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Assessing the Adoption of International Financial Reporting Standards (IFRS) in Developing Economies

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ABSTRACT

Green infrastructure (GI) planning for sustainable urban development represents a critical conceptual framework that integrates natural and semi-natural systems into urban environments to address challenges of urbanization, environmental degradation, and climate change by promoting ecological resilience, enhancing biodiversity, and supporting human well-being, as conceptualized by frameworks like the European Commission's GI Strategy and global sustainable development agendas; this study theoretically examines the multidimensional roles of GI, such as urban heat island mitigation, stormwater management, and improved air quality, by analyzing its integration into urban planning policies, supported by case studies in developed and developing regions that highlight the correlation between green space accessibility and socio-environmental equity, while also critically engaging with theoretical gaps in defining "green" and "sustainability" in urban contexts, drawing upon literature from urban ecology, environmental economics, and landscape planning to argue that the co-benefits of GI extend beyond environmental sustainability to include social dimensions like public health and economic revitalization, though conceptual limitations persist in scaling GI planning for rapidly urbanizing regions where resource constraints and governance complexities challenge effective implementation; by synthesizing theoretical perspectives, the study explores key principles for GI planning, such as multifunctionality, connectivity, and stakeholder inclusivity, to propose a conceptual model for embedding GI into urban development strategies, emphasizing adaptive planning approaches and the incorporation of geospatial technologies like GIS for spatial analysis and decision-making, while considering critical perspectives on the commodification of nature and the risk of "greenwashing" in urban development discourses, where GI projects may prioritize aesthetic or economic benefits over ecological integrity, and underscores the theoretical value of aligning GI planning with the United Nations' Sustainable Development Goals (SDGs) to advance urban sustainability globally; with a particular focus on resilience theory, landscape urbanism, and spatial justice, this paper argues for a paradigm shift in urban planning practices towards systemic thinking that recognizes cities as socio-ecological systems, necessitating the integration of ecological networks into urban fabric to address global challenges such as climate change adaptation and urban inequality, concluding that while conceptual advancements in GI planning offer significant theoretical contributions to sustainable urban development, further interdisciplinary research is required to refine its frameworks, address implementation barriers, and reconcile ecological and anthropocentric goals within the evolving dynamics of urban systems.

Keywords: International Financial Reporting Standards (IFRS), Developing Economies, Financial Reporting Quality, IFRS Adoption Challenges, Economic Growth, Institutional Frameworks

Introduction

International Financial Reporting Standards (IFRS), adopted throughout developing economies, has emerged as a significant area of interest in financial reporting research, providing a mechanism to improve the transparency, comparability, and quality of financial statements, with studies showing that the adoption of IFRS is directly correlated with higher levels of foreign direct investment (FDI) along with better financial performance (Albu et al., 2020; Barth et al., 2008), however the benefits associated with their implementation are countered by substantial hurdles, particularly in developing economies, where limited accounting infrastructure results in a shortage of professionals who are familiar with IFRS, meaning the high costs that are needed to maintain compliance with IFRS must be paid by developing economies with inconsistent or below attractive standards of education and training systems where there are challenges with professionals who are reluctant to follow the guidelines due to the external economic benefits, as found in India, where the establishment and promotion of inconsistent training programs have slowed the move to the IFRS model despite their proven effectiveness (Jaggi et al., 2021; Perumpral et al., 2009), and these additional problems are compounded by cultural and regulatory differences, with IFRS principles often conflicting with traditional accounting practices native to developing countries that are rooted in existing economic and legal regimes, leading to significant barriers to acceptance and effective application, citing conflicting guidelines in Jordan that have triggered partial compliance and poor outcomes (Al-Sharairi, 2020), while the cost implications of IFRS adoption additionally place a considerable burden on these developing economies, where the need for significant investment in training and system improvement as well as long-term implications for compliance perpetually threaten to drain financial resources, particularly from small and medium-sized enterprises (SMEs), many of whom are poorly prepared to deal with the complexities of IFRS reporting (Palea, 2013), and all while research points out that strong institutional structures with efficient enforcement mechanisms play a crucial role in moulding the effectiveness of IFRS adoption, with corrupt and politically unstable developing economies posing threats to their own adopted

effectiveness with a weak regulatory body (Hassan et al., 2021), while there are successful examples, as the adoption of IFRS in South Africa has demonstrated the value of synchronizing national practices with global standards, receiving unique benefits such as greater capital market engagement and higher levels of financial reporting quality (Armstrong et al., 2010), the situation remains more nuanced in other regions such as Sub-Saharan Africa and South Asia where competing policy priorities combined with socio-economic inequalities are curtailing progress and posing new challenges, indicating that tailored approaches that consider intrinsic challenges faced by these economies are needed, and despite these barriers, IFRS adoption offers enormous prospects for developing economies to link in to broader financial systems, pull in foreign investments, and modernize domestic accounting operations, provided that there is money allocated to build expansive capacity that supports sustainable systems, highlighting that the plusses attached to IFRS support also stretch passed improved financial reporting to include increasing transparency, eliminating information disparity, and contributing to greater economic expansion (Hassan et al., 2021) making it a radical method for improving economic framework and international growth in economies that have been classified as development and emerging investments since the latter part of the previous century.

Overview of IFRS and its global adoption and Importance of IFRS in improving financial transparency and comparability

Globally recognized accounting principles, IFRS were established by the International Accounting Standards Board (IASB) as a response to the demand for more transparency, comparability and efficiency in financial reporting, and as of today, over 140 countries have either adopted IFRS or permit its use in their capital markets in a bid to create similar financial statements more likely to attract cross-border investments, because by adopting a consistent framework the principles provide a robust foundation for fostering investor confidence and, ultimately, economic integration (Barth et al., 2008; Pacter, 2015); they are important as they contribute to financial transparency by ensuring, regardless of their geographic locations, that companies disclose their financial transactions and activities in a manner that is standardized creating a level playing field and a common understanding of the financial information provided (Albu et al., 2020; Palea, 2013), this comparability is especially valuable to their functioning in a global market context through creation of a common accounting language that enables both multinational operations and capital flows by facilitation of international trade and investment (U.S. Chamber, 2004); numerous studies have demonstrated that countries implementing IFRS have observed a surge in foreign direct investment (FDI) and higher market valuations for firms (Armstrong et al., 2010; Hassan et al., 2021); in these settings, requirements to align local practices with IFRS principles have not been without its difficulties, the early stages of adoption will be challenging for most countries particularly those developing economies with micro and small firms and very limited available resources and expertise in financial reporting and where cultural differences also could act as a barrier to implementation, for example, the transition in India has been stalled by lack of training and unprepared practitioners and Jordan has seen partial adoption which has resulted in inconsistent application of standalone IFRS across firms (Jaggi et al., 2021; Al-Sharairi, 2020); the implementation of IFRS was high, including investments in training, system upgrades and compliance efforts which could especially prove to be difficult for small and medium-sized enterprises (SMEs) based in these regions (Perumpral et al., 2009), yet the promises of IFRS on a global scale highlight its transforming capacity to enhance the quality of financial reporting, stimulate economic grow and nurture greater accountability in business environments by establishing a comprehensive transparency and comparability framework, making IFRS a fundamental pillar of the modern financial systems and critical for global financial integration.

Challenges faced by developing economies in adopting IFRS

The International Financial Reporting Standards (IFRS) are standardized rules for financial reporting, issued by the International Accounting Standards Board (IASB) with the goal of creating increased transparency, comparability, and efficiency in global financial reporting, while more than 140 countries worldwide have fully adopted (or allow) these standards and more than 140 countries are now fully adopted (or at least allow) IFRS in their jurisdictions to harmonize firms accounting and financial reporting systems in order to better attract foreign capital and other cross-border transactions (Barth et al., 2008; Pacter, 2015), and their significance arises from their ability to enhance financial transparency by ensuring that corporations present their financial operations in a commonplace manner, thereby reducing information asymmetry and empowering stakeholders make prudent decisions independent of geography (Albu et al., 2020; Palea, 2013), and this comparability is especially advantageous in global financial markets since IFRS promotes international trade and investment activity by offering a universal accounting language that supports the requirements of multinational enterprise and the flow of international capital, seen in research that reveals an increase in foreign direct investment (FDI) in countries that implement IFRS (Armstrong et al., 2010; Hassan et al., 2021) yet the challenge has been bridging the gap between local practices to IFRS principles especially in developing economies where factors such as the unavailability of resources, shortage of competence and cultural distinction impede proper adoption (Jaggi et al., 2021; Al-Sharairi, 2020) and where the necessary costs, which include expenditures for workforce training, system updates, and compliance-related actions, have proven to be additional barriers for small and medium-sized companies (SME) located within those nations (Perumpral et al., 2009) but despite these issues, the worldwide acceptance of IFRS highlights its game-changing ability to upgrade the quality of financial disclosures, promote economic growth, and ensure higher accountability in the business environment by setting up a strong system for transparency and comparability, so that IFRS have become a pillar of current financial systems, and an important component for global financial integration.

Research Objectives

To analyze the factors influencing IFRS adoption and to assess the benefits and challenges specific to developing economies

Various institutional pressures, some of which are associated with coercive forces from international financial organizations and others with normative influences that encourage alignment with best global practices, have motivated the introduction of International Financial Reporting Standards (IFRS) in the developing economies, and while the desired benefits of integrity in financial reporting include improved comparability of financial statements, enhanced credibility of financial statements, and increased access to Foreign Direct Investment (FDI) and international capital markets, it brings with it

significant costs of implementation that require substantial investments in staff training and upgrading the accounting and auditing infrastructure in addition to cultural differences and resistance from local accounting professionals who feel more comfortable with traditional accounting practices as well as inadequate infrastructure, a shortage of qualified accounting professionals, and weak regulatory enforcement undermine the sustainability of IFRS adoption in the developing economies to be successful, as we have seen for instances the case of the Asian developing nations where the lack of IFRS training coupled with cultural background have all contributed to delayed implementation of IFRS principles at different companies but do not lead to significant standards, and in consistency in implementation if only partial implemented in addition to the static economic environment widens the gap and abstraction of IFRS and in the case of India and changing from a rules-based to a principles-based system may be viewed to pose challenges and complexity which has further delayed implementing IFRS (Sharma et al., 2017), and imposing IFCRS in Jordan has caused ambiguity for companies and contributed to its rejection by many external auditors where there is a perverse incentive for external auditors to disregard IFRS as it is burdensome to both parties and there is no substantial evidence of adequacy so practices have the tendency to differ among companies, whilst some enterprises in Jordan avoid applying IFRS in their records and such practices cause a surrender pressure among local companies to abide by IFRS which is one of methods to achieve compliance with international best practices (Al-Sharairi, 2020), this act shows how the process of IFRS adoption can manifest itself and lead to speculation in practice from one country to another but also the benefits in general of inter and economic globalisation include improvements in regulation and financial systems were assume apparent, and finally it should be noted that despite the existing barriers, the economic and other long-term benefits of IFRS in improving the transparency, consistency, and reliability of financial reporting, through the facilitation of foreign investment and market access are value added changes or holistic program towards the sustainability and effectiveness of transformative initiative for the developing economies.

Significance of the Study

The significance of studying the adoption of International Financial Reporting Standards (IFRS) in developing economies lies in understanding how these globally recognized accounting standards can enhance financial transparency, comparability, and economic integration for countries transitioning from local accounting practices to IFRS, as this transition aims to improve the quality of financial reporting, attract foreign investment, and facilitate access to international capital markets, thereby promoting economic growth and development (Sharma et al., 2017; Ahmad et al., 2019). However, the adoption process presents challenges, including the need for substantial investments in training, technology, and regulatory adjustments, as well as overcoming resistance from local accounting professionals accustomed to traditional practices, which can impede the effective implementation of IFRS and limit its potential benefits (Al-Sharairi, 2020). By analyzing these factors, the study provides valuable insights into the complexities of IFRS adoption in developing economies, offering guidance for policymakers, regulatory bodies, and practitioners to develop strategies that address these challenges, ensure successful implementation, and ultimately enhance the quality and credibility of financial reporting in these regions, thereby contributing to global financial stability and investor confidence.

Scope and Limitations related to the study

The study's scope encompasses the evaluation of International Financial Reporting Standards (IFRS) adoption in developing economies, focusing on its impact on financial transparency, economic integration, and alignment with global sustainability initiatives, including the Sustainable Development Goals (SDGs) and climate resilience efforts. By analyzing the challenges and benefits associated with IFRS implementation, the research contributes to the urban sustainability literature by highlighting how standardized financial reporting can enhance resource allocation, promote sustainable urban development, and support informed decision-making in urban planning. However, limitations exist due to the varying degrees of IFRS adoption across different countries, influenced by factors such as regulatory environments, economic conditions, and institutional capacities, which may affect the generalizability of the findings. Additionally, while IFRS adoption aims to improve financial reporting, its direct correlation with achieving SDGs and enhancing climate resilience requires further empirical investigation to establish causality and assess long-term impacts. Understanding these dynamics is crucial for policymakers and stakeholders striving to integrate financial reporting standards with broader sustainability objectives, ensuring that economic development aligns with environmental and social goals on a global scale.

Theoretical Framework and Literature Review

The role of International Financial Reporting Standards (IFRS) in developing contexts potentially has high theoretical and practical importance with respect to urban sustainability by improving global financial transparency and comparability and therefore contributing to various global objectives (all relevant citations from the same relevant papers will be mentioned after the full abstract) such as the SDGs and climate resilience (SDGD Recommendations) as aligning and allowing for effective governance of environmental and social (ESG) outcomes and development (IFRS Foundation, n.d.) implying achieving comparative consistency between the corporative and sustainability reports which may help policymakers and investors channel resources to sustainable urban projects (Herbert, 2022) as their proper application may substantially improve decision-making given the theory-based understanding about the interactions of the multiple institutional logics at play in developing economies threatening the harmonization of this standard (Macovei et al., 2024) as highlighted by the Sustainability Disclosure and Management Hubs created by United Nations Development Programme (UNDP) and Global Reporting Initiative (GRI) to address the capacity gaps arising from limited regulatory frameworks, sound practices, and expertise in regions with constrained resource bases that flow due to local resource efficiency (GSG Impact, 2024).

Scope and Limitations related to the study

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development, and support informed decision-making in urban planning. However, limitations exist due to the varying degrees of IFRS adoption across different countries, influenced by factors such as regulatory environments, economic conditions, and institutional capacities, which may affect the generalizability of the findings. Additionally, while IFRS adoption aims to improve financial reporting, its direct correlation with achieving SDGs and enhancing climate resilience requires further empirical investigation to establish causality and assess long-term impacts. Understanding these dynamics is crucial for policymakers and stakeholders striving to integrate financial reporting standards with broader sustainability objectives, ensuring that economic development aligns with environmental and social goals on a global scale.

Scope and Limitations related to the study

The scope of the study on assessing the adoption of International Financial Reporting Standards (IFRS) in developing economies encompasses a comprehensive evaluation of the factors influencing IFRS adoption, including institutional capacity, regulatory frameworks, and cultural compatibility, while also examining the economic benefits such as enhanced financial transparency, improved comparability of financial statements, and increased foreign direct investment (FDI) inflows, as well as its contribution to aligning financial reporting practices with global sustainability objectives like the United Nations Sustainable Development Goals (SDGs), with particular emphasis on understanding how IFRS adoption facilitates economic integration and supports climate resilience by enabling transparent and comparable financial disclosures that are crucial for global environmental and social governance (Samaha & Khlif, 2016; IFRS Foundation, n.d.), yet the study also acknowledges key limitations, including the varying levels of institutional readiness among developing countries, where weak regulatory enforcement, limited financial resources, and shortages of trained accounting professionals present significant barriers to the effective implementation of IFRS, as evidenced in nations like Nigeria, where inconsistent compliance and cultural resistance have hindered full adoption (Albu et al., 2020; Hassan et al., 2021), while another limitation is the challenge of scaling IFRS to meet the specific needs of diverse economic contexts, particularly for small and medium-sized enterprises (SMEs), which often lack the capacity to manage the high costs and technical complexities associated with transitioning to IFRS, thereby raising questions about its universal applicability and the need for tailored approaches to address local constraints (Palea, 2013), and despite these challenges, the study underscores the transformative potential of IFRS in modernizing financial practices and fostering sustainable economic development, provided that developing economies prioritize capacity-building initiatives, foster international collaborations, and implement adaptive policies to mitigate the limitations, making this research critical for bridging theoretical gaps and advancing practical solutions for integrating IFRS into the global financial ecosystem.

Theoretical Framework and Literature Review

The strong relevance of several theoretical underpinnings for the adoption of IFRS has been derived from the coalescence between the interests of global financial institutions in standardization and legitimacy, based on institutional theory (Petersen, Ma, & Zhang, 2017), where coercive pressures from international financial institutions, mimetic behaviors towards achieving the success, and normative pressures due to the professional network constituents who prefer harmonization of outlining the accounting standards, are used to conceptualize the powers governing the IFRS adoption due to the countries' aspirations for legitimacy in the wake of their global market interactions (Järvenpää, 2008), while the economic theory of networks says that the value inherent to us due to the adoption of standards grows in value with the number of ISO4 actors who adopt them and this works for IFRS by enhancing transparent and comparable financial reporting (Samaha & Khlif, 2016; Katz & Shapiro, 1985), and moving to the metrics for the empirical studies, the results regarding the post-IFRS achieved performance on financial reporting are found to be rather mixed, while some research cites a financial reporting quality upgrade, heightened foreign investment, and a lowered cost of capital following the adoption (Mongı & Sanfound, 2018; Alanya & Okkan, 2017), the others escalate into drastic challenges that include weak enforcement mechanisms, cultural misalignments, and a non-existence of trained accounting professionals to adequately enforce the changes leading to many of the countries, like Nigeria and India, facing the threats of partial compliance, or regress to plinth-based accounting, within the domestic accounting field (Ahmad et al., 2019; Alhato, 2022), and these challenges are, however, exacerbated by the settings wherein there is a dissonance between international standards and local regulations that renders a higher setup cost against the backdrop of the developed economies resulting in compliance difficulties faced by small and medium-sized enterprises in these economies, and this also necessitates a setting of capacity-building with a robust institutional framework in tandem to tackle the hurdles (De George et al., 2016), while also integrating sustainability objectives in the IFRS yardsticks, as is the case with the alignment of the UN Sustainable Development Goals (SDGs), thus making them an essential link to fill the transparency in the fostering of the sustainable accountable market (IFRS Foundation, n.d.), furthering the importance of the movement for the adopting IFRS as a necessary, though convoluted, task for the developing economies navigating through the intricacies of transparency in the financial affairs, regulatory discharge, and global economic assimilation.

Relevance of institutional theory and stakeholder theory in IFRS adoption

The adoption of International Financial Reporting Standards (IFRS) in developing economies can be analyzed through the lenses of institutional theory and stakeholder theory, where institutional theory posits that organizations conform to global norms like IFRS due to coercive pressures from international financial institutions, mimetic behaviors aiming to emulate successful practices, and normative pressures stemming from professional networks, thereby seeking legitimacy and stability within the global financial system (Samaha & Khlif, 2016), while stakeholder theory emphasizes that the adoption process is influenced by the interests and power dynamics of various stakeholders, including investors, governments, and the public, who demand transparency, accountability, and comparability in financial reporting to make informed decisions and foster trust (Fernando & Lawrence, 2014), and empirical studies have shown that in developing economies, the interplay between these theories manifests in unique challenges, such as aligning IFRS with local accounting practices, addressing resource constraints, and overcoming resistance from entrenched institutional norms, which can impede effective implementation (Albu et al., 2020), yet despite these challenges, the integration of IFRS is often pursued to attract foreign investment, enhance economic integration, and improve financial reporting quality, aligning with the expectations of both institutional forces and diverse stakeholders, making the

combined application of institutional and stakeholder theories a comprehensive framework for understanding the complexities of IFRS adoption in these contexts.

Differences in adoption between developed and developing economies related to Assessing the Adoption of International Financial Reporting Standards (IFRS) in Developing Economies

International Financial Reporting Standards (IFRS) adoption across developed and developing economies are largely different due to the economic structure differences, regulatory environment differences and required resources and expertise availability with developed countries are often characterized with fully developed financial systems and strong institutional support that provide the raw resources to support pioneer IFRS journey (Ahmad et al., 2019; Mir & Rahaman, 2005; Samaha & Khlif, 2016) whilst the process and the technical know-how to implement IFRS could prove to be a challenge to developing nations as many pose a scanty match on regulatory watchdog enforcement, with a significant and serious cost towards the transition to IFRS (Samaha & Khlif, 2016) while moreover, cultural and socio-economic differences make IFRS not exactly the right fit to many such nations (Mir & Rahaman, 2005) with the complex nature of these standards and the cumbersome process towards local accounting practices to IFRS adoption to create various degree of barriers to progress and promoting an opportunity of possibility that failed 'cooked to fit' for developing economies.

Research Methodology related to the study

The research article employs a conceptual and theoretical analysis approach to examine the multifaceted factors influencing IFRS adoption in these regions, utilizing institutional theory to explore how coercive, mimetic, and normative pressures drive the convergence towards global accounting standards, while also considering stakeholder theory to assess the roles and influences of various entities such as governments, professional bodies, and multinational corporations in the adoption process, and further integrating the economic theory of networks to understand the benefits of widespread IFRS adoption in enhancing financial comparability and attracting foreign investment, thereby providing a comprehensive framework for analyzing the complexities and implications of IFRS implementation in developing economies (Samaha & Khlif, 2016; Ahmad et al., 2019).

Review of secondary data, including policy documents, academic journals, and case studies

In this working paper, a comprehensive literature review to review secondary data sources such as policy documents, academic journal and case studies to prepare our analysis of the multifactorial influences of IFRS adoption in these regions. The study reviews governmental and regulatory frameworks that help or prevent the transition to IFRS through an analysis of policy documents, while also shedding light on the legislative and institutional preparedness of developing economies for such transitions (Samaha & Khlif, 2016). Based on academic journals, the analysis provides an integrated empirical and theoretical understanding of the fundamental economic, culture, organizational aspects of IFRS adoption as well as the benefits of financial information transparency and comparability (Ahmad et al., 2019). In addition, by providing specific real-life examples and illustrations of IFRS adoption, the case studies showcase best practices, challenges and lessons learned from different developing country contexts, offering important contextual knowledge to the study and some practical implications for IFRS decision-makers and enforcers seeking to improve financial reporting in like economic and developing contexts (Albu et al., 2020).

Analysis and Discussion related to Factors Influencing IFRS Adoption with specific reference to Role of governance, infrastructure, and professional capacity

The adoption of International Financial Reporting Standards (IFRS) in developing economies is significantly influenced by factors such as governance quality, infrastructure adequacy, and professional capacity, with robust governance frameworks facilitating effective implementation of IFRS by ensuring regulatory support and enforcement mechanisms, while inadequate infrastructure, including technological and institutional deficiencies, poses challenges to the adoption process, and the availability of skilled accounting professionals is crucial for the accurate application and interpretation of IFRS, as highlighted by Ahmad et al. (2019) and Samaha and Khlif (2016).

Economic benefits such as increased capital market participation

The adoption of International Financial Reporting Standards (IFRS) in developing economies has been widely recognized for its economic benefits, particularly in increasing capital market participation, as it enhances financial statement comparability and transparency, attracting foreign investors and providing businesses with greater access to international capital markets, which bolsters economic integration and investor confidence, as evidenced by studies indicating that countries adopting IFRS experience significant improvements in market liquidity, reduced cost of capital, and higher foreign direct investment (FDI) inflows, with empirical examples such as India demonstrating how IFRS adoption aligns domestic financial reporting practices with global standards, thereby promoting capital market growth and fostering economic development, although the realization of these benefits is contingent upon factors like the strength of regulatory frameworks, institutional quality, and the effectiveness of enforcement mechanisms, which vary across countries and significantly influence the outcomes of IFRS implementation (Samaha & Khlif, 2016; Hinger, 2019).

Key Challenges in Developing Economies related to Limited institutional capacity, lack of trained professionals, and resource constraints

The adoption of International Financial Reporting Standards (IFRS) in developing economies counters significant challenges, notably limited institutional capacity, a shortage of trained professionals, and resource constraints, which impede the effective implementation and enforcement of these standards, as evidenced by studies highlighting that inadequate institutional frameworks and regulatory support hinder the transition to IFRS, while the scarcity of accounting professionals with expertise in international standards exacerbates the difficulty, further compounded by financial limitations that restrict

access to necessary training and technological infrastructure, thereby collectively undermining the quality and consistency of financial reporting in these regions (Sharma et al., 2017; Ahmad et al., 2019).

Policy Implications and Recommendations for Effective IFRS Implementation

The effective implementation of International Financial Reporting Standards (IFRS) in developing economies necessitates addressing challenges such as limited institutional capacity, a shortage of trained professionals, and resource constraints, which can be mitigated through policy measures including the establishment of robust regulatory frameworks to support IFRS adoption, investment in comprehensive training programs to enhance the proficiency of accounting professionals, and the allocation of financial resources to develop necessary infrastructure, thereby facilitating a smoother transition to IFRS and improving the quality of financial reporting in these regions (Ahmad et al., 2019; Samaha & Khlif, 2016).

Capacity-building initiatives and professional training programs

The implementation of IFRS in the developing economies faces number of challenges like limited capacity of institution, lack of professionals, shortage of resources, which have all forced these nations to have the targeted oriented capacity building and professional training to ensure proper implementation of IFRS. In response, the International Financial Reporting Standards Foundation has initiated a Capacity Building Programme to facilitate the adoption and application of IFRS Sustainability Disclosure Standards, with a particular focus on emerging markets and developing economies (IFRS Foundation, 2024). The program focuses on creating educational materials, training resources, and collaborations with local institutions to bolster the expertise of accountants and to reinforce institutional structures. Copying mechanisms like the IFRS Foundation's Partnership Framework for Capacity Building are looking to work with different stakeholders to deliver bespoke jurisdictional engagement and institutional partnerships that harness specialist expertise to increase local capacity for the implementation and assurance of standards (IFRS Foundation, 2023). Moreover, large professional services firms like EY provide training sessions specifically related to IFRS to prepare skilled finance professionals for the practical application of IFRS components to mitigate this skill gap and ease the transition to international standards (EY, n.d.). Such programs usually include full coverage of IFRS standards, practical aspects of implementation, and local accounting practice comparisons to enhance participants understanding. In addition, educational institutions and professional organizations have been conducting guest lectures and workshops regarding the need, challenges and benefits of IFRS adoption to promote continuous learning and adaptation culture among the upcoming accountants (Canara College, 2022). These initiatives are essential in developing a strong pipeline of talent equipped with the knowledge and skills to manage the IFRS challenges in emerging markets. In addition, global development organizations have played a role in the IFRS capacity building. As an example, the IFRS Capacity Building for SMEs program implemented by USAID in Georgia aimed to develop a cadre of IFRS for SMEs trainers and training curricula for training businesses on new reporting requirements (USAID, n.d.). This step highlights the need for specific training programs that will accommodate the special need of the small and medium size enterprises particularly those who face some challenges to adopt the IFRS because of limited resources. To summarise, capacity-building initiatives and professional training programmes are crucial to providing solutions to the problem of IFRS adoption in the developing economies. Such programs, through improvement of institutional capacity, upskilling of professionals and provision of resources where states' capacity is limited, have a strong impact on implementation of IFRS, ultimately contributing to increased financial transparency, investment and economic development in these Regions.

Global Collaboration and Knowledge Sharing

The effective adoption of International Financial Reporting Standards (IFRS) in developing economies relies heavily on global collaboration and knowledge sharing to facilitate the technical expertise, capacity-building initiatives, and resources for addressing the challenges of limited institutional capacity, lack of trained professionals, and resource constraints where the IFRS Foundation has played a pivotal role through partnerships with organizations such as the World Bank, as evidenced by their Memorandum of Understanding in 2017 that deepened cooperation to support developing economies in leveraging applicable IFRS to achieve higher levels of financial transparency and global economic integration (IFRS Foundation, 2017); and through further collaborations for establishing Sustainability Disclosure and Management Hubs (SDMHs) with the United Nations Development Programme (UNDP) and Global Reporting Initiative (GRI), aiming to boost sustainable reporting through aligning national financial practices to global environment, social and governance (ESG) standards in 14 developing economies to address climate resilience while promoting the Sustainable Development Goals (SDGs) (SDG News, 2024); and in the International Finance Corporation (IFC) joining forces with the IFRS Foundation and reaffirming commitment to strengthen sustainable capital markets through enhanced sustainability and climate-related disclosures in emerging markets, setting the course for unprecedented collaboration, attracting global best practices to bridge the knowledge gap and facilitate effective implementation of IFRS in line with nationally unique economic and socio-political settings (IFC, 2024); and through professional training programs initiated by firms like EY, targeting the upskilling of accountants for effective application of IFRS by bridging the skills gap and providing practical expertise to advance the capacity of professionals in developing economies to meet complex accounting standards applications (EY, n.d.); collectively, bringing together these leadership initiatives to address systemic barriers to IFRS adoption by creating robust frameworks and capacity with commensurate institutional resilience taking a foothold to economic development and transparency while assisting developing economies integrate into the global financial system to propel sustainable development whilst gaining attention to the unique socio-economic contexts and challenges within each nation.

Conclusion

The adoption of International Financial Reporting Standards (IFRS) in developing economies represents a transformative step toward enhancing financial transparency, comparability, and global economic integration, yet it is fraught with challenges such as limited institutional capacity, resource constraints,

and a shortage of trained professionals, which necessitates robust capacity-building initiatives, collaborative international efforts, and tailored policy interventions to address these systemic barriers, as the potential benefits of IFRS adoption, including increased capital market participation, foreign investment inflows, and alignment with global financial practices, are pivotal for fostering economic development and stability in these regions, while the integration of sustainability reporting frameworks alongside IFRS highlights the growing importance of aligning financial disclosures with global environmental, social, and governance (ESG) goals, thereby positioning IFRS as not only a tool for financial standardization but also a mechanism for driving broader sustainability and resilience in the face of economic and climate-related challenges, and despite the complexities involved in transitioning to IFRS, its implementation provides developing economies with an opportunity to modernize their financial systems, build investor confidence, and bridge the gap between local and international accounting practices, emphasizing that sustained efforts in training professionals, strengthening institutional frameworks, and fostering global partnerships are crucial to ensuring that the adoption of IFRS delivers its intended outcomes, ultimately contributing to a more transparent, accountable, and interconnected global financial landscape while addressing the unique needs and constraints of developing economies.

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