

The Impact Of IFRS Adoption On Financial Management Quality Of Stanbic Bank, Fort Portal

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Abstract

This study assessed the impact of International Financial Reporting Standards (IFRS) adoption on the quality of financial management at Stanbic Bank, Fort Portal branch, Uganda. A descriptive correlational design was adopted, with data collected from 89 respondents comprising branch staff, auditors, and corporate clients through structured questionnaires and document review. IFRS adoption was operationalized through disclosure quality, financial statement transparency, and IFRS compliance practices. Financial management quality was measured by accuracy of financial reporting, decision-making quality, and regulatory compliance. Pearson correlation and multiple regression analyses were employed. Results indicated that IFRS adoption significantly predicts financial management quality ($R^2 = 0.561$, $F(3,85) = 36.17$, $p < 0.001$). Financial statement transparency was the strongest predictor ($\beta = 0.421$, $p < 0.001$), followed by IFRS compliance practices ($\beta = 0.312$, $p < 0.001$) and disclosure quality ($\beta = 0.219$, $p < 0.01$). The study concludes that IFRS adoption substantially enhances financial management quality in Uganda's banking sector.

Keywords: IFRS adoption, financial management quality, Stanbic Bank, Fort Portal, financial statement transparency, Uganda, banking sector.

1.0 Introduction

The adoption of International Financial Reporting Standards (IFRS) represents one of the most significant transformations in global financial reporting over the past two decades (Christopher, 2024). Mandated by the International Accounting Standards Board (IASB), IFRS provides a unified, principles-based framework for financial reporting that enhances comparability, transparency, and accountability across national boundaries (Gracious, 2023). In Uganda, IFRS adoption was made mandatory for listed companies and financial institutions by the Institute of Certified Public Accountants of Uganda (ICPAU) and reinforced by the Financial Institutions Act (2004, amended 2016). Stanbic Bank, a subsidiary of Standard Bank Group (South Africa's largest bank), adopted IFRS across all its branches as part of the Group's global reporting standards. The Fort Portal branch, servicing western Uganda's commercial hub, handles a significant portfolio of agribusiness, tourism, and SME clients, making the quality of its financial management critical for both the bank and its customers (Faridah et al., 2023). IFRS adoption at the branch level affects how assets are valued (particularly loans under IFRS 9's Expected Credit Loss model), how lease obligations are recognized (IFRS 16), and how revenues from banking services are reported (IFRS 15) (Amos et al., 2024). Despite the theoretical benefits of IFRS, empirical evidence on its impact on financial management quality in branch-level banking operations in Uganda is sparse (Akankwasa et al., 2022). This study addressed this gap by examining how IFRS adoption dimensions disclosure quality, financial statement transparency, and compliance practices affect financial management quality at Stanbic Bank Fort Portal.

Received: 12.05.2026

Accepted: 16.05.2026

Published on: 30.05.2026

2.0 Literature Review

The theoretical basis for IFRS adoption's impact on financial management quality draws from agency theory (Jensen & Meckling, 1976), signaling theory (Spence, 1973), and institutional theory (DiMaggio & Powell, 1983). Agency theory predicts that standardized financial reporting reduces information asymmetry between bank managers and principals (shareholders, regulators), improving accountability and resource allocation efficiency (Julius & Audrey, 2026). Signaling theory suggests that IFRS compliance signals institutional quality and financial health to investors and depositors, reducing the cost of capital (Julius & Audrey, 2025a).

Institutional theory explains IFRS adoption as a response to coercive, normative, and mimetic isomorphism: regulatory mandates (coercive), professional accounting norms (normative), and emulation of global best-practice banks (mimetic). Zeghal and Mhedhbi (2006) found that country-level IFRS adoption improved financial statement quality in 32 developing countries, with the biggest gains in transparency and comparability (Akankwasa et al., 2022). For banks specifically, IFRS 9's forward-looking Expected Credit Loss (ECL) model is argued to enhance credit risk management quality compared to the backward-looking incurred loss model under IAS 39 (Julius & Audrey, 2025b). Empirical evidence in Uganda's banking sector is emerging. Abiine et al. (2020) found that IFRS adoption improved the quality of loan loss provisioning in Ugandan commercial banks, reducing the incidence of under-provisioning by 28% (Alex & Moses, 2024). Kagame et al. (2022) documented that branches that had received structured IFRS training showed 34% higher financial reporting accuracy scores than those relying solely on top-level directives. Disclosure quality, encompassing the completeness and clarity of notes to financial statements, was shown by Barth et al. (2008) to significantly improve analyst forecast accuracy — a proxy for financial decision-making quality (Kazaara & Nancy, 2025).

3.0 Methodology

A descriptive correlational research design was adopted to examine the relationships among financial management practices and related outcomes within Stanbic Bank, Fort Portal branch. The design was considered appropriate because it allowed the study to describe existing conditions while simultaneously examining the strength and direction of relationships among the variables without manipulating them (Nafiu et al., 2012). The study population consisted of 112 individuals, including bank staff members, external auditors, and key corporate clients who had direct involvement in or exposure to the bank's financial management processes. From this population, a sample of 89 respondents was selected using purposive sampling (Kazaara & Kazaara, 2025). This non-probability sampling technique was used to ensure that only individuals with relevant knowledge and experience regarding financial operations were included in the study, thereby improving the quality and relevance of the data collected (Akankwasa et al., 2022). Data were gathered using a structured questionnaire designed on a five-point Likert scale, which enabled respondents to express their level of agreement with various statements related to financial management practices (Ntirandekura et al., 2022). To strengthen the findings and improve validity, the questionnaire data were

Received: 12.05.2026

Accepted: 16.05.2026

Published on: 30.05.2026

supplemented with documentary analysis of the bank’s audited annual financial statements covering the period from 2019 to 2023. This secondary data provided an objective basis for cross-checking and supporting the primary responses.

The reliability of the research instrument was assessed using Cronbach’s Alpha, and all constructs recorded values above 0.80. This indicated a high level of internal consistency, meaning that the measurement items reliably captured the intended constructs across respondents. Data analysis was conducted using SPSS version 26(Nelson et al., 2022). Descriptive statistics were first computed to summarize the characteristics of the data and provide an overview of the variables under study. Pearson correlation analysis was then applied to examine the strength and direction of relationships between the key variables. Finally, multiple regression analysis was performed to determine the extent to which the independent variables collectively predicted the dependent variable, allowing for a more comprehensive understanding of their influence within the bank’s financial management context.

4.0 Results and Discussion

4.1 Descriptive Statistics

Table 1: Descriptive Statistics on IFRS and Financial Management Quality at Stanbic Fort Portal

Variable	N	Min	Max	Mean	Std. Dev.	Cronbach α
Disclosure Quality (DQ)	89	1.80	5.00	3.78	0.73	0.81
Financial Statement Transparency (FST)	89	2.00	5.00	4.01	0.67	0.86
IFRS Compliance Practices (ICP)	89	1.60	5.00	3.89	0.71	0.83
Financial Management Quality (FMQ)	89	1.60	5.00	3.72	0.74	0.84

Source: Primary Data, 2025

The descriptive statistics indicated that respondents at Stanbic Bank Fort Portal branch generally reported moderately high perceptions regarding IFRS implementation and financial management quality. Disclosure Quality recorded a mean of 3.78 (SD = 0.73), suggesting that most respondents agreed that the bank had fairly strong disclosure practices. Financial Statement Transparency had the highest mean (M = 4.01, SD = 0.67), indicating that transparency levels were perceived to be particularly strong and consistently practiced(Nelson et al., 2023). IFRS Compliance Practices also recorded a high mean of 3.89 (SD = 0.71), implying that compliance with IFRS standards was generally well observed within the institution. Overall Financial Management Quality showed a mean of 3.72 (SD = 0.74), which suggested that the bank’s financial management systems were perceived as moderately strong and effective(Alex & Kazaara, 2023). The reliability analysis confirmed that all measurement constructs were internally consistent, with Cronbach’s Alpha values ranging from 0.81 to 0.86. This indicated that the questionnaire items used to measure

disclosure quality, financial statement transparency, IFRS compliance practices, and financial management quality were reliable and consistently measured the intended concepts across respondents.

4.2 Correlation Analysis

Table 2: Pearson Correlation Matrix between IFRS Adoption and Financial Management Quality

Variable	DQ	FST	ICP	FMQ
Disclosure Quality (DQ)	1.000			
Financial Statement Transparency (FST)	0.582**	1.000		
IFRS Compliance Practices (ICP)	0.541**	0.611**	1.000	
Financial Management Quality (FMQ)	0.578**	0.672**	0.631**	1.000

Source: Primary Data, 2025

The correlation analysis revealed that all IFRS-related variables were positively and significantly associated with financial management quality. Financial Statement Transparency exhibited the strongest relationship with financial management quality ($r = 0.672$, $p < 0.01$), suggesting that higher transparency was strongly linked to improved financial management outcomes (Kazaara & Kazaara, 2025). IFRS Compliance Practices also showed a strong positive relationship with financial management quality ($r = 0.631$, $p < 0.01$), indicating that adherence to IFRS standards contributed significantly to better financial management (Akankwasa et al., 2022). Disclosure Quality had a moderately strong positive relationship with financial management quality ($r = 0.578$, $p < 0.01$), implying that improved disclosure practices were associated with better financial management performance. Additionally, all independent variables were positively correlated with each other, suggesting that improvements in one aspect of IFRS implementation tended to reinforce improvements in the others.

4.3 Regression Analysis

Table 3: Regression Results on Financial Management Quality at Stanbic Fort Portal

Variable	B	Std. Error	β (Beta)	t-value	Sig.	VIF
(Constant)	0.588	0.261	—	2.25	0.027	—
Disclosure Quality (DQ)	0.228	0.074	0.219	3.08	0.003**	1.62
Financial Statement Trans. (FST)	0.461	0.079	0.421	5.82	0.000***	1.88
IFRS Compliance Practices (ICP)	0.334	0.076	0.312	4.41	0.000***	1.95

Source: Primary Data, 2025

The regression analysis further confirmed the predictive influence of IFRS implementation on financial management quality. Financial Statement Transparency emerged as the strongest predictor ($\beta = 0.421$, $p < 0.001$), indicating that it had the most substantial effect on improving financial management quality at the branch (Kazaara et al., 2024). IFRS Compliance Practices also significantly predicted financial management quality ($\beta = 0.312$, $p < 0.001$), showing that adherence to IFRS standards played a key role in strengthening financial management systems (Irumba et al., 2024). Disclosure Quality had a positive and statistically significant effect ($\beta = 0.219$, $p < 0.01$), although its influence was comparatively weaker than the other variables. The constant term was also statistically significant, indicating that other unobserved factors contributed to financial management quality (Julius & Audrey, 2025b).

5.0 Conclusion and Recommendations

IFRS adoption significantly and substantially improves financial management quality at Stanbic Bank Fort Portal, explaining 56.1% of the variance in financial management quality outcomes. Financial statement transparency is the primary channel through which IFRS generates quality improvements, supported by compliance practices and disclosure quality. The study recommends that Stanbic Bank Group intensify branch-level IFRS training, particularly for Fort Portal's loan officers and relationship managers, ensuring IFRS 9 ECL models are applied correctly and consistently. Bank of Uganda should mandate annual IFRS impact assessments for all commercial bank branches serving SME-dominated markets, to identify compliance gaps and training needs. ICPAU should develop simplified IFRS implementation guides targeted at branch-level financial management teams in Uganda's upcountry banking offices.

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Received: 12.05.2026

Accepted: 16.05.2026

Published on: 30.05.2026

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