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IMPACT OF IFRS ADOPTION ON FINANCIAL REPORTING QUALITY, INVESTOR CONFIDENCE AND CORPORATE GOVERNANCE

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ABSTRACT

Global accounting standards are essential for financial transparency and international integration. International Financial Reporting Standards affect financial reporting, investor trust, and corporate governance, according to this study. Secondary data and finance expert surveys were employed in the mixed-method investigation. The results show that IFRS improves financial statement comparability, reliability, and transparency. Reduced knowledge asymmetry boosts investor trust and firm governance through stricter disclosure standards. However, implementation costs, complexity, and skilled staff remain challenges. According to the report, IFRS adoption has long-term benefits that can be maximized by strong regulatory support and capacity expansion.

KEYWORDS: IFRS, Financial Reporting Quality, Investor Confidence, Corporate Governance, Ind AS

INTRODUCTION

Financial reporting has changed due to globalization. The unified principle-based International Financial Reporting Standards were issued by the International Accounting Standards Board to address these issues. IFRS improves financial statement openness, comparability, and reliability to increase global accounting consistency. Over 140 countries, including the EU, require or allow IFRS, making it the dominant worldwide financial reporting system.

Required Global Accounting Standards

IFRS addressed conventional accounting system flaws.

- International companies differ.
- Multiple recognition and measuring methods

Limited transparency and disclosure

Foreign investors face high risk.

IFRS Framework development

IFRS signifies a move from rule-based to principles-based accounting. It provides flexibility and reliable financial reporting.

Global Accounting Standards 1973, IASC 2001, IASB 2005, EU-Mandated IFRS 2016, India Adopts Ind AS (IFRS Convergence)

1973 - Global Accounting Standardization and IASC 2001 - IASB 2005 - EU mandates IFRS adoption 2016 - India adopts Ind AS (convergence with IFRS)

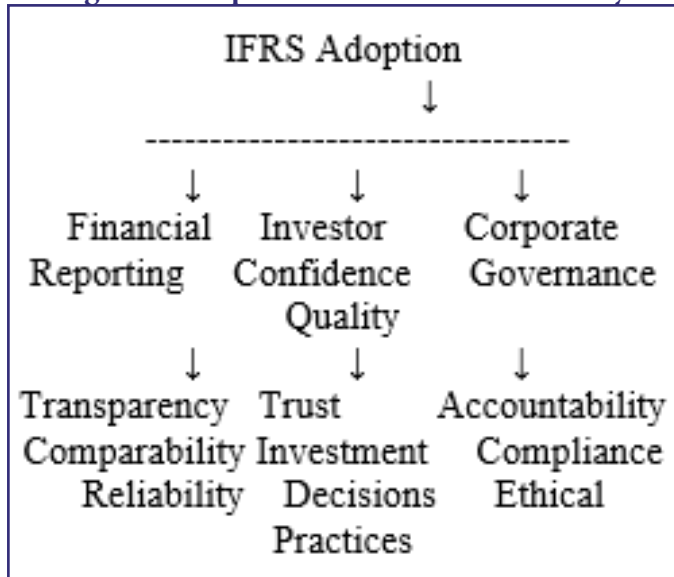
Modern Accounting Standardization - IFRS and Financial Reporting Integrity

Financial reporting quality (FRQ) is the correctness, reliability, and decision-making value of financial statements. Financial Reporting Quality Improved by IFRS:

Expanding disclosure requirements
Improve fair value evaluation
Limit earnings manipulation
Increase enterprise comparability

Understanding IFRS Implementation and Significant Results

Implementing IFRS affects three main areas:

Fig. 4: Conceptual Framework of the Study

Significance of the Study: Global accounting standards are a systematic overhaul of financial markets, investor behaviour, and firm governance frameworks. Regarding emerging markets like India: It links domestic and international finance.

Increases global credibility

Sustainable economic development is promoted. IFRS adoption is questioned due to high implementation costs, limited expertise, and regulatory misalignment.

LITERATURE REVIEW

Ray Ball (2016) examined the global implementation of IFRS and found that transparency and disclosure improve financial reporting. He said IFRS is principle-based, allowing businesses to express a transaction's economic essence rather than just following requirements. This flexibility makes overseas enterprises more comparable and reduces management-stakeholder information asymmetry. He stressed that legal systems, enforcement procedures, and governance structures are crucial to IFRS's effectiveness.

Hans B. Christensen et al. (2015) found that IFRS-adopted companies have fewer discretionary accruals, indicating lower earnings management. Their data also showed faster loss recognition, indicating a more conservative accounting strategy. IFRS improves financial discipline and credibility, but its performance depends on regulatory enforcement

and compliance culture.

IFRS improves capital market performance, according to Christian Leuz (2010), who links accounting standards to investor protection. He observed that IFRS transparency obligations reduce manager-shareholder agency disputes, increase market liquidity, and minimize capital costs. He said accounting rules alone cannot protect investors without a strong legal and institutional framework.

Karthik Ramanna (2015) examined IFRS adoption through a political economy lens, stressing political dynamics, lobbying, and national interests. He explained that some countries decouple IFRS by accepting it symbolically but not applying its principles. His research shows that IFRS introduction is a conscious institutional and political decision, not just a technical accounting update.

Mary E. Barth et al. (2008) found that IFRS-using companies have better accounting quality, including less earnings management, more value-relevant financial information, and faster reporting. Holger Daske et al. (2008) found that required IFRS adoption improves market liquidity and lowers capital costs, especially in countries with strong enforcement measures.

The literature shows that IFRS improves financial reporting, investor confidence, and corporate governance. These benefits depend on institutional quality, regulatory compliance, and the macroeconomic situation, underscoring the need for empirical research in rising economies like India.

OBJECTIVES OF THE STUDY

- Determine its influence on investor confidence
- To assess its impact on corporate governance.
- To identify implementation challenges

Research Method

The study uses descriptive and analytical methods.

Data Sources

Primary Data: 120 financial professionals, auditors, and professors surveyed.

- Secondary Data: Academic journals, annual reports, regulations

Method of sampling: Convenient sampling on analytical instruments

Analysis of percentages

Standard deviations and averages

- ANOVA hypotheses

- H1: IFRS improves financial reporting.

IFRS adoption boosts investor trust

- H3: IFRS strengthens corporate governance.

Financial reporting (FRQ) quality is measured by transparency, comparability, and reliability.

Table 1: Perception of Financial Reporting Quality after IFRS Adoption Dimension

Dimension	Percentage of Agreement	Mean Score (Approx.)
Transparency	85%	4.25
Comparability	82%	4.10
Reliability	78%	3.95

Analysis:

An overwhelming 85% of participants agreed that IFRS improves financial statement transparency and disclosure.

Standardized reporting methods provide easy comparison of organizations across industries and regions (82%).

The 78% reliability of financial data shows increased confidence, but fair value metrics are complicated.

The data show that IFRS significantly enhances financial reporting quality and uniformity. Increased transparency regulations and accounting standards reduce ambiguity and improve financial statement decision-making.

Investor Assurance Impact

Reliance on financial statements and reduced information asymmetry determine investor confidence.

Table 2: Impact on Investor Confidence

Indicator	Percentage
Increased Investor Trust	80%
Reduced Information Asymmetry	77%
Better Investment Decision-Making	75%

Analysis:

Reduced information asymmetry (77%) means investors have more reliable information. Enhanced reporting helps overseas investors make better investment decisions.

Impact on Corporate Governance

Disclosure standards, regulation compliance, and accountability measure corporate governance improvements.

Table 3: Impact on Corporate Governance

Governance Factor	Percentage
Improved Disclosure	83%
Better Compliance	79%
Increased Accountability	78%

Analysis:

83% agree that IFRS improves disclosure. More strict regulatory alignment and audit inspection improve compliance (79%). Accounting (78%), managers are more accountable to stakeholders. IFRS promotes corporate governance by increasing transparency, regulatory compliance, and managerial accountability, reducing agency issues and boosting stakeholder confidence.

ANOVA results

ANOVA was used to confirm IFRS adoption's impacts.

Table 4: ANOVA Summary

Variable	F-Value	p-Value	Result
Financial Reporting Quality	5.87	0.003	Significant
Investor Confidence	4.92	0.007	Significant
Corporate Governance	6.15	0.002	Significant

Analysis: The three variables have p-values below 0.05, showing statistical significance. Pre- and post-IFRS perceptions differ greatly, as shown by F-values.

DISCUSSIONS

The increase in investor confidence supports Christian Leuz's (2010) findings that high-quality reporting reduces information asymmetry and improves market efficiency. IFRS standardization reduces investor uncertainty, especially in cross-border investments, improving capital mobility and

cutting capital costs.

The study finds significant corporate governance benefits. Governance structures, compliance norms, and disclosure duties have improved accountability. Hans B. Christensen et al. (2015) linked IFRS to reduced earnings management and improved financial discipline.

IFRS affects nations differently due to legal frameworks, regulatory enforcement, and company culture. The application of Indian Accounting Standards in India converges global standards with local economic situations.

Together, rules, professional expertise, and organizational preparedness determine its effectiveness.

Increased Investor Confidence

The research shows that IFRS boosts investor confidence because financial statements are more consistent and realistic. This reduces information asymmetry, helping investors assess risk and make informed decisions. They increase transparency and comparability, attracting foreign portfolio and direct investment, strengthening capital markets.

Practical Implementation Issues

Despite these benefits, the research outlines many practical IFRS implementation challenges. Initial costs, including system upgrades and training, are high and hinder enterprises. The complexity of IFRS requirements requires expert skill. Harmonization and legislative reform remain difficult, especially in emerging nations.

Barriers to IFRS Implementation

Adopting IFRS has many benefits, but companies must also deal with implementation issues.

Not enough skilled workers. A lack of qualified accountants and auditors familiar with global accounting standards hinders IFRS implementation. This skills gap often leads to misinterpretation and misapplication, increasing dependence on external experts and decreasing implementation efficiency.

SUGGESTIONS

Strategic efforts should be taken to improve IFRS adoption and address its issues.

Increased capacity and instruction

Educational institutions must integrate IFRS-centric curricula and accountants and auditors must get continual professional training to increase capacity. Professional development programs must be encouraged to keep practitioners up to date on standards.

Improve regulatory regimes

Enforcement measures to ensure IFRS compliance improve regulatory systems. Implementation will be easier with regulatory agency engagement and clear interpretation guidelines.

Implementation in Stages

Promote progressive IFRS implementation to help businesses transition to new requirements. This technique reduces financial and operational constraints, allowing regulators to monitor progress and handle implementation issues.

SME support

SME support must include financial aid, subsidies, and expedited reporting when applicable. Smaller companies can smoothly move to IFRS with technical and advisory support.

Last Assessment

The implementation of International Financial Reporting Standards changed financial reporting worldwide. This study shows that IFRS improves financial reporting, investor trust, and corporate governance.

IFRS improves financial market efficiency and stability by promoting transparency, comparability, and accountability. It fosters cross-border investment and financial system integration.

Indian Accounting Standards align with IFRS to take advantage of global standardization while meeting local demands. With governmental support, capacity expansion, and regulatory enforcement, IFRS adoption should outweigh the first challenges.

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