating resources, [33].

Here the following question arises if the mandatory application of international financial reporting standards affects both comparability and the quality of accounting information, which in turn provides better information to the investor, enabling him to rationalize his investment decisions. How do these benefits affect the market performance of bank shares? Therefore, the following hypothesis can be formulated:

H2: The mandatory application of international financial reporting standards has a positive impact on the market performance of banks.

By extrapolating these studies, a number of indicators were used to measure the impact of IFRS adoption on financial performance, including return on assets, return on equity, cost of capital, and operating cash flows after and before application, and the market book value was used to measure the impact on market performance.

This study differs from its predecessors in measuring the impact on financial performance using EPS, ROA, and ROE. It also represents the first study to measure the impact of IFRS adoption on Stock trading using both trading volume and value to examine the impact on the bank's market performance and the growth rate, in addition to using the Covid-19 pandemic as one of the control variables.

Regarding the studies conducted in the Kingdom of Saudi Arabia, the studies did not address the impact of the mandatory application on banks but rather dealt with companies listed on the Saudi Stock Exchange after excluding banks.

This study represents a continuation of previous efforts to explore the impact of the shift to the mandatory application of IFRS on performance in one of the emerging markets.

3 Research Methodology

The applied study aims to test the hypotheses of the study to measure and test the impact of the mandatory adoption of financial reporting standards IFRS on the performance of banks listed on the Saudi Stock Exchange, Tadawul. It is concerned with both financial performance, expressed in profitability ratios(Earnings Per Share, Return On Assets, Return On Equity), and market performance, which means the performance of the shares in the stock market in terms of trading volume and value, and share price growth. So the paper examines the Impact of IFRS mandatory adoption on the financial performance of Saudi banks (H1), and the impact of this adoption on market performance (H2).

3.1 Sample and Dataset Selection

The study population consists of all the banks listed on the Saudi Stock Exchange, A sample representing all the banks listed on the Saudi Stock Exchange was chosen after excluding the banks for which the required data were not available during the study period.

So the sample consists of (11) banks after excluding one bank.

With the knowledge that Examining the effect of IFRS mandatory adoption by taking a sample from one country only, aims to prevent statistical bias that may result from the different institutional environments of the companies under study.

This study covers the period from 2012 to 2020, with the transition year (2016) being excluded - as there is a dispute between researchers, as some see the year of transition as the year that precedes adoption, [36], while others see it as the year in which adoption takes place, [13], [37].

The study, [5], predicts managers are more likely to manage their earnings during the year preceding the year of the IFRS mandatory adoption year so as to avoid any noticeable fluctuations that might occur in the relevant earnings thus ranking them within a certain range at the time of mandatory adoption.

In agreement with the [36], study, the year)2016(which precedes the compulsory application, was excluded which is considered the year of transition.

Besides, opting for a long-term study period is intended to provide a couple of advantages. In the first place, a nine-year observation analysis would enable us to account for changes likely to take place in standards. In a second place, such choice is targeted to help limit the bias likely to occur during the standards shift period (2016) as well as the bias relating to IFRS associated learning and understanding period, which can differentiate from one company to another as is related to leaders' and financial analysts' familiarity degree to IFRS.

The required data was obtained from the Saudi Stock Exchange website, Tadawul,[38], Saudi Arabian Monetary Authority (SAMA), [39], in addition to the Argaam website, [40] and the websites of banks on the Internet.

3.2 Variables Measurement and Research Model

To complete the study and in light of the research hypotheses, three variables were identified as following the mandatory adoption of international financial reporting standards as independent variables, while the dependent variables were represented in the financial performance and market performance of Saudi banks.

3.2.1 Measuring Variables

In order to measure banks' financial performance, three indicators were chosen to evaluate the financial performance of banks: earnings per share (EPS), return on assets (ROA), and return on equity (ROE).

To measure the market performance of banks, by which we mean the performance of stocks in the stock exchange, three indicators were chosen to express the stock's performance on the stock exchange, which are trading volume, trading value, and the growth rate of the stock's market price.

The mandatory adoption of IFRS is expressed as a binary variable that indicates the effect of the mandatory adoption of IFRS. It gives a value of 1 for the years after the adoption of 2017 and beyond and zero for the years before 2017.

3.2.2 Research Model

To determine the extent of the impact of the mandatory adoption of reporting standards on both the financial performance and the market performance of Saudi banks, the research hypotheses were expressed through two regression models.

H1: the IFRS mandatory adoption has a positive effect on financial performance.

$$Fper = \beta_0 + \beta_1\, IFRS + \beta_2 size + \beta_3 MB + \beta_4 lev + \beta_5 cov + \varepsilon$$

Where

$Fper$: Refers to financial performance: independent variable.

IFRS: mandatory adoption of IFRS, dependent variable, takes 1 to years after 2016, and 0 for years before 2016.
Size: The control variable represents the logarithm of total assets.
MB: The control variable refers to the ratio between the market value of equity and to book value of equity.
Lev: control variable refers to leverage which is computed by dividing total debt by total assets.
Cov: control variable refers to the presence of the COVID-19 pandemic, its value 0 to years before 2020 and 1 to the year 2020.

As we mentioned earlier, the financial performance is expressed in three indicators, and accordingly, it is divided into three sub-equations as follows:

$$EPS = \beta_0 + \beta_1\, IFRS + \beta_2 size + \beta_3 MB + \beta_4 lev + \beta_5 cov + \varepsilon \quad (1)$$

$$ROA = \beta_0 + \beta_1\, IFRS + \beta_2 size + \beta_3 MB + \beta_4 lev + \beta_5 cov + \varepsilon \quad (2)$$

$$ROE = \beta_0 + \beta_1\, IFRS + \beta_2 size + \beta_3 MB + \beta_4 lev + \beta_5 cov + \varepsilon \quad (3)$$

Where:

- EPS represents Earnings Per Share
- ROA represents Return on Assets calculated by dividing its net income by its total assets.
- ROE represents Return on Equity calculated by dividing net income by shareholders' equity.

H2: the IFRS mandatory adoption has a negative effect on market performance.

$$MPer = \beta_0 + \beta_1\, IFRS + \beta_2 size + \beta_3 MB + \beta_4 lev + \beta_5 cov + \varepsilon$$

Where:

MPer: refers to Market performance: independent variable.

IFRS: mandatory adoption of IFRS, dependent variable, takes 1 to years after 2016, and 0 for years before 2016.
Size: The control variable represents the logarithm of total assets.
MB: The control variable refers to the ratio between the market value of equity to the book value of equity.
Lev: control variable refers to leverage which is computed by dividing total debt by total assets.
Cov: control variable refers to the presence of the COVID-19 pandemic, its value 0 to years before 2020 and 1 to the year 2020.

This equation is divided as follows:

$$TVOL = \beta_0 + \beta_1\, IFRS + \beta_2 size + \beta_3 MB + \beta_4 lev + \beta_5 cov + \varepsilon \quad (4)$$

$$TVAL = \beta_0 + \beta_1\, IFRS + \beta_2 size + \beta_3 MB + \beta_4 lev + \beta_5 cov + \varepsilon \quad (5)$$

$$MPG = \beta_0 + \beta_1 IFRS + \beta_2 size + \beta_3 MB + \beta_4 lev + \beta_5 cov + \varepsilon \quad (6)$$

Where:
TVOL represents Trading Volume
TVAL represents Trading Value
MPG represents Market share price growth.

The last control variable is the Covid-19 pandemic. This pandemic started in 2019 and quickly became a global epidemic. It has led to difficulties in investment and to heightened uncertainty in financial markets. So, it creates severe problems in the market and financial performance. That's why, it is expected that this pandemic is negatively associated with dependent variables. The effects of this pandemic persist until now that`s why from 2020, it takes 1.

The impact of IFRS on Market performance and financial performance is tested using a panel data model and the regression is performed using SPSS.

4 Results

4.1 Descriptive Statistics

Descriptive Statistics of numeric and dichotomous variables are presented respectively in the table.

Table 1. Descriptive Statistics of dichotomies variables

Variable	Frequency	Percent	Max	Min
IFRS	43	51.2	1	0
Cov	10	88.1	1	0

The results of Table 1 show that the percent of observations post IFRS mandatory adoption is 51.2%. This percentage is about half of the total observations. So this sample is able to present the impact of the IFRS adoption.

Table 2, Table 3 and Table 4 represent the descriptive statistics of variables of sub-equations that studied the relationship between IFRS mandatory adoption and financial performance.

Table 2. Descriptive Statistics(H1-1)

	N	Minimum	Maximum	Mean	Std. Deviation
Earnings Per Share	83	-2,010	5,616	2,236	1,301
Size	83	6,550	8,781	8,164	,341
MB	83	782,730	3903,551	1702,514	736,193
LEV	83	1,100	1,472	1,185	,061
	83				

Table 3. Descriptive Statistics(H1-2)

	N	Minimum	Maximum	Mean	Std. Deviation
Return On Assets	85	-,0157	,032	,0179	,007
Size	85	6,552	8,782	8,167	,337
MB	85	782,733	3903,554	1692,560	730,232
LEV	85	1,105	1,473	1,185	,060
Valid N (listwise)	85				

Table 4. Descriptive Statistics(H1-3)

	N	Minimum	Maximum	Mean	Std. Deviation
Return On Equity	85	-,074	,216	,121	,046
Size	85	6,554	8,778	8,167	,337
MB	85	782,726	3903,550	1692,560	730,232
LEV	85	1,102	1,472	1,185	,060
Valid N (listwise)	85				

Table 5. Descriptive Statistics (H2-1)

	N	Minimum	Maximum	Mean	Std. Deviation
Trading volume	84	43291474,000	12644489454,000	1110914774,785	2409485275,041
Size	84	7,474	8,778	8,186	,289
MB	84	782,726	3903,550	1692,142	734,608
LEV	84	1,102	1,446	1,182	,052
Valid N (listwise)	84				

Table 6. Descriptive Statistics(H2-2)

	N	Minimum	Maximum	Mean	Std. Deviation
trading value	86	624573267,08	182115935983,15	21149303709,141	34500713046,829
Size	86	,000	8,778	8,092	,928
MB	86	,000	3903,550	1652,789	769,907
LEV	86	,000	1,446	1,168	,137
Valid N (listwise)	86				

Table 5, Table 6 and Table 7 represent the descriptive statistics of variables of sub-equations that studied the relationship between IFRS mandatory adoption and Market performance.

The results of Table 2, Table 3, Table 4, Table 5, Table 6 and Table 7 show that there is a significant deviation in all the dependent variables.

Table 7. Descriptive Statistics(H2-3)

	N	Minimum	Maximum	Mean	Std. Deviation
Growth rate	88	-5,122	3,125	-,241	1,380
SIZE	88	,000	8,778	8,079	,933
Market to book	88	,000	80214981,000	28048355,000	17575099,552
LEV	88	,000	1,472	1,172	,139
Valid N (listwise)	88				

a. Predictors: (Constant), COV, Size, MB, LEV, IFRS

4.2 Regression Results

4.2.1 IFRS and Financial Performance

Table 8. Results Model 1

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	-9,134	4,101		-2,227	,029
IFRS	-,711	,243	-,274	-2,923	,005
Size	1,704	,348	,447	4,891	,000
MB	,000	,000	,235	2,582	,012
LEV	-2,389	1,965	-,112	-1,216	,228
COV	-,319	,354	-,084	-,900	,371

a. Dependent Variable: Earning Per Share

Table 8 shows the analysis of the IFRS mandatory adoption on Earning per share shows that IFRS adoption is negatively associated with EPS. Indeed, an examination of causal relations shows that the coefficient associated with the link between the adoption of IFRS and EPS is negative (-2.923) and statistically significant (0.005). In addition, the results show that the coefficient associated with the link between the adoption of IFRS and Size, MB is significant. So, IFRS adoption decreases the EPS.

Table 9. Results of Model 2

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	-,041	,024		-1,725	,088
IFRS	-,001	,001	-,070	-,669	,505
Size	,003	,002	,133	1,318	,191
MB	3,485E-6	,000	,379	3,757	,000
LEV	,027	,011	,247	2,403	,019
COV	-,006	,002	-,289	-2,790	,007

a. Dependent Variable: Return On Assets

The results of Table 9 show that MB, LEV, and COV have a significant effect on ROA

Table 10. Results of Model 3

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	,114	,138		,824	,412
IFRS	-,013	,008	-,140	-1,586	,117
Size	,019	,012	,142	1,669	,099
MB	2,778E-5	,000	,439	5,154	,000
LEV	-,159	,066	-,208	-2,397	,019
COV	-,029	,012	-,209	-2,389	,019

a. Dependent Variable: Return On Equity

Table 10 presents a significant and negative relationship between ROE and LEV and between COV and ROE. While it represents a positive and significant relationship between Size and ROE and between MB and ROE.

4.2.2 IFRS and Market Performance

Table 11. Results Model 4

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 Constant	-18770759558,688	7574536464,739		-2,478	,015
IFRS	-232865958,783	444961930,752	-,049	-,523	,602
Size	-2236784593,563	759172067,997	-,268	-2,946	,004
MB	704802,748	315235,052	,215	2,236	,028
LEV	31349724974,853	4216627072,352	,675	7,435	,000
COV	570178695,399	686710561,266	,077	,830	,409

a. Dependent Variable: Trading volume

Table 11 shows the non-significant effect of IFRS mandatory adoption on Trading Volume. It also shows a significant effect of Size, MB, and Lev on Trading Volume.

Table 12. Results Model 5

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	8807994388,792	31647546063,724		,278	,781
IFRS	2490083682,130	7655134229,047	,036	,325	,746
Size	-33482791679,880	9204632599,232	-,900	-3,638	,000
MB	11707536,837	5254387,028	,261	2,228	,029
LEV	223925570216,807	59016050795,270	,892	3,794	,000
COV	10039082591,492	12046194347,156	,094	,833	,407

a. Dependent Variable: trading value

Table 12 shows the non-significant effect of IFRS mandatory adoption on Trading Value. It shows also a significant effect of Size, MB, and Lev on Trading Value.

Table 13. Results Model 6

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	,038	1,355		,028	,978
IFRS	,777	,327	,283	2,376	,020
SIZE	,013	,322	,009	,041	,967
Market to book	-2,784E-9	,000	-,035	-,261	,794
LEV	-,499	1,940	-,050	-,257	,798
Corona Virus	-,890	,466	-,223	-1,911	,060

a. Dependent Variable: Growth rate

The analysis of the IFRS mandatory adoption on the growth rate as shows in Table 13 indicates that IFRS adoption is positively associated with growth rate. Indeed, an examination of causal relations shows that the coefficient associated with the link between the adoption of IFRS and GR is positive (2.376) and statistically significant (0.020). In addition, the results show that the coefficient associated with the link between the adoption of IFRS and the Coronavirus variable is negative (-1.911) and statistically significant (0.60). According to these results, IFRS adoption increases the growth rate

Table 14. Models Summaries

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
EPS	,666a	,444	,408	1,00089
ROA	,541a	,293	,248	,0058167763
ROE	,704a	,496	,464	,0338049365
Trading volume	,667a	,445	,409	1852165084,8070486000
Trading Value	,401a	,161	,108	32580423707,92222
Growth rate	,282a	,080	,024	1,3638482140

Table 14 summaries the results found conclude that models are statistically significant and explain the phenomenon.

5 Discussion

The study aims to determine the impact of IFRS mandatory application on financial and market performance using six criteria: Earning per share (EPS) - return on equity (ROQ), return on assets (ROA), trading volume (TVOL), trading value (TVAL), and Market share price growth (MPG)**.**

Since the variables were divided into variables related to financial performance and others related to market performance, the results of each group will be discussed separately

With regard to the impact of the IFRS mandatory transition on financial performance, the results of the statistical analysis indicate that there is no relationship between the mandatory application and the rate of return on equity, which is the same as what was reached by [35].

The results also indicate that there is no relationship between IFRS obligatory adoption and the return on assets, which is similar to what was reached, [1].

The statistical analysis revealed that there is an inverse relationship between IFRS mandatory application and EPS, which means IFRS mandatory adoption led to a reduction in profit, which may mean the possibility of the existence of profit management before applying the standards.

To investigate, the relationship between the mandatory application and the profitability of the banks was analysed, and the results came to indicate that there is no relationship between the mandatory application of IFRS and the profitability of the banks as shown in Table (A-1, Appendix) and (A-2, Appendix).

This can be attributed to the fact that the accounting work in Saudi banks is carried out in accordance with the instructions of the Saudi Monetary Agency, which represents a strong enforcement agency, It agrees with the findings of a study that the lack of a relationship between the financial performance of companies and the mandatory application of IFRS that operate in a strong enforcement environment, In addition, Saudi banks have started to gradually and voluntarily implement IFRS since 2012.

The results of the statistical analysis also showed that there is a positive effect of each of the size and the market value to book value of equity ratio on the financial performance of Saudi banks, in addition, there is a negative impact of the Covid- 19 pandemic on the financial performance of banks, as for financial leverage, its impact varied as it negatively affected the return on equity and positively on the return on assets.

As for the market performance, the results of the regression analysis indicate that there is no relationship between the mandatory application and both the trading value and the trading volume. Also, the results show IFRS mandatory adoption has a positive impact on the growth rate. This means IFRS mandatory adoption has relatively improved market performance.

This can be attributed to that the Saudi market has gone through many changes during the study period, most notably

1- The launch of the Kingdom's Vision 2030 and the subsequent reform procedures,

2- Inclusion Saudi Stock Exchange in the MSCI Emerging Market Index, - which has shown that the market's reaction reflects positive signals in both the long and short terms, which would improve the quality of the market.

3- Covid-19 pandemic, which led to a global economic downturn.

6 Limitations of the Study

The study sample is limited to Saudi banks that have the necessary data during the period from 2012 to 2020.

These results are correct with regard to the indicators that were relied upon, and accordingly, the results may differ if other indicators are used.

The results are also correct regarding data for the period from 2012 to 2020, and perhaps if the period expands, we may reach other results.

7 Conclusion

The research aimed to study the impact of the mandatory application of international financial reporting standards on the financial and market performance of Saudi banks. Data was collected on financial performance indicators, which were earnings per share, return on assets, return on equity, trading volume, trading value, and market price growth rate during the period from 2012 to 2020, excluding the year 2016 as the year of the transition. The study concluded:

1- There is no relationship between the IFRS mandatory application and return on assets, return on equity, trading volume, and trading value.

2- There is a statistically significant negative relationship between IFRS mandatory adoption and earnings per share.

3 - There is a positive relationship between mandatory adoption and the growth rate of the market price, which means IFRS mandatory implementation led to an increase in the growth rate.

4- The statistical results also indicated that the Corona pandemic has negatively affected the performance of Saudi banks.

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APPENDIX

Table A-1 Descriptive Statistics to Earnings

	N	Minimum	Maximum	Mean	Std. Deviation
Earnings Per Share	83	-2,010	5,616	2,236	1,301
Size	83	6,550	8,781	8,164	,341
MB	83	782,730	3903,551	1702,51	736,193
LEV	83	1,100	1,472	1,185	,061
Valid N (list wise)	83				

Table A-2 Results about earnings regression

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	-59792577,089	6826596,567		-8,759	,000
IFRS	109080,722	400708,113	,018	,272	,786
SIZE	6539865,386	580203,425	,716	11,272	,000
MB	1609,600	258,639	,392	6,223	,000
LEV	6090401,517	3269837,487	,120	1,863	,066
COV	-320074,785	596900,414	-,035	-,536	,593

a. Dependent Variable: Earnings

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Conflict of Interest

The authors have no conflicts of interest to declare.