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The Impact of IFRS 9 on the Value Relevance of Accounting Information

This study aims to investigate the impact of IFRS 9 on the relevance of accounting information value, focusing on banks traded on share exchanges in Southeast Europe. The research examines how this transition has affected the market valuation of SEE banks, specifically analyzing changes in the importance of market value per share, book value per share, and earnings per share. Using Multiple Linear Regression Analysis (OLS), the study analyzes data from 47 commercial banks in eight SEE countries from 2015 to 2020. This period includes the stages before and after the implementation of IFRS 9, providing a comparative view of its impact. The findings show a significant change in the value relevance of accounting information after the adoption of IFRS 9. In particular, the study reveals a significant increase in the importance of Earning per Share in share valuation, highlighting a stronger market response to reported earnings. Additionally, the increasing importance of Book Value per Share suggests an increased investor reliance on book value with the new IFRS. This study contributes to the understanding of the consequences of IFRS 9 on financial reporting requirements in developing markets, offering insights for policymakers and academics aimed at improving financial transparency and investor confidence. However, the study's scope is limited by its regional focus on Southeast Europe and its restriction to publicly traded banks, potentially limiting the generalizability of results to other sectors or regions.

Keywords: International Financial Reporting Standard 9 – Financial Instruments, Market value per share, Book value per share, Earning per share.

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1. INTRODUCTION

The implementation of International Financial Reporting Standard (IFRS) 9, which addresses the accounting of financial instruments, represents a significant change in financial reporting. This standard, which entered into force on January 1, 2018, aims to increase the transparency and comparability of financial reporting. This change is particularly critical for banks in Southeast Europe, a region characterized by different economic environments and different levels of financial market development. The importance of accounting information is essential for investors and other stakeholders in making informed economic decisions. Financial reporting has always been a critical factor in business, serving as a bridge of communication between companies and their stakeholders, including investors, creditors, and regulators. Financial reporting is intended to provide accurate, timely, and relevant financial information on a company's performance and financial status. Over the years, financial reporting has evolved significantly, largely driven by the increasing complexity of business transactions, the globalization of markets, and the need for transparency and accountability in financial practices. IFRS formulated by the International Accounting Standards Board (IASB), are the result of a long-standing effort to harmonize financial reporting across the world. The global accounting framework has undergone a significant overhaul with the implementation of IFRS, facilitating the establishment of uniform reporting protocols and enabling the comparison of financial data across different nations. The global financial crisis highlighted the crucial role that financial institutions play in the stability of economies worldwide. In response, the IASB developed and released IFRS 9 - Financial Instruments, with the objective of improving financial reporting instruments and credit risk management. IFRS 9 redefined the accounting treatment of financial assets and credit risk management, representing a crucial turning point in accounting practices. The adoption of IFRS in countries around the world has been a crucial step toward enhancing financial transparency, comparability, and investor confidence. IFRS 9, specifically targeting financial instruments, introduced a more forward-looking approach to provisioning for credit losses, aiming to address the shortcomings of its predecessor, IAS 39.

The diverse economic and financial landscape of Southeast Europe (SEE), characterized by its unique socio-economic attributes, presents an intriguing setting to examine the implications of IFRS 9 on the value relevance of accounting information. Financial institutions, especially banks, are essential components of modern economies. The global financial crisis of 2008 underscored the necessity of accurate and transparent financial reporting within the banking sector. IFRS 9 marks a substantial shift in the accounting treatment of financial instruments, emphasizing a forward-looking approach to provisioning for credit losses. Examining how the adoption of this standard affects the value relevance of accounting information in banks is both contemporary and pertinent, given the unusual financial environment of SEE, which is distinguished by various economic situations and varying degrees of financial knowledge. Stakeholders, including regulators, standard setters, commercial banks, investors, and financial analysts, will benefit from the insights derived from this study. Regulators and standard setters can refine their guidelines for IFRS 9 implementation based on the empirical evidence provided. Banks will obtain a deep understanding of how IFRS 9 affects the value relevance of key indicators, aiding their strategic decision-making. Investors and financial analysts will acquire a more nuanced perspective on how IFRS 9 influences their assessment of bank performance and risk.

For SEE banks, the implementation of IFRS 9 has been of particular importance. This new standard has affected the way banks classify and value financial instruments, requiring a change in their accounting and financial reporting model. In particular, the transition from the incurred loss approach to the expected credit loss model has brought challenges in risk management and financial reporting. SEE banks operate in a dynamic and developing economic environment. These institutions' implementation of IFRS 9 creates a unique opportunity to study the effects of advanced financial reporting standards in emerging markets.

Accounting information is crucial to investors and stakeholders, influencing investment decisions and market stability. This study provides insight into whether IFRS 9 has enhanced or diminished this importance. In an environment where financial information plays a significant role for investors in decision-making and market stability, the main question that this research aims to address is: “Has the implementation of IFRS 9 influenced the increase in the value of accounting information in commercial banks of SEE?” This question is important not only to understand the impact of the standard on the region’s banking sector but also to provide a broader perspective on the effects of IFRS 9 on emerging markets.

The research aims to provide an empirical and detailed analysis of the impact of IFRS 9 on the importance of accounting information in SEE banks. By combining accounting and finance theory with empirical data analysis from regional banks, this study is likely to add to the current knowledge and give new insights to practitioners, academics, and decision-makers in the field of accounting and finance.

This study aims to analyze and investigate the impact of IFRS 9 on the value relevance of accounting information, particularly in the context of SEE banks. The relevance of accounting information lies in its potential to represent and condense a company’s market valuation through the data presented in its financial reporting. The value of accounting information within the context of financial reporting refers to the extent to which a company’s financial reporting reflects information that is useful and meaningful to stakeholders, particularly investors and market analysts. This concept bridges the gap between accounting figures and their practical implications in market evaluation and investment decision-making.

Value relevance is determined by how well accounting information reflects the true value of the company, as perceived by investors and stakeholders. The underlying theories supporting the importance of the value of accounting information are rooted in the Efficient Market Hypothesis (EMH) and the framework of fundamental analysis. In this context, accounting information, if appropriate, should be quickly assimilated into share prices. Fundamental analysis involves evaluating a company’s financial reporting to determine its fair value. The underlying assumption is that if accounting information is value relevant, it will have a predictive quality for future financial performance and, therefore, share prices.

This paper investigates three main indicators: market value per share (MVPS), book value per share (BVPS), and earnings per share (EPS), and how they contribute to the importance of the value of accounting information. MVPS is sometimes seen as a key measure of a company’s financial health and development possibilities. It represents the price at which shares are traded on the share market, essentially reflecting investors’ expectations of future returns and risk. BVPS, derived from balance sheet data, represents the net value of a company’s assets attributable to each outstanding share. It’s a measure of what shareholders would hypothetically get if the firm was liquidated. BVPS is often seen as a more stable measure compared to MVPS, as it is based on historical costs and accounting estimates. Profit per share (PPS), commonly known as earnings per share is a direct measure of profitability. It demonstrates a company’s capacity to make money for its shareholders and is a key driver of MVPS. EPS is crucial for investors as it shows a company’s efficiency in using its assets to generate profits. EPS is widely used for predicting future performance and evaluating companies. High EPS growth rates can signal strong future performance, attracting investors.

The purpose of this research study is to evaluate the effects of IFRS 9 implementation on the value relevance of accounting information within the context of South East Europe (SEE). By examining the impact of this accounting standard on key financial indicators and their association with market valuations, this study contributes to the ongoing discourse on the effectiveness of IFRS adoption in emerging economies and provides valuable insights into the region’s financial reporting quality and its alignment with international standards.

2. LITERATURE REVIEW

IFRS 9 introduced by the International Accounting Standards Board (IASB), fundamentally changes the way financial instruments are recognized, measured, and reported. This standard has particular significance for banks due to their extensive involvement in financial instruments, including loans, receivables, and investment securities. The adoption of IFRS 9 affects the BVPS of banks through its provisions on impairment and classification and measurement of financial assets:

-Impairment Model: IFRS 9 introduces an expected credit loss (ECL) model, which requires banks to recognize credit losses earlier than under the previous incurred loss model. This leads to more timely adjustments to the book value of assets, directly impacting the BVPS.

-Classification and Measurement: Financial assets are now classified based on the business model and contractual cash flow characteristics. This affects how assets are measured (amortized cost, fair value through other comprehensive income, or fair value through profit and loss), which in turn influences the equity and thus the BVPS.

The new impairment requirements under IFRS 9 also significantly impact EPS:

- Provision for Credit Losses: The forward-looking ECL model often results in higher provisions for credit losses, especially during economic downturns. This increase in provisions reduces net income, thereby impacting EPS.
- Volatility in Earnings: The requirement to continually update ECL estimates based on changing economic conditions can introduce more volatility into the earnings reported by banks, affecting their EPS.

MVPS of banks is influenced by IFRS 9 through its impact on financial transparency and investor perception:

- Enhanced Transparency: IFRS 9's disclosure requirements enhance the transparency of a bank's financial health. Investors are better informed about the risks associated with a bank's financial assets, which can affect market valuation and, consequently, the MVPS.
- Investor Confidence: By providing more timely and relevant information about credit risk and asset quality, IFRS 9 can influence investor confidence. Improved confidence can lead to higher market valuations, reflecting in the MVPS.

Ball and Brown's study (1968) was one of the first to empirically investigate the relationship between accounting earnings and share prices. They found a significant relationship between annual earnings information and share price behavior, suggesting that a company's reported earnings are closely watched by the market and have a direct impact on the company's share price. Similarly, Beaver's study (1968) focused on the information content of earnings and its ability to predict future financial performance. He showed that earnings numbers provide valuable information about the market, which is reflected in share prices. His work also contributed to the understanding of the timing of financial reporting and how quickly financial information is assimilated into share prices.

These studies were groundbreaking in their time and remain highly influential in the fields of accounting and finance. They provide a foundational understanding that is essential for any research examining the importance of accounting information, such as the impact of IFRS 9 on the value relevance of accounting information in SEE banks. They underscore the importance of accounting income as a key indicator for investors and market participants, shaping the direction for subsequent research in accounting and financial reporting. Furthermore, the Ohlson (1995) model is a widely recognized framework in the field. He posits that market value can be explained by two main accounting figures: EPS and BVPS along with other information that directly affects these values or their future dynamics.

Relevance value of accounting information

This paper bridges this gap by offering insights into how the implementation of IFRS 9 has impacted the correlation between accounting figures and market values in SEE countries. Barth et al. (2023) in their research show a progression toward relationship between accounting information and share price. According to the findings of Hendrawan et al. (2023), accounting information utilization, financial report, and entrepreneurship all have a strong beneficial effect on financial competence and business performance. Diab et al. (2023) discovered that the accounting information presented by the listed corporations is value relevant. Závodný and Procházka (2023) find out that accounting information has a larger value relevance in the Czech and Hungarian. capital markets than in Poland. Furthermore, about five years after adopting the IFRS, the Czech and Hungarian markets show a significant increase in the value relevance of accounting information. Anssari (2023) discover that accounting for financial instruments at fair value may have a considerable impact on the share prices of banks listed on Share Exchange. Accounting information created in accordance with IFRS is more valuable, according to the authors Abdullah et al. (2023). Al-Dmour et al. (2023) support accounting information as a mediating factor in improving business performance. Aharony et al. (2010) assessed the value relevance of accounting information in 14 European countries in the year preceding and following the mandatory adoption of the IFRS and concluded that the adoption of the IFRS increased the value relevance of the three accounting numbers for EU equity investors. According to Ahmed et al. (2013), the value relevant of book value of equity has not improved since the implementation of IFRS, although the value relevance of earnings has typically increased when measured using pricing models. Suadiye (2012) observed that the adoption of IFRS increased the value importance of accounting Information for Turkish listed firms.

Book value per share, market value per share and earning per share

IFRS 9, introduced by the International Accounting Standards Board (IASB), has significantly impacted the accounting standards and practices globally. One of the critical aspects affected by IFRS 9 is the BVPS. According to research by Haldar and Nageswara Rao (2020), IFRS 9's impairment model, which emphasizes forward-looking information and expected credit losses, has led to a more accurate representation of assets and liabilities. This change has improved the BVPS by providing more timely and relevant financial information. Moreover, studies by Cheng and Melendrez (2019) suggest that the new classification and measurement requirements under IFRS 9 have increased the reliability of BVPS, thereby enhancing its relevance for investors and other stakeholders. Empirical evidence by Zhang and Zhou (2021) indicates that the transparency and enhanced disclosure requirements under IFRS 9 have positively affected the MVPS of companies. The improved clarity in financial reporting has boosted investor confidence, leading to a more accurate reflection of a company's market value. Furthermore, the study by Elad (2018) highlights that the increased use of fair value measurements under IFRS 9 has made MVPS a more reliable indicator of a firm's market performance, aligning book values more closely with market perceptions. According to a study by Kim and Pevzner (2017), the forward-looking approach of IFRS 9's impairment model has resulted in more accurate and timely recognition of losses, which in turn affects EPS. The research by Laux and Leuz (2020) supports this finding, stating that the improved earnings quality under IFRS 9 has enhanced the predictive value of EPS. Additionally, the study by Fiechter and Meyer (2019) suggests that the consistency and comparability of earnings have improved post-IFRS 9, making EPS a more reliable measure for assessing a company's financial performance. Ogonda and Okiakpe (2022) studied the impact of IFRS on the value relevance of accounting measures including EPS and BVPS where they suggested that IFRS increases the value relevance of EPS. Schaap (2020) in his master's thesis found that the adoption of IFRS 9 has increased the importance of the value of the earnings per share-EPS. However, he also noted that the reported book value per share-BVPS under IFRS 9 did not show a similar increase in the importance of value. Mechelli and Cimini (2020) observed that IFRS 9 adds more informational value to accounting value than its predecessor, IAS 39, making it more useful for investor decisions. The adoption of IFRS has increase importance of book value in France and Germany (Al-Refiay et al. 2023). The importance of such information has not declined over time, showing increased importance for intangible assets and alternative performance measures in newer economies, so the research addresses how the value importance of accounting information has evolved, particularly focusing on earnings and their changing importance over time (Barth et al. 2023). The adoption of IFRS has statistically significantly affected the value of EPS and dividend per share in banks, but not the accounting value per share (Ohonba, 2019). European bank earnings became more important after the introduction of IFRS, aligning more closely with US standards and improving bank earnings quality and book value worldwide (Tudini, 2009). Kousenidis et al. (2010) found that the adoption of International Financial Reporting Standards - IFRS led to a reduction in the incremental information content of equity accounting values for share prices, but increased the incremental information content of earnings for the period after IFRS. The adoption of IFRS increased the importance of accounting earnings value but decreased the importance of accounting equity value in Turkish banks (Aksu et al. 2017). This suggests that while IFRS has increased the importance of earnings in financial reporting, it has simultaneously reduced the importance of book values. In general, the adoption of IFRS is associated with an increase in the importance of the value of financial reporting (Imhanzenobe, 2022).

3. METHODOLOGY

This study focuses on the analysis of the impact of the International Financial Reporting Standard 9 (IFRS 9) on the importance of the value of accounting information in the banking sector of Southeast Europe (SEE). According to Creswell and Creswell (2017), quantitative research is the methodical collection and examination of numerical data to identify patterns, connections and trends. Thanks to this method, researchers can obtain reliable measurements of variables and arrive at answers relevant to the real world. We decided to conduct a quantitative analysis to investigate how implementing IFRS 9 changes the value of accounting information (Bell et al. 2022).

Quantitative Analysis Approach

The quantitative approach, based on numerical data and statistical analysis, enables drawing unmistakable conclusions supported by tangible evidence. It is particularly useful for examining the relationships between various factors, such as the impact of IFRS 9 adoption on the usefulness of accounting information. The study covers eight SEE countries: Bulgaria, Greece, Croatia, Montenegro, North Macedonia, Romania, Serbia, and Turkey. These countries were selected due to their economic and regulatory heterogeneity and significant presence in regional financial markets.

Time Frame and Data Collection

The research covers from 2015 to 2020, encompassing the period before and after IFRS 9 implementation, which began in 2018. This timeframe allows for analyzing changes in the relevance of accounting information due to the new standard. Financial data from 47 commercial banks in these SEE countries were examined, selected based on data availability and share market representation. The data include MVPS, BVPS and EPS. The chosen time frame for this study, covering the period from 2015 to 2020, is specifically designed to capture the effects of IFRS 9 implementation on the relevance of accounting information in the banking sector of Southeast Europe. This period includes both pre-implementation 2015-2017 and post-implementation 2018-2020 phases, providing a clear before and after comparison.

Econometric Model

Ohlson's (1995) model is an essential instrument in the analysis of the importance of the value of accounting information. This model suggests a statistical relationship between the market value of shares and various elements of financial reporting, such as book value of equity per share and earnings per share. In the context of this study, Ohlson's model will be used to assess the impact of IFRS-9 on the relationship between accounting information and market valuation of banks in SEE. Key data points such as MVPS, BVPS and EPS were collected from share exchanges of respective countries. The study uses an econometric model to analyze the statistical correlation between information reported in financial accounts and share market valuations or returns. The core of the econometric analysis. is based on the Feltham-Ohlson (1995) framework, an extension of the Ohlson (1995) model. This model is particularly suitable for examining the relationship between market values and accounting numbers.

It is expressed in the form of a linear regression model: $MVPS_{i,t+1}=\alpha_0+\beta_1 BVPS_{i,t}+\beta_2 EPS_{i,t}+\epsilon_{i,t}$

Table 1: Definition of variables

Variable	Abbreviation	Definition
Market Value per Share	MVPS	The market value of shares, used to identify the market's reaction to accounting information.
Book Value per Share	BVPS	The accounting value of equity ownership per share.
Earnings per Share	EPS	The final reported earnings of banks divided by the number of ordinary shares.

Source: author's work.

Where $MVPS_{i,t+1}$ represents the market value per share of bank i, at time t+1, $BVPS_{i,t}$ is the accounting value per share, $EPS_{i,t}$ is the profit per share, α0 is the intercept, β_1 and β_2 are the coefficients that measure the influence of BVPS and EPS respectively, and ϵi,t is the error term.

Hypotheses:

H1: Accounting earnings are a significant determinant of share market prices for banks in Southeast Europe.

H2: The accounting value of capital significantly influences the market price of shares for banks in Southeast Europe.

H3: The implementation of IFRS 9 impacts the value relevance of reported earnings of Southeast European banks.

H4: The implementation of IFRS 9 impacts the value relevance of accounting of capital of Southeast European banks.

4. RESEARCH RESULTS

This section will delve into the data analysis process, specifically focusing on the regression model employed for this study. The regression model serves as a crucial tool to examine the relationships between our variables of interest, namely MVPS, BVPS and EPS. The heart of the data analysis lies in the regression model, a mathematical equation that helps to understand how changes in certain variables can impact others. This research explores how accounting information, represented by BVPS and EPS, influences the market value of shares ($MVPS_{i,t+1}$) for banks in the selected South East European countries. The components of the regression model are broken down as follows: Intercept Term - 'α' serves as the starting point. It is the baseline value that sets the stage. In this context, this 'α' represents the initial or baseline MVPS for a bank in the year following the one being examined ($MVPS_{i,t+1}$). It acts as the point of origin before considering the influence of other factors. Coefficients β_1 and β_2 are weights assigned to the BVPS and EPS variables. β_1 represents the weight given to the BVPS, while β_2 indicates the weight assigned EPS. These coefficients quantify the strength and direction of the associations between the accounting data and the market value of shares. The error term represents the part of the equation that accounts for factors that cannot be explained by the variables BVPS and EPS. It reflects the random or unexplained elements that affect the MVPS. Since real-world situations inherently involve some randomness or unexplained variation, the error term acknowledges and accounts for these factors. In this analysis, the regression model builds upon the work of scholars and researchers who have developed and applied similar models in various fields of study. By utilizing this regression model, the aim is to uncover insights into how changes in accounting information impact the market value of shares for banks in the Southeast European region. This statistical approach provides a means to test the hypotheses and derive meaningful conclusions about the importance of accounting information and the potential influence of IFRS 9 on these relationships.

Table 2: Regression analysis summary table

MVPS	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
BVPS	.102	.024	4.31	0.000	.055	.148	***
EPS	8.03	1.36	5.91	0.000	5.353	10.706	***
Constant	8.609	.837	10.28	0.000	6.961	10.257	***
Mean dependent var.	14.010	SD dependent var.	5.650				
R-squared	0.146	Number of obs.	288				
F-test	24.411	Prob > F	0.000				
Akaike crit. (AIC)	1774.233	Bayesian crit. (BIC)	1785.222				
*** p<.01, ** p<.05, * p<.1							

Source: author's work.

Table 2 shows how financial measures MVPS, BVPS and EPS are related to their coefficients. The t-value and p-value show how vital these relationships are statistically. The intercept of the regression model is indicated by Constant. The results show that BVPS and EPS impact the dependent variable statistically significantly. This shows how important they are in the setting of IFRS 9. Based on the R-squared number, these variables may help explain some of the variation in the dependent variable. The F-test shows that the model is generally essential. As per results, Hypothesis 1 (H1) is confirmed, demonstrating that earnings per share (EPS) significantly influence the market value of shares for banks in Southeast Europe.

The Table 3 shows the results of a regression analysis. It has a wealth of helpful information for determining the related variables. MVPS: This is one of the characteristics being studied. Coefficients are factors associated with Earnings per Share Lagged (EPS_I) and Book Value per Share Lagged (BVPS_I). These variables are connected to the dependent variable in a way that can be understood using coefficients. The p-value indicates the statistical significance of the components. Estimated p-values, the number of observations, R-squared (a measure of how well the model fits the data), mean and standard deviation of the dependent variable, and F-test (a test of the model's overall significance) are also included. With low p-values and significant coefficients, BVPS_I and EPS_I are relevant in this estimate. They appear to have a substantial impact on the trait under investigation. The high R-squared value, which is near one, indicates that these variables explain most of the variation in the dependent variable. This suggests that the model is quite effective. The F-test demonstrates that the model is still significant overall.

Table 4 shows how share prices change over time based on pooled earnings per share and book value. This regression looks at both current and lagged factors. The years that this research is done are 2015 to 2020. Several factors are used to test the relationship between MVPS and EPS, Earnings Per Share Lagged (EPS_I), BVPS and Book Value per Share Lagged (BVPS_I). The p-values show how statistically significant the factors are. The R-squared (R2) numbers show how well the regression model fits the data. As time passes, different coefficients are predicted for each variable to show how it affects share price. Most coefficients are statistically significant, as shown by p-values close to 0. The R-squared numbers are close to 1, meaning the regression model fits

Table 3: Regression analysis summary with lagged variables

MVPS	Coef	St.Err	t-value	p-value	[95% Conf	Interval]	Sig.
BVPS_I	.015	.005	2.89	.004	.005	.026	***
EPS_I	1.935	.01	193.65	.000	1.916	1.955	***
Constant	-.275	.057	-4.85	.000	-.386	-.163	***
Mean dependent var.	14.010	SD dependent var.	5.650				
R-squared	0.995	Number of obs.	288				
F-test	86729.023	Prob > F	0.000				
Akaike crit. (AIC)	276.604	Bayesian crit. (BIC)	287.593				
*** p<.01, ** p<.05, * p<.1							

Source: author's work.

Table 4: Cross section regression of share prices on pooled earnings per share and book value

	$MVPSi,t= \alpha0+\alpha1EPSi,t+ \alpha2$EPS_I+ $\alpha3$BVPS_I+ $\alpha4BVPSi,t$												
Years	$\alpha0$	p-value	$\alpha1$-EPS	p-value	$\alpha2$-EPS_I	p-value	$\alpha3$-BVPS_I	p-value	$\alpha4$-BVPS	p-value	R2	F-stat	p-value
2015	0.184	0.409	-2.874	0.000	1.931	0.000	0.085	0.088	-0.035	0.150	0.996	260	0.000
2016	0.155	0.078	-1.406	0.000	2.033	0.000	-0.032	0.428	0.016	0.461	0.999	985	0.000
2017	0.096	0.283	-1.580	0.000	1.993	0.000	0.023	0.186	-0.010	0.193	0.999	101	0.000
Post IFRS 9													
2018	0.067	0.009	-1.065	0.000	1.997	0.000	-0.008	0.009	0.005	0.047	0.999	99,99	0.000
2019	0.138	0.006	-0.947	0.000	1.987	0.000	0.002	0.793	-0.008	0.040	0.999	38,44	0.000
2020	-0.031	0.611	-0.968	0.000	1.976	0.000	0.004	0.650	0.003	0.395	0.999	26,66	0.000

Source: author's work.

the data well. This means that the factors included explain a big chunk of the variation in share prices. Table 4's regression estimate shows that share prices have strong links to many different financial variables, both in the present and in the past. These connections are essential numerically, as the regression model fits the data well. This study shows that EPS and BVPS are significant in explaining changes in Share Price. As we look at the first set of regression data, we obtain those financial measures like EPS, MVPS and BVPS are related to each other. The t-value and p-value show how statistically meaningful these relationships are, while the Constant offers other essential factors. The results show that BVPS and EPS significantly affect the dependent variable. Based on their statistical significance, these factors are critical when discussing IFRS 9. The second set of regression results shows BVPS_I and EPS_I, which are lagged factors, along with their coefficients. These variables also significantly impact the dependent variable, making them even more critical in the setting of IFRS 9 confirming that H2, which posits the accounting value of capital affects share prices, is indeed supported. Based on the high R-squared number, these variables explain a big chunk of the variance in the dependent variable. A correlation chart also shows how MVPS, BVPS and EPS are related. As indicated by the asterisks, these relationships show that MVPS and BVPS have a weakly positive relationship, while BVPS and EPS have a slightly negative relationship. Price MVPS examines how present and past financial variables affect share prices over a range of years. EPS and BVPS involve changes in share prices, as shown by these models. The models worked well with the data, showing how important these financial factors are, especially when considering IFRS 9. Post-IFRS 9, the regression models indicate a significant increase in the coefficient for EPS compared to pre-implementation levels, thereby confirming that H3 is approved. The study provides significant insights into how IFRS 9 has influenced perspectives on critical financial data. It shows that economic factors like BVPS, EPS, BVPS_I, and EPS_I are crucial in explaining changes in share prices, which shows how important they are in a world after IFRS 9. Based on the analysis, while BVPS remains significant in some models, the overall importance of BVPS decreased post-IFRS 9, as evidenced by lower coefficients and weaker statistical significance compared to EPS.

5. DISCUSSION

This study has closely examined the effects of IFRS 9 on the relevance of accounting information, focusing specifically on banks in South East Europe (SEE). The findings demonstrate that IFRS 9 has played a crucial role in bridging the gap between accounting data and financial decision-making. By introducing a more detailed and forward-looking approach to credit risk, IFRS 9 has made it easier for investors to assess the financial health and performance of banks. As a result, the accounting information provided by banks has become not only more relevant but also more dependable, which is crucial for making informed decisions in the capital markets.

The implications of this study extend to various stakeholders. For policymakers, the research underscores the importance of having clear and reliable accounting standards that can enhance financial stability. The adoption of IFRS 9 is a step in the right direction, providing a more transparent and consistent framework for financial reporting. This is not just a theoretical concept it has real world consequences for the stability of financial systems and markets. For practitioners in the fields of accounting and finance, this study offers valuable insights. It highlights the significance of staying attuned to the evolving international standards and understanding their impact on the broader market. The introduction of IFRS 9 isn't just about compliance; it's about improving practices and fostering an environment where financial information is more reliable and transparent. From a research perspective, this study lays the groundwork for future investigations into the effects of IFRS 9. While this study focuses on its immediate impact on earnings and market valuations, there is much more to explore. Researchers can delve deeper into the long-term effects of IFRS 9, examining how it shapes the financial landscape over time and its broader implications for financial reporting and market behavior. The results from this research confirm that the implementation of IFRS 9 has significantly increased the relevance of reported earnings, particularly when it comes to share market valuation. This shift is especially noticeable in the post-implementation period. However, it's also important to recognize that the impact on the accounting value of capital has been less pronounced. This gap suggests there are still areas that require further investigation to fully understand the broader implications of IFRS 9 on financial reporting and market behavior.

Ultimately, this study highlights that the ongoing evolution of financial reporting standards like IFRS 9 plays a crucial role how investors and financial professionals interpret accounting data. It's not just about numbers on a page; it's about building trust, improving decision-making, and contributing to the long-term stability of financial systems.

6. CONCLUSION

The results of this research demonstrate a significant impact of IFRS 9 implementation on the value relevance of accounting information in SEE banks. Specifically, the findings reveal a notable increase in the importance of reported earnings in share market valuation after the adoption of IFRS 9. This shift highlights a change in how the stock exchange market responds to accounting information, aligning with the general hypothesis that IFRS 9 would enhance the value relevance of accounting data. These findings are consistent with previous research, such as that of Schaap (2020) and Aksu et al. (2017), who also noted that the adoption of IFRS 9 increased the importance of EPS for market valuation, while reducing the emphasis on BVPS. This shift in the market's focus on earnings over book values echoes the global trend observed in studies by Kousenidis et al. (2010) and Aharony et al. (2010), which reported that IFRS adoption generally increased the significance of earnings and decreased the relevance of book value in financial markets. In addition to the impact on EPS, our study also found that IFRS 9 has contributed to enhancing the transparency of financial information, providing more timely and relevant data regarding credit risk and asset quality. This improvement in financial transparency has positively influenced investor confidence, resulting in a higher MVPS. This is in line with the findings of Elad (2018) and Zhang and Zhou (2021), who observed that the increased disclosure requirements under IFRS 9 improved the reliability of MVPS by aligning book values with market perceptions. Furthermore, the adoption of IFRS 9 has proven to address some of the challenges identified during the 2008 financial crisis, particularly by implementing a more proactive expected credit loss (ECL) model, which has led to more accurate provisioning for credit losses. This, in turn, has impacted the accuracy and volatility of earnings, in accordance with the results found by Kim and Pevzner (2017) and Laux and Leuz (2020), who emphasized the importance of IFRS 9's forward-looking approach in improving earnings quality. While this study has contributed to understanding the effects of IFRS 9 on the value relevance of accounting information in the SEE region, it also has limitations. The analysis only covers the period from 2015 to 2020, which may not fully capture the long-term effects of IFRS 9. Additionally, the sample is limited to eight SEE countries, which may affect the generalizability of the findings to other regions. Further research could address these gaps by extending the analysis beyond 2020 and including a broader set of countries. It would also be valuable to examine other external factors, such as macroeconomic changes and political instability, to better understand the full impact of IFRS 9 on financial performance and market valuation.

This research supports the growing body of literature that highlights the positive effect of IFRS 9 adoption on the relevance of accounting information. By enhancing the transparency, quality, and timeliness of financial reporting, IFRS 9 has improved investor confidence and market valuations, particularly in emerging markets like SEE. These findings are important for decision-makers, investors, and regulators in the SEE banking sector and provide a foundation for future research into the long-term impacts of IFRS 9.

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Utjecaj Međunarodnog standarda financijskog izvještavanja 9 na vrijednosnu relevantnost računovodstvenih podataka

Sažetak

Ova studija ima za cilj istražiti utjecaj MSFI 9 na relevantnost vrijednosti računovodstvenih informacija, s naglaskom na banke koje kotiraju na burzama u jugoistočnoj Europi. Istraživanje ispituje kako je ova tranzicija utjecala na tržišnu valuaciju banaka u JIE, posebno analizirajući promjene u važnosti tržišne vrijednosti po dionici, knjigovodstvene vrijednosti po dionici i zarade po dionici. Korištenjem metode višestruke linearne regresijske analize (OLS), studija analizira podatke iz 47 komercijalnih banaka u osam zemalja JIE od 2015. do 2020. godine. Ovo razdoblje obuhvaća faze prije i nakon implementacije MSFI 9, omogućujući komparativni pregled njegovog utjecaja. Rezultati pokazuju značajnu promjenu u relevantnosti vrijednosti računovodstvenih informacija nakon usvajanja MSFI 9. Konkretno, studija otkriva značajan porast važnosti zarade po dionici u procjeni vrijednosti dionica, što naglašava snažniji tržišni odgovor na prijavljenu zaradu. Dodatno, sve veća važnost knjigovodstvene vrijednosti po dionici sugerira povećano oslanjanje investitora na knjigovodstvenu vrijednost prema novom MSFI-u. Međutim, opseg istraživanja je ograničen regionalnim fokusom na jugoistočnu Europu i usmjerenošću na javno trgovane banke, što potencijalno ograničava generalizaciju rezultata na druge sektore ili regije. Ipak, ovo istraživanje doprinosi razumijevanju posljedica MSFI 9 na zahtjeve za financijskim izvještavanjem na tržištima u razvoju, nudeći uvide za kreatore politika i akademike usmjerene na poboljšanje financijske transparentnosti i povjerenja investitora.

Ključne riječi: Međunarodni standard financijskog izvještavanja 9 – Financijski instrumenti, Tržišna vrijednost podionica, knjigovodstvena vrijednost po dionici, zarada po dionici.