

IFRS Adoption, Governance, and Macroeconomic Dynamics: Evidence from South Asian Developing Economies

A M Indu A S Maheswaran¹

(Research Scholar, Gulati Institute of Finance and Taxation – Affiliated to Cochin University of Science and Technology, Kerala, India)

Abstract: Scholarly evidence related to IFRS implementation and its effects provides limited attention to the regulatory and economic conditions prevailing in a country at the point of adoption itself. Examining the governance and macroeconomic environment surrounding IFRS adoption in six lower-middle-income economies in South Asia, this study analyses whether this adoption subsequently caused any impact on the country's macroeconomic variables, by employing a panel event study approach. The findings indicate a violation of the parallel-trends assumption with respect to inflation. Also, a significant post-adoption decline is observed in trade openness, with the effect driven predominantly by Sri Lanka. These results highlight the importance of more tailored IFRS implementation, particularly in emerging economies.

Keywords: IFRS, macroeconomic, governance, inflation, trade openness

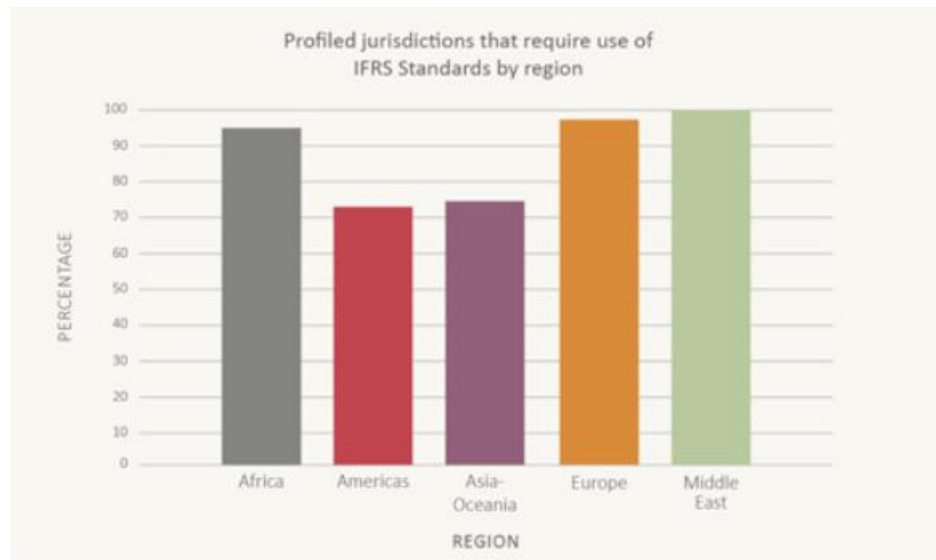
Date of Submission: 06-09-2026

Date of Acceptance: 16-09-2026

I. Introduction

Over the past three decades, the increasing trend of global capital market integration has heightened the need for transparent and quality financial reporting, driving the harmonization of accounting practices. This push toward uniform standards stems from demands on both sides of the market. Investors seek to diversify their portfolios and pursue opportunities beyond domestic borders. On the other hand, firms extend their operations, trades, and capital-raising activities into foreign markets. Against this backdrop, the emergence of International Financial Reporting Standards (IFRS), a broader initiative towards standardization of global accounting practices, stands out as a landmark reform in accounting regulation. To date, over 165 countries have either adopted or converged with the IFRS framework developed by the International Accounting Standards Board (IASB). Despite this widespread adoption, the motivations for IFRS adoption differ considerably depending on a country's level of economic development. In developed economies, adopting IFRS is typically framed as a natural enhancement of accounting systems that are already robust, whereas in emerging and developing economies, adoption is more commonly pursued as a strategic move to attract foreign capital and build credibility among international investors (Potharia, 2025). As illustrated in Figure 2.1, adoption rates by region reveal that European, Middle Eastern, and African nations report figures above 90 percent, although enforcement remains notably weak across a number of African countries (Potharia, 2025). The Asia-Pacific region presents a different picture, where some nations have fully adopted IFRS while others have opted for convergence. Although the underlying motive for many countries in this region to embrace IFRS was to remain globally legitimate, a considerable number have chosen a phased or tailored implementation approach rather than immediate full adoption. The relatively low adoption rate of around 70 percent in the Americas is attributed to the continued non-adoption of IFRS in the United States. The US still operates under its own domestic framework, US Generally Accepted Accounting Principles (GAAP), although some areas, such as revenue recognition and lease accounting, have been aligned with IFRS in recent years (DeGennaro, 2017; Potharia, 2025).

Figure 1 IFRS by Region



Source: IFRS website

IFRS adoption in Emerging Economies

The IFRS Foundation is a not-for-profit organization that sets standards for global financial reporting to improve the flow of information between companies and investors. According to historical data published by the Foundation, a steady expansion is observed in emerging markets' participation in this global agenda. By 2017, IFRS was required for all or most publicly accountable entities in 126 of 150 surveyed jurisdictions (84%), and for at least some entities in a further 13 jurisdictions (9%). Manawadu et al. (2019) interconnect three prominent issues of emerging economies: first, a dearth of modern technology, a competent labor force, required infrastructure, and adequate foreign resources; second, the weak role of FDI in addressing these issues; and third, the information asymmetry present in such economies, which constitutes the most significant barrier to attracting FDI. According to Ball (2006), the adoption of and compliance with IFRS is one of the most important measures for reducing information asymmetries, as these standards are expected to enhance the transparency, reliability, and comparability of financial statements, thereby facilitate foreign capital inflows.

However, UNCTAD 2026 World Investment Report indicates that FDI growth remains skewed toward developed countries (11%) rather than in developing countries (2%). It is also notable that a decline is observed in FDI growth among lower-middle-income countries (−5%). In contrast, the report highlights a changing investment environment in Asia, distinguished by enhanced manufacturing capacity, strong supplier networks, dominant consumer markets, substantial industrial ecosystems, and deep integration into regional production networks. Nevertheless, these advantages are not evenly spread, and the concentration at the country level remains pronounced within the region. Against this backdrop, the present study focuses on emerging lower-middle-income economies in South Asia (Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka), examining the economic conditions under which these countries adopted IFRS and assessing whether IFRS adoption has had any significant effect on broader economic conditions since its implementation.

The remainder of this paper is structured as follows: Section 2 provides a brief review of the literature; Section 3 presents the data and methods; Section 4 discusses the results; and Section 5 concludes the study.

II. A Brief Review of Literature

Appendix Table 1 provides factual information on IFRS adoption in the sample countries. Therefore, this literature part provides an overview of the studies conducted on IFRS adoption in these countries.

Bhattacharjee and Islam (2009) were among the earliest researchers to examine the prospects of IFRS adoption in Bangladesh, considering its institutional and economic contexts. They suggest that a trade-off is

essential between the scale and local advantages of adapting IFRS, for the effective application of the standards. Hossain et al. (2015) conducted a related study on the IFRS adoption process in Bangladesh, identifying its benefits and challenges. They emphasized the importance of establishing a robust legal and regulatory structure, along with implementing awareness initiatives, to facilitate the effective adoption of IFRS in the nation. Aminuzzaman et al. (2015) addressed the problem of poor disclosure compliance in corporate financial reports in Bangladesh. Taken together, these studies suggest that although the IAS/IFRS adoption process began in 1999, adoption in Bangladesh, as in many emerging economies, remains immature owing to persistent institutional weaknesses, enforcement gaps, and compliance challenges within the country. During Bhutan's phase-wise IFRS adoption from 2013 to 2021 (Appendix Table 1), empirical literature examining this adoption process remains scarce, reflecting the relatively limited scale of academic and regulatory research on the country's reform.

Numerous studies have examined IFRS adoption in India from different perspectives. Sharma et al. (2017) explored the perspectives of accounting professionals to understand the challenges associated with IFRS/Ind AS adoption in India, while Jain (2011) and Parvathy (2017) examined the problems faced by stakeholders, including regulators, accountants, and firms during the adoption process. Adhikari et al. (2021) compared accounting quality before and after Ind AS adoption and found that quality deteriorated immediately following adoption, which was reflected in lower net income variability, higher discretionary accruals, delayed loss recognition, and reduced value relevance of earnings, although this deterioration eased over time. Collectively, these studies suggest that simply adopting or converging with IFRS without corresponding changes in institutional and enforcement frameworks may not yield improvements in accounting quality, particularly in countries with weaker regulatory environments. Further, the studies extend to the economic consequences of IFRS adoption in India. Kamath and Desai (2014) examined the impact of IFRS adoption on the financial activities of Indian companies and found it to be significant in areas such as financial risk management, investment decisions, operating activities, and debt covenants. Tawiah and Boolaky (2020) found that Ind-AS adoption led to material changes in key accounting values, including goodwill and long-term liabilities. Meshram and Arora (2021) investigated the effects of Ind AS adoption on the quality and comparability of financial reporting among Indian firms and found that IFRS has a greater effect on comparability than quality.

Islam et al. (2024) examined the factors influencing IFRS adoption in India and Pakistan, focusing on the determinants unique to each country, and found that economic, social, legal, and political dimensions intertwined with institutional factors play a critical role in shaping adoption decisions. However, studies focusing specifically on the impact of IFRS adoption on various outcomes in Pakistan have found adverse effects. Baig and Khan (2016) examined the impact of IFRS on earnings management among public limited companies listed on the Karachi Stock Exchange. Although the authors find a decreasing trend in earnings management from 2001 onward, they caution that this trend alone does not conclusively establish that the introduction of IFRS during 2001–2009 was the direct cause of the decline in earnings management. Rehman and Shahzad (2014) examined the value relevance of accounting information among companies listed on the Karachi Stock Exchange from 2006 to 2010 and found that the relationship between share price, book value, and earnings per share weakened over time after IFRS implementation.

Several studies have examined IFRS adoption in Nepal from various perspectives. Acharya et al. (2025) investigated the factors influencing the adoption of Nepal Financial Reporting Standards (NFRS) from the perspective of accountants and auditors, finding that strengthening government policy, improving education, and reducing adoption costs are crucial for promoting NFRS adoption in Nepal. Karn (2024) finds that adherence to regulations, transparency, and the relevance and comparability of financial data under Nepalese standards would allow Nepalese entities to engage more seamlessly with global capital markets by eliminating complex conversion and filing procedures, thereby reducing fundraising and accounting costs and expediting capital access. Poudel et al. (2014) examined issues surrounding IFRS adoption in Nepal and found that the decision to adopt was driven less by the needs of local organizations and more by pressure from donor institutions such as the Asian Development Bank, International Monetary Fund, and World Bank. Their findings suggest that IFRS adoption is likely to remain problematic given Nepal's contextual environment, particularly in the context of a severe shortage of qualified accountants and the accounting profession's limited readiness, compounded by broader social issues such as corruption and fraud.

The literature on IFRS adoption in Sri Lanka has been dominated by studies examining its effect on the value relevance of accounting information, although the findings across these studies remain mixed. While Kaushalya and Kehelwalatenna (2020) and Nijam and Jahfer (2018) find that value relevance improved following IFRS adoption, Yasas and Perera (2019) find no significant improvement in value relevance between the pre- and post-IFRS periods. This divergence suggests that the effect of IFRS adoption on value relevance in Sri Lanka is

inconclusive. Bandara and Falt (2021) examine the differential perceptions of lenders and investors regarding the usefulness of annual reports, the importance of qualitative characteristics, and the perceived impact of IFRS on financial reporting quality. They found that both groups viewed the new IFRS reporting environment as an improvement over the previous Sri Lankan Accounting Standards regime.

While extensive research has explored IFRS adoption in individual South Asian economies, addressing its challenges, perceived benefits, and economic consequences, one critical gap persists: the broader economic and governance conditions under which these countries adopted IFRS have been extensively overlooked. This is a significant omission, given that a country's economic and governance environment shapes the extent to which IFRS implementation can be meaningful and effective. Moreover, because IFRS adoption is fundamentally intended to enhance countries' integration into the international investment landscape and, by extension, contribute to their economic development, it is equally important to examine whether adoption has produced any measurable effects on these broader economic conditions in the years following implementation. This study seeks to address this gap by examining the economic and governance conditions under which South Asian countries adopted IFRS and the extent to which adoption has influenced these conditions thereafter.

III. Data and Methods

Data

This study collected data for six South Asian lower-middle-income countries from the World Bank for the 15-year period 2010–2024. Although there are eight South Asian lower-middle-income countries — Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka—this study excludes Afghanistan and Maldives, as the IFRS Foundation's jurisdictional profiles provide no evidence of an exact adoption year or other related information for these two countries. Therefore, the remaining six countries — Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka—form the sample for this study. Two types of data are collected for these countries: first, governance indicators (government effectiveness, regulatory quality, rule of law, and control of corruption), which are important determinants of the strength of auditing and accounting standards (SARS) (Avram et al., 2015); and second, macroeconomic variables — foreign direct investment (FDI, as a percentage of GDP), GDP growth (%), inflation (%), and trade openness (as a percentage of GDP) — used to examine the economic conditions under which a country adopts IFRS, and whether this adoption has any effect on these variables. Capital market development indicators are excluded from the analysis because countries such as Bhutan, Nepal, and Pakistan do not have complete data for these indicators.

Method

Part 1 of the study conducts a descriptive analysis using the mean, standard deviation, and graphical representation to examine the prevailing governance and economic conditions before (pre-), during, and after (post-) IFRS adoption. This analysis serves two purposes: first, to identify the economic conditions under which IFRS is adopted by a country; and second, to assess whether the adoption coincided with any economic shocks while also examining the quality of policy formulation and implementation, how such policies support private-sector development, the quality of legal enforcement, and whether corruption has increased or decreased over the period. In Part 2, a panel event study analysis is employed to test for parallel trends in the pre- and post-IFRS adoption periods and to assess whether this accounting policy reform has affected any of the countries' macroeconomic variables. The methodology used to conduct the panel event study analysis is explained in the following section.

Panel Event Study Design

To examine the dynamic relationship between IFRS adoption and macroeconomic governance outcomes across six South Asian economies, this study employs a panel event study analysis following Clarke and Tapias-Schythe's (2021) framework. This approach extends the standard two-way fixed-effects (or difference-in-differences) model by allowing for dynamic leads and lags relative to each country's IFRS adoption year, providing a clear visualization of its causal impact on the variation in economic outcomes, provided that the key identifying assumptions are met. The key identifying assumption in this model is that a country's decision to adopt IFRS should not be driven by pre-existing trends or anticipated future changes in the outcome variables, which is examined through the insignificance of pre-adoption lead coefficients. The model is specified as follows:

$$Y_{gt} = \alpha + \sum_{j=2}^J \beta_j (\text{Lead}j)_{gt} + \sum_{k=1}^K \gamma_k (\text{Lag}k)_{gt} + \mu_i + \lambda_t + X'_{gt} \Gamma + \varepsilon_{gt}$$

where Y_{gt} is the outcome of interest (standardized FDI net inflows, GDP growth, inflation, or trade openness) for country g in year t ; μ_i and λ_t are country and year fixed effects; X'_{gt} is a vector of time-varying controls including four World Governance Indicators — Regulatory Quality (RQ), Rule of Law (RL), Government Effectiveness (GE), and Control of Corruption (CC) — selected for their direct theoretical relevance to the enforcement and institutional credibility of accounting standards, in preference to Voice and Accountability and Political Stability, which reflect broader political governance with a weaker conceptual link to financial reporting compliance. *Leadj* (pre-IFRS) and *lagk* (post-IFRS) indicate the number of periods away from the year of IFRS adoption in a given country.

Governance indicators are reported by the World Bank on a scale of -2.5 to $+2.5$ and were retained without any transformation. FDI and inflation were log-transformed ($\ln(1+x)$) prior to standardization because they were right-skewed. FDI, GDP growth, inflation, and trade openness were then standardized within each country (country-specific z-scores) to ensure the comparability of the resulting coefficients.

Since all six countries in the sample adopted or converged with IFRS in different years, with some countries adopting it in a phased manner and others taking several years to complete the transition (see Appendix Table 1), no country serves as a permanent, untreated control group. Sri Lanka (2012), India (2016, first mandatory phase), Bhutan (2013), Nepal (2015), Bangladesh (2005), and Pakistan (2017) illustrate this staggered adoption pattern, which rules out the use of a standard difference-in-differences design and necessitates an approach that accounts for variations in treatment timing across countries. This staggered timing introduces a recognized identification constraint in panel event-study designs, under which the model is identified only up to a linear trend unless leads and lags are appropriately truncated and binned at the endpoints (Clarke and Tapia-Schyte, 2021). Following the inspection of the distribution of country-year observations across event time, the model was estimated with three leads and seven lags (accum option), truncating and pooling observations beyond this window into terminal endpoint categories to preserve identification. Since Bangladesh's IFRS convergence process began prior to the sample period (2010–2024), no pre-adoption ("lead") observations are available for Bangladesh, and this country contributes only to post-adoption ("lag") estimates, a limitation made explicit in the results. However, for all other countries, the lead coefficients serve as a direct test of the parallel-trends assumption, which posits that in the absence of IFRS adoption, the outcome of interest would have continued along a trajectory similar to that of countries that had not yet adopted IFRS at the given point in time, rather than diverging systematically beforehand. The validity of this assumption rests on the lead coefficients being statistically indistinguishable from zero, indicating no systematic pre-adoption changes in the outcome variable relative to the countries that have not yet adopted IFRS.

The models were estimated using within (fixed-effects) regression. Given the small number of clusters (six countries), standard cluster-robust inference is potentially unreliable (Cameron and Miller 2015); accordingly, wild cluster bootstrap inference (Roodman et al. 2019) was used for joint significance testing of lead and lag coefficients, implemented using `eventdd` command in Stata (Clarke and Tapia-Schyte 2021).

Two additional checks were conducted to ensure the robustness of the main findings. First, although the panel is balanced (2010–2024) for all six countries, the number of pre- and post-adoption periods available varies by country because of differing adoption years, resulting in an unbalanced distribution of event-time observations. To verify that the main results are not disproportionately driven by countries contributing more heavily to specific leads or lags, the event study model is re-estimated on a balanced event time subsample restricted to the common window available across all countries. Second, to complement the pooled cross-country estimation, a series of per-country interrupted time series (ITS) analyses is conducted, treating each country's IFRS adoption year as the intervention point. This allows the pre- and post-adoption dynamics of the outcome variable to be examined separately for each country, providing a country-specific robustness check that does not rely on cross-country comparisons or the parallel trends assumption underlying the main panel event study specification. The results of the ITS analyses should be interpreted as follows: if most countries exhibit a similar pre- or post-adoption shift, this would support the panel results as reflecting a broad, generalizable pattern across the sample; conversely, if only one or two countries display a pronounced shift while others show no such change, this would suggest that the significant panel results are being driven by those specific country(s) rather than reflecting a consistent phenomenon across the sample.

IV. Results and Discussions

Descriptive Analysis

Table 1 presents the descriptive statistics for the governance and macroeconomic indicators, calculated separately for each country's pre-, during-, and post-IFRS adoption periods. These descriptive comparisons provide insights into the profile of these indicators around the IFRS adoption periods, given that IFRS represents a major mandatory policy reform in each of these countries. Whether adoption had a discernible effect on these indicators was formally tested in the second part of the analysis using a panel event study that controlled for common time trends and time-invariant country-specific characteristics.

Bangladesh

Since Bangladesh's IAS/IFRS adoption process began in 1999 (prior to the sample period) and continued until 2013, the descriptive statistics comprise only the during-adoption (2010–2013) and post-adoption (2014–2024) periods. Table 1 (Panel A) shows governance indicators exhibiting modest movement over this window: government effectiveness, which captures the quality of policy formulation and implementation, improves from a mean of -0.804 during adoption to -0.613 post-adoption, consistent with the gradual upward trajectory visible in Chart 1 (Panel A), while the rule of law, which reflects the quality of legal enforcement, shows a marginal decline (-0.878 to -0.918). Regulatory quality, which captures the impact of policy on private sector development, and the control of corruption, both remain broadly steady throughout, consistent with the near-horizontal lines traced in the corresponding chart. Macroeconomic indicators (Table 1 Panel A and Chart 2) show a more pronounced downward shift: trade openness falls from 44.908 per cent to 32.5 percent of GDP, and FDI inflows decline from 1.244 per cent to 0.682 per cent of GDP. Inflation eases from 8.317 per cent to 6.802 per cent, while GDP growth remains stable at around 6.143–6.273 per cent, rising steadily until the years preceding the COVID-19 disruption.

Bhutan

Bhutan adopted IFRS in a phased manner from 2013 to 2021, permitting comparisons across the pre- (2010–2012), during- (2013–2021), and post-adoption (2022–2024) periods. Among the six countries examined, Bhutan shows a consistent improvement in its governance indicators (Table 1, Panel B): regulatory quality rises from -0.857 pre-adoption to -0.103 post-adoption, rule of law from 0.185 to 0.731, and control of corruption from 0.767 to 1.395, consistent with the trends visible in Chart 1 (Panel B). However, this institutional strengthening coincides with considerable macroeconomic turbulence (Table 1, Panel B): GDP growth falls from a pre-adoption average of 8.529 per cent to 3.145 per cent during adoption but partially recovers to 5.782 per cent post-adoption. Additionally, a sharp 2020 contraction to -10.2 percent is observed in Chart 2 (B), possibly due to the Covid-19 pandemic. Similarly, FDI inflows also show a decline from 2.405 per cent to 0.237 per cent of GDP across the same window. Inflation falls consistently across all three periods, from 8.935 percent to 4.210 percent, and trade openness, though remaining the highest in the sample, declines from 100.6 percent to approximately 82.2 percent of GDP. Government effectiveness, which captures the quality of policy formulation and implementation, remained comparatively stable throughout. Taken together, Bhutan's governance gains do not appear to have offset the country's macroeconomic slowdown, which is more plausibly attributable to external shocks than to policy adoption.

India

India's comparison of governance and macroeconomic indicators cover the pre- (2010–2015), during- (2016–2017), and post-adoption (2018–2024) periods, corresponding to India's phased IFRS convergence in two stages—2016 (Phase I) and 2017 (Phase II). The governance indicators in Table 1 (Panel C) show a consistently improving trend, most notably in government effectiveness (0.008 pre-adoption to 0.395 post-adoption) and regulatory quality (-0.346 to -0.126), as shown in Chart 1 (Panel C). A slow and steady improvement is also observed in the rule of law (-0.083 to -0.061) and control of corruption (-0.431 to -0.272), together suggesting uneven governance dimensions. With respect to macroeconomic indicators, FDI inflows remain relatively stable across periods (1.709–1.722 percent in pre and during adoption, and easing to 1.460 percent in post-adoption), while inflation declines substantially from 8.662 percent pre-adoption to 4.138 percent during the transition period and rises moderately to 5.246 percent in post-adoption. GDP growth peaks during the adoption phase (7.526 percent) before falling to 5.165 percent post-adoption. The elevated post-adoption standard deviation (5.12) reflects the sharp 2020 pandemic-driven contraction (-5.78 percent) and equally sharp 2021 rebound (9.69

percent), as shown in Chart 2 (C), rather than a gradual decline. Trade openness falls from 50.89 per cent pre-adoption to 40.412 during adoption, recovering partially to 44.234 per cent in post-adoption. As India's adoption window is followed closely by this pandemic-driven volatility, it underscores the importance of the year fixed effects, which are included in the panel event study specification.

Nepal

Nepal's IFRS convergence occurred between fiscal years 2014-15 and 2016-17, enabling pre- (2010–2014), during- (2015–2017), and post-adoption (2018–2024) comparisons. Governance indicators show steady improvement in the rule of law (–0.720 to –0.355 percent), regulatory quality (–0.793 to –0.603 percent), and control of corruption (–0.859 to –0.674 percent) across the pre- to post-IFRS adoption periods (Table 1, Panel D; Chart 1, Panel D), while government effectiveness remains persistently negative and comparatively stable (–0.909 to –0.955) throughout, indicating a divergence between Nepal's improving legal and regulatory environment and its stagnant policy implementation capacity. FDI inflows and trade openness both remain low and largely unchanged across all three periods (0.375–0.305 percent and 41.6–44.6 percent of GDP, respectively) (Table 1, Panel D). Inflation declines markedly, from 9.084 per cent pre-adoption to 5.518 per cent post-adoption, while mean GDP growth remains broadly stable across periods (4.489 pre, 4.462 during, and 4.006 post percent), notwithstanding a sharp contraction during the COVID-19 pandemic visible in Chart 2 (B).

Pakistan

Pakistan's IFRS convergence does not follow a clearly defined adoption time line. Therefore, this study anchors the adoption marker to the Companies Act 2017, permitting pre- (2010–2016) and post-adoption (2017–2024) comparisons. Governance indicators (Table 1, Panel E) show marginal improvement across all four dimensions: government effectiveness rises from –0.677 to –0.562, regulatory quality from –0.736 to –0.710, rule of law from –0.982 to –0.886, and control of corruption from –1.108 to –0.971. FDI inflows remain broadly stable across the pre (0.648 percent) and post (0.617 percent) periods, while GDP growth shows a declining trend from 3.783 percent to 3.221 percent, reflecting the 2020 pandemic-driven contraction (–1.27 percent), visible in Chart 2 (B). The most notable shift is in inflation, which rises sharply from 7.959 per cent pre-adoption to 12.782 per cent post-adoption, driven by the sharp escalation to 30.77 per cent in 2022–2023 amid Pakistan's balance-of-payments and currency crisis. Trade openness declines marginally, from 29.631 per cent to 28.1 per cent of GDP across these periods. The absence of any visible structural break in either the governance or macroeconomic series around 2017 is consistent with treating Pakistan as a single-marker-adoption case.

Sri Lanka

Sri Lanka mandatorily adopted IFRS effective from 1 January 2012, with only two pre-adoption years (2010–2011) available in the sample, warranting caution in interpreting the pre-adoption estimates. Governance indicators show a mixed pattern, with regulatory quality and control of corruption declining modestly post-adoption, while the rule of law and government effectiveness improve marginally, consistent with the relatively flat trajectories in Chart 1 (Panel F). This indicates that the country has better-quality policy formulation, implementation, and enforcement. FDI inflows remain broadly stable (1.113 percent pre to 1.033 percent post), but GDP growth and inflation show the most pronounced volatility among the six countries: GDP growth falls from a pre-adoption average of 8.3 percent to 2.5 percent post-adoption, turning negative in 2019 (–0.22 percent) and again sharply in 2022 (–7.35 percent), while inflation rises from 6.467 to 9.056 percent, spiking to 49.72 percent in 2022—both visible as sharp discontinuities in Chart 2 (B and C) associated with the 2019 Easter Sunday attacks, the COVID-19 pandemic, and the 2022 sovereign debt default. Trade openness declines moderately, from 49.54 per cent to 45.628 per cent of GDP. As these shocks occurred well after Sri Lanka's 2012 adoption date, the pronounced post-adoption volatility should not be read as an adoption effect—precisely the concern the panel event study's pre-trend testing is designed to address.

Table 1: Descriptive Statistics – 2010-2024

Panel A: Bangladesh (No 'pre' IFRS adoption period – Adoption began in 2005, prior to sample start)

Variables	During (N=4) Mean (SD)	Post (N=11) Mean (SD)	Total (N=15) Mean (SD)
RQ	–0.898 (0.077)	–0.854 (0.073)	–0.866 (0.074)

RL	-0.878 (0.135)	-0.918 (0.042)	-0.907 (0.074)
GE	-0.804 (0.026)	-0.613 (0.057)	-0.664 (0.100)
CC	-1.082 (0.054)	-1.113 (0.050)	-1.104 (0.051)
FDI (%GDP)	1.244 (0.338)	0.682 (0.426)	0.832 (0.469)
GDP Growth (%)	6.143 (0.443)	6.273 (1.348)	6.238 (1.159)
Inflation (%)	8.317 (2.201)	6.802 (1.813)	7.206 (1.966)
Trade (%GDP)	44.908 (4.795)	32.506 (5.856)	35.813 (7.852)

Panel B: Bhutan

Variables	Pre (N=3) Mean (SD)	During (N=9) Mean (SD)	Post (N=3) Mean (SD)	Total (N=15) Mean (SD)
RQ	-0.857 (0.015)	-0.293 (0.310)	-0.103 (0.010)	-0.368 (0.354)
RL	0.185 (0.018)	0.546 (0.152)	0.731 (0.054)	0.511 (0.218)
GE	0.474 (0.042)	0.495 (0.086)	0.550 (0.026)	0.502 (0.073)
CC	0.767 (0.050)	1.239 (0.228)	1.395 (0.067)	1.176 (0.282)
FDI (%GDP)	2.405 (1.740)	0.339 (0.548)	0.237 (0.135)	0.732 (1.165)
GDP Growth (%)	8.529 (3.384)	3.145 (5.460)	5.782 (1.515)	4.749 (4.893)
Inflation (%)	8.935 (1.943)	5.355 (2.331)	4.210 (1.439)	5.842 (2.591)
Trade (%GDP)	100.617 (5.798)	81.231 (7.745)	82.223 (3.133)	85.306 (10.170)

Panel C: India

Variables	Pre (N=6) Mean (SD)	During (N=2) Mean (SD)	Post (N=7) Mean (SD)	Total (N=15) Mean (SD)
RQ	-0.346 (0.039)	-0.235 (0.027)	-0.126 (0.033)	-0.228 (0.110)
RL	-0.083 (0.089)	-0.061 (0.030)	-0.075 (0.068)	-0.076 (0.070)
GE	0.008 (0.193)	0.364 (0.017)	0.395 (0.095)	0.236 (0.233)
CC	-0.431 (0.068)	-0.255 (0.043)	-0.272 (0.047)	-0.333 (0.098)
FDI (%GDP)	1.709 (0.294)	1.722 (0.304)	1.460 (0.577)	1.595 (0.444)
GDP Growth (%)	6.831 (1.348)	7.526 (1.033)	5.165 (5.123)	6.146 (3.595)
Inflation (%)	8.662 (2.519)	4.138 (1.146)	5.246 (1.175)	6.465 (2.556)
Trade (%GDP)	50.894 (5.332)	40.412 (0.467)	44.234 (4.310)	46.389 (5.852)

Panel D: Nepal

Variables	Pre (N=5) Mean (SD)	During (N=3) Mean (SD)	Post (N=7) Mean (SD)	Total (N=15) Mean (SD)
RQ	-0.793 (0.045)	-0.668 (0.027)	-0.603 (0.038)	-0.680 (0.094)
RL	-0.720 (0.178)	-0.537 (0.082)	-0.355 (0.035)	-0.513 (0.196)
GE	-0.909 (0.173)	-1.024 (0.123)	-0.955 (0.090)	-0.953 (0.127)
CC	-0.859 (0.093)	-0.819 (0.034)	-0.674 (0.051)	-0.764 (0.108)

FDI (%GDP)	0.375 (0.155)	0.441 (0.232)	0.305 (0.178)	0.355 (0.176)
GDP Growth (%)	4.489 (1.064)	4.462 (4.293)	4.006 (3.374)	4.258 (2.810)
Inflation (%)	9.084 (0.430)	6.479 (3.239)	5.518 (1.370)	6.899 (2.248)
Trade (%GDP)	41.610 (4.477)	44.475 (2.280)	44.626 (4.088)	43.591 (3.967)

Panel E: Pakistan (No ‘during’ period used – single adoption marker, 2017)

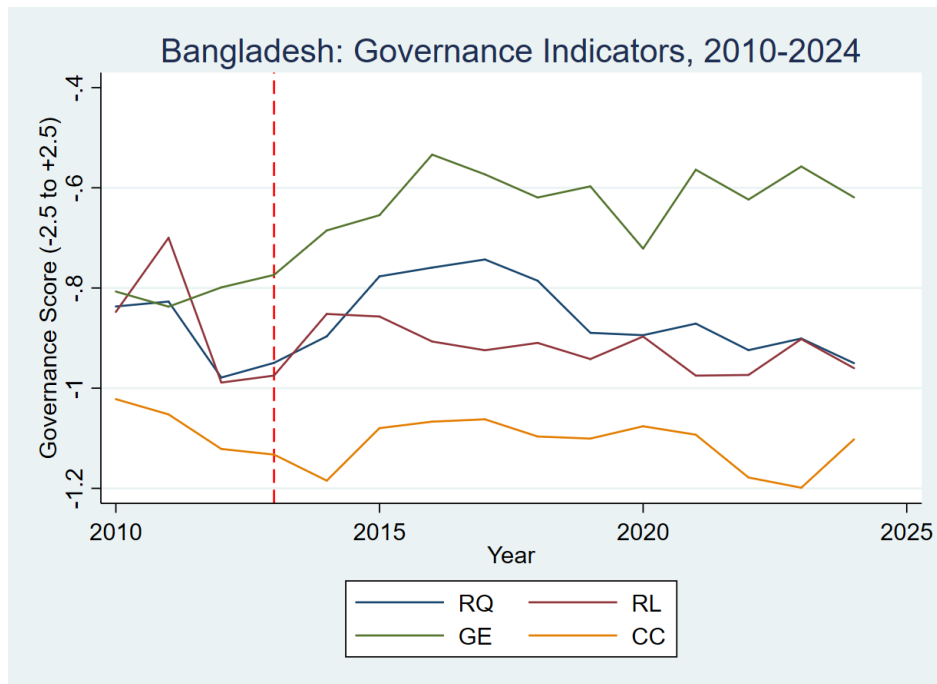
Variables	Pre (N=7) Mean (SD)	Post (N=8) Mean (SD)	Total (N=15) Mean (SD)
RQ	−0.736 (0.060)	−0.710 (0.074)	−0.722 (0.067)
RL	−0.982 (0.114)	−0.886 (0.084)	−0.931 (0.107)
GE	−0.677 (0.099)	−0.562 (0.090)	−0.616 (0.109)
CC	−1.108 (0.120)	−0.971 (0.056)	−1.035 (0.113)
FDI (%GDP)	0.648 (0.224)	0.617 (0.121)	0.631 (0.171)
GDP Growth (%)	3.783 (1.603)	3.221 (2.861)	3.483 (2.297)
Inflation (%)	7.959 (3.898)	12.782 (8.732)	10.531 (7.130)
Trade (%GDP)	29.631 (2.899)	28.102 (2.254)	28.816 (2.602)

Panel F: Sri Lanka (Single adoption marker, 2012)

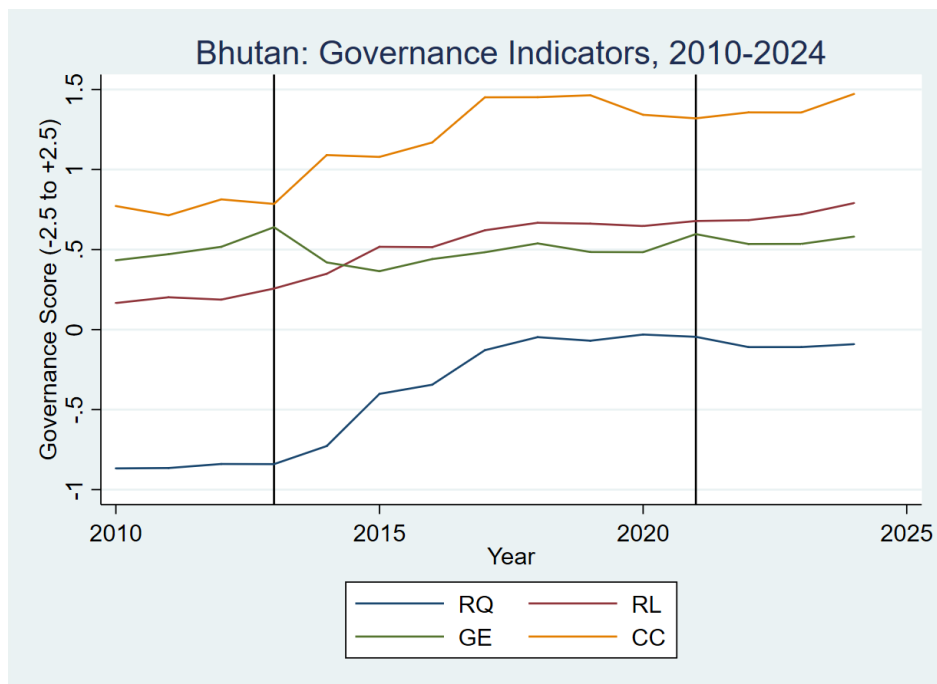
Variables	Pre (N=2) Mean (SD)	Post (N=13) Mean (SD)	Total (N=15) Mean (SD)
RQ	−0.027 (0.068)	−0.153 (0.150)	−0.137 (0.147)
RL	−0.259 (0.040)	−0.204 (0.111)	−0.211 (0.105)
GE	−0.175 (0.015)	−0.137 (0.167)	−0.142 (0.155)
CC	−0.255 (0.009)	−0.313 (0.077)	−0.306 (0.074)
FDI (%GDP)	1.113 (0.422)	1.033 (0.340)	1.044 (0.336)
GDP Growth (%)	8.343 (0.462)	2.467 (4.699)	3.250 (4.819)
Inflation (%)	6.467 (0.353)	9.056 (12.871)	8.711 (11.951)
Trade (%GDP)	49.540 (6.746)	45.628 (3.659)	46.150 (4.077)

Chart 1: Country wise Governance Indicators

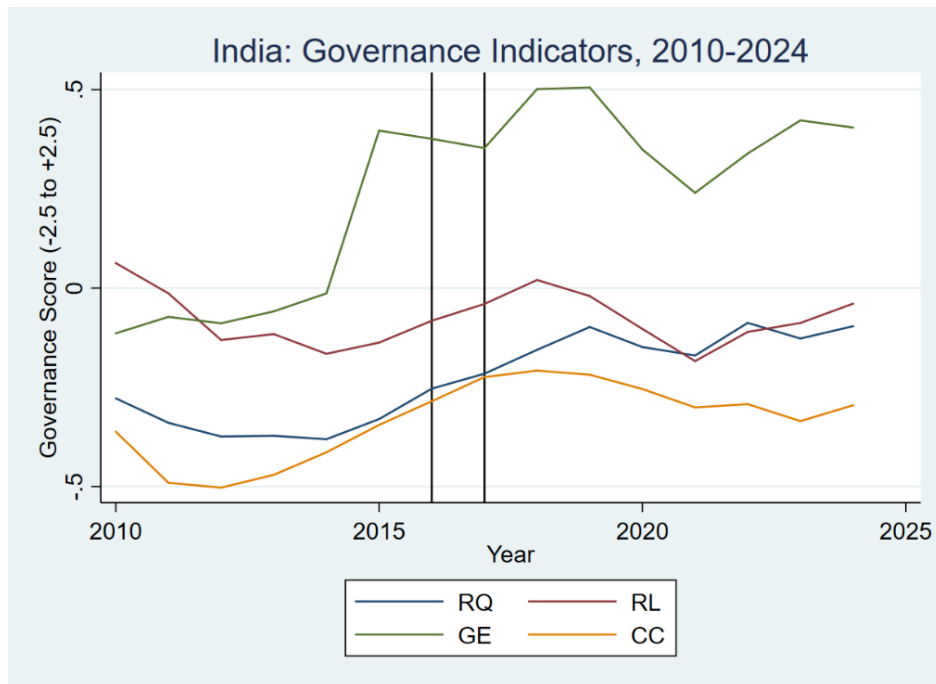
Panel A: Bangladesh



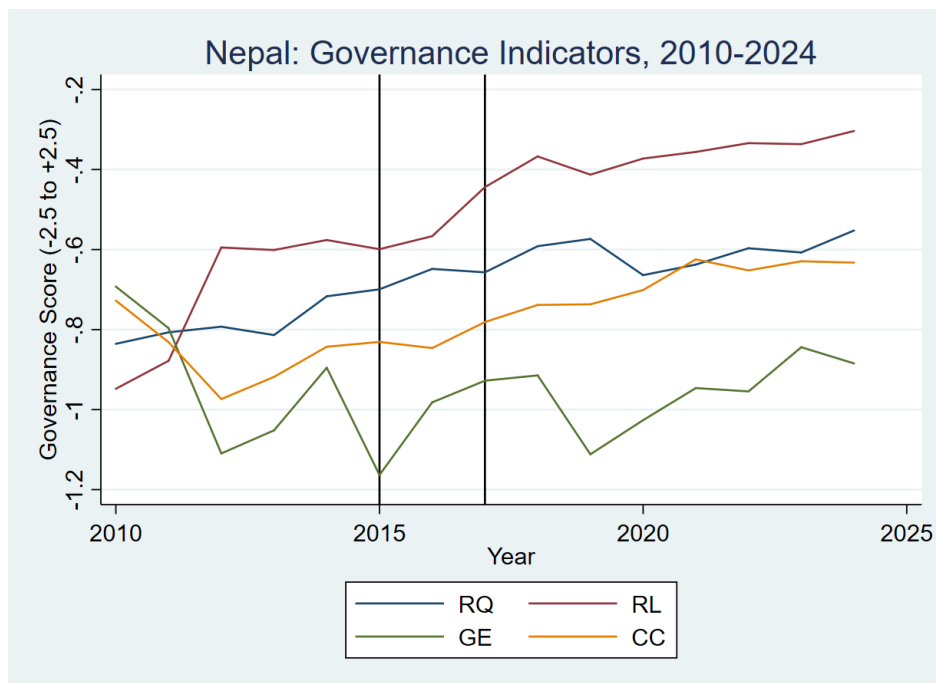
Panel B: Bhutan



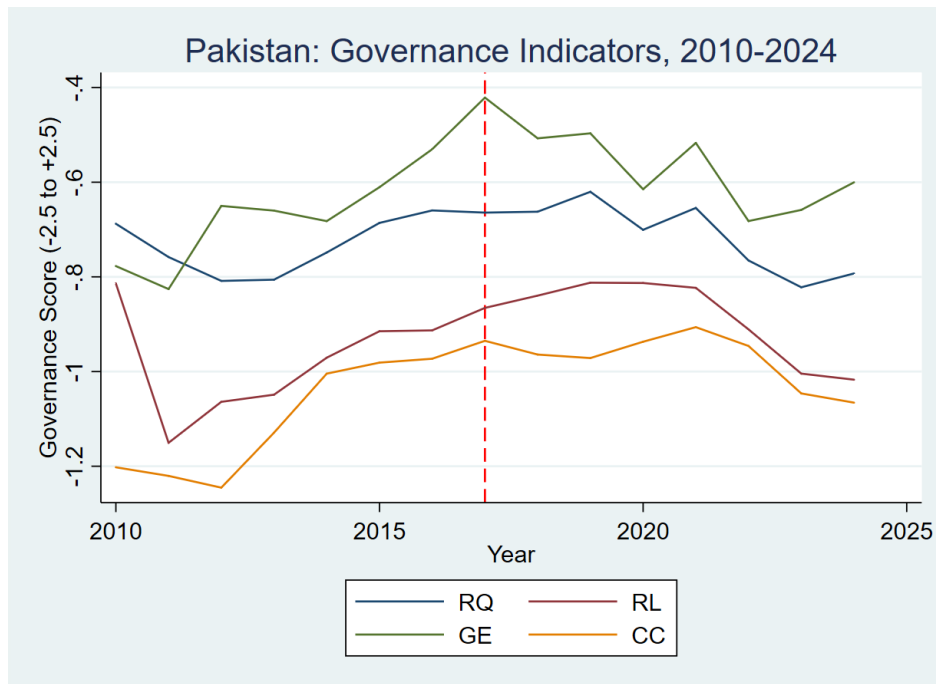
Panel C: India



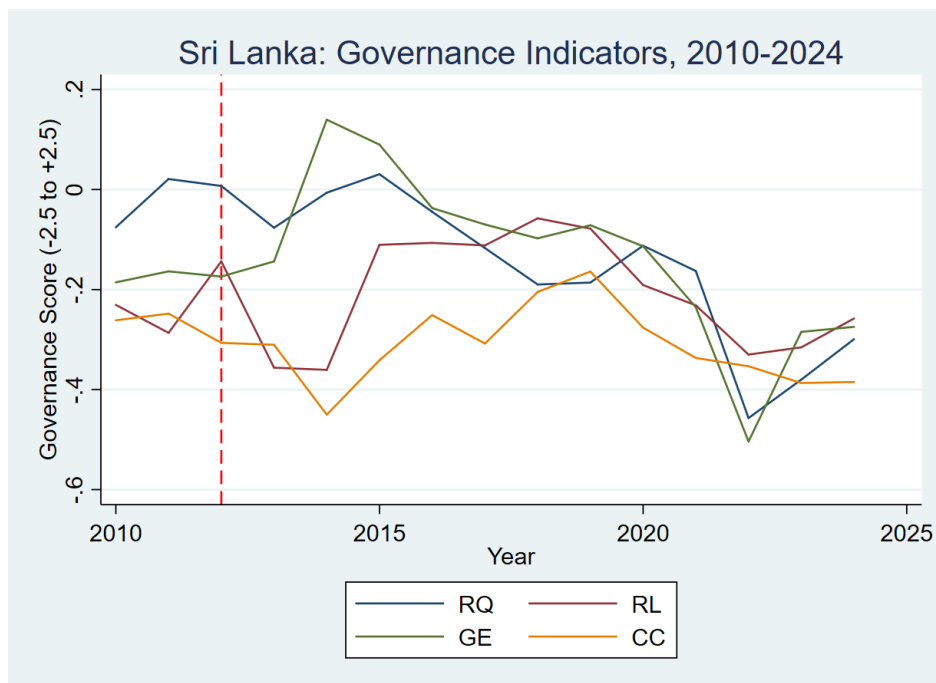
Panel D: Nepal



Panel E: Pakistan

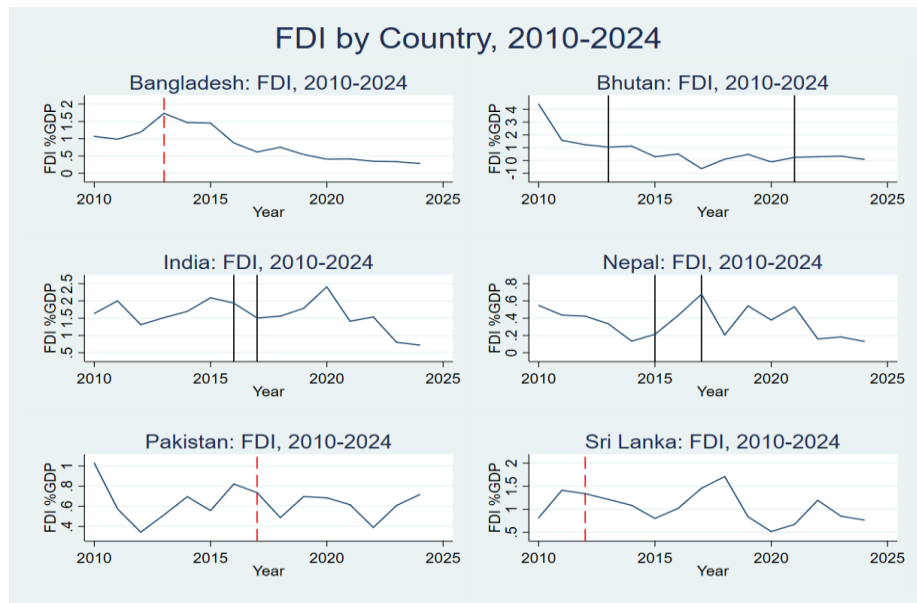


Panel F: Sri Lanka

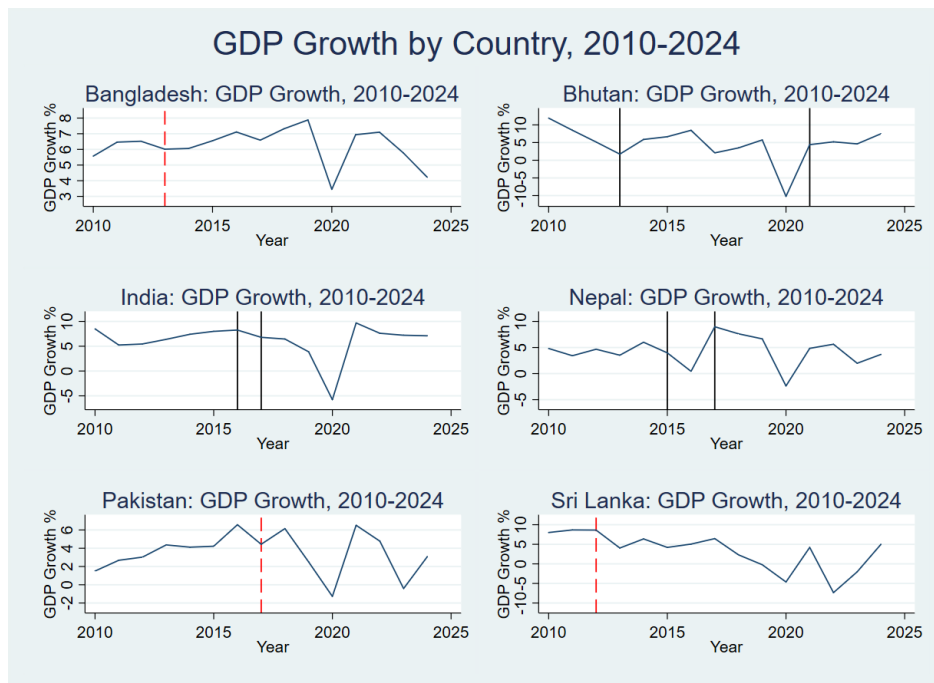


Charts 2 Combined Chart for Country wise Macroeconomic Variables

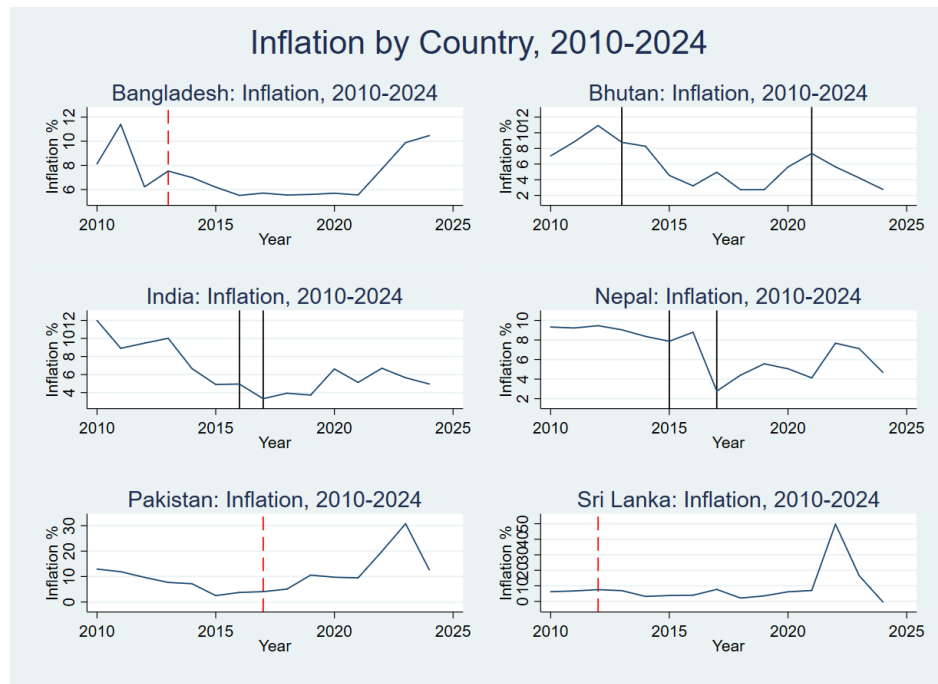
A: FDI



B gdp_Growth



C Inflation



D Trade

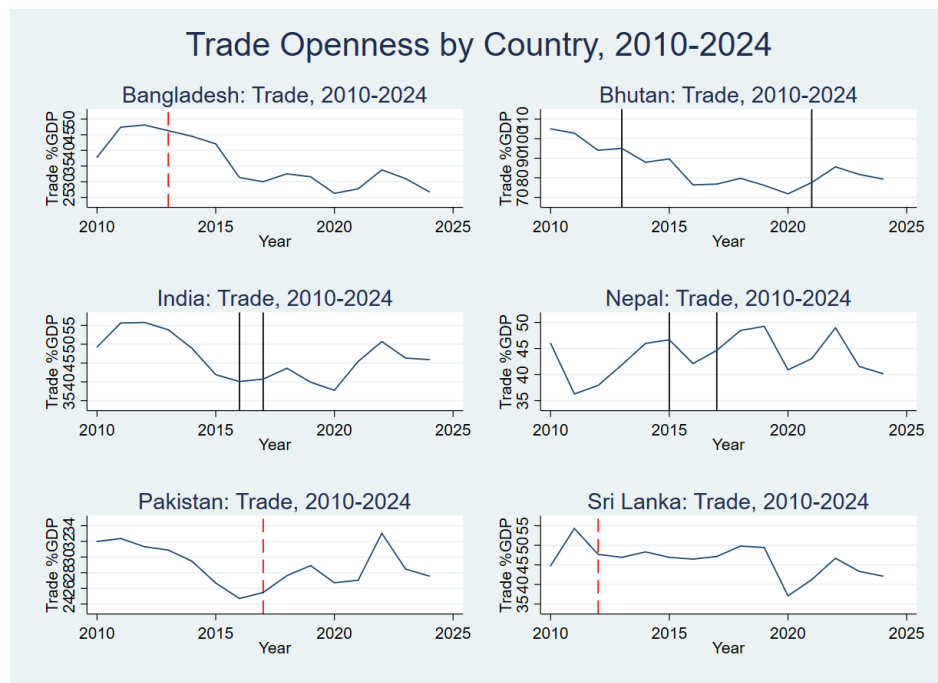


Table 2 Correlation between governance indicators and macroeconomic variables

	FDI	Gdp_growth	Inflation	Trade
RQ	0.089	-0.069	-0.244**	0.282***
RL	0.085	-0.008	-0.228**	0.822***
GE	0.316***	0.086	-0.218**	0.663***

CC	-0.002	-0.031	-0.187	0.881***
----	--------	--------	--------	----------

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. N=90. The full correlation matrix, including the intercorrelations among governance indicators, is reported in Appendix Table 1.

Panel Event Study Analysis

Main specification results (Table 3 and Table 4)

Table 3 reports the estimated three leads and seven lags' coefficients from the panel event study for each of the four outcome variables, while Table 4 reports the corresponding joint significance tests using wild cluster bootstrap inference, given the limited number of clusters (six countries) in the panel, as proposed by Cameron et al. (2008). The leads and lags test imposes the null restriction on its own coefficients, but the combined test uses both simultaneously. Since the lead coefficients are restricted to zero in both the standalone and combined specifications, the lead test statistic is invariant across the two. By contrast, the lag coefficients are estimated without restriction in the standalone test but jointly with the lead's restriction imposed in the combined test, yielding different test statistics and p-values across the two specifications.

FDI

No individual lead or lag for FDI is significant in Table 3, and the joint significance tests confirm this (Table 4). Leads are jointly insignificant ($F(2,5) = 1.325$, $p = 0.313$), indicating no evidence of a pre-IFRS adoption trend, and lags are likewise jointly insignificant in both the standalone ($F(8,5) = 0.250$, $p = 0.938$) and combined ($F(8,5) = 0.139$, $p = 0.969$) specifications. These results indicate no statistically detectable effect of IFRS adoption on FDI net inflows, alongside a clean and well-supported parallel trends assumption.

GDP Growth

The joint leads test is insignificant $F(2,5) = 2.052$, $p = 0.250$, again supporting the parallel-trends assumption. Several individual lag coefficients are statistically significant and consistently negative (Lag 2: $p = 0.014$; Lag 3: $p = 0.050$; Lag 5: $p = 0.011$; Lag 7: $p = 0.028$), and the standalone joint lags test is also significant at the 5 percent level ($F(8,5) = 6.709$, $p = 0.031$), suggesting a detectable post-adoption decline in standardized GDP growth. However, this result attenuates in the combined specification $F(8,5) = 3.850$, $p = 0.125$, a sensitivity addressed further in the balanced-sample robustness check.

Inflation

Lead 2 was individually significant ($\beta = -0.804$, $p = 0.007$), and the joint lead test approached conventional significance $F(2,5) = 16.269$, $p = 0.063$. These results suggest that inflation deviated from its expected path before IFRS adoption, undermining the confidence that the pre-adoption period provides a clean baseline for this outcome. In post-adoption, Lag 7 is individually significant ($p = 0.039$), but the joint lag tests are insignificant in both the standalone ($p = 0.813$) and combined ($p = 0.531$) specifications. Given the pre-trend concern, no causal interpretation of the IFRS post-adoption inflation effect is warranted.

Trade

Leads are jointly insignificant $F(2,5) = 1.062$, $p = 0.500$, suggesting parallel trends. Lag 4 is individually significant and positive ($\beta = 1.329$, $p = 0.020$), with two subsequent lags also significant at the 10 percent level (Lag 6: $p = 0.089$; Lag 7: $p = 0.062$). The standalone joint lags test does not reach significance $F(8,5) = 1.869$, $p = 0.375$, although the combined specification approaches the 10 percent threshold $F(8,5) = 5.993$, $p = 0.094$, together suggesting a positive, gradually strengthening post-adoption association between IFRS adoption and trade openness.

Balanced-sample robustness check (Table 5)

To address the compositional imbalance created by uneven country coverage across relative event times (Table 5), a balanced-sample specification restricts the estimation to periods in which data are available for all six countries. Charts 6–9 display estimates for Lags 5–7 only (consistent with the chart's positive-only x-axis range),

the post-adoption horizons within the overlapping coverage window. The results (Table 5) are broadly consistent with the main specification for three of four outcomes. For FDI, no coefficient is statistically significant in either specification, and no pre-trend violation emerges even in the extended balanced window (Lead 4: $p = 0.303$; Lead 7: $p = 0.586$), confirming the robustness of the null FDI results. For Inflation, the Lead 2 pre-trend violation persists in the balanced specification ($\beta = -0.943$, $p = 0.011$), reinforcing the conclusion that the parallel-trends assumption is not satisfied for this outcome. For Trade, the positive post-adoption direction is confirmed, with Lag 7 remaining significant ($\beta = 0.809$, $p = 0.03$), and the Chart 9 whisker is entirely above zero. Pre-adoption leads remain insignificant across the full balanced window (Lead 4: $p = 0.733$; Lead 7: $p = 0.814$), supporting the robustness of the trade results. However, Lag 4, the largest significant trade coefficient in the main specification ($\beta = 1.329$, $p = 0.020$), lies outside the balanced-sample window and thus remains untested for robustness.

In contrast, the GDP growth result does not survive the balanced-sample check (Table 5, Chart 7). The magnitude of the previously significant lag coefficients weakens substantially (Lag 5: from -0.986 to -0.438 ; Lag 7: from -1.198 to -0.324), and both lags lose their statistical significance. More notably, the extended balanced window reveals significant pre-adoption deviations not visible in the main specification (Lead 4: $\beta = -0.802$, $p = 0.047$; Lead 7: $\beta = -3.448$, $p = 0.028$), indicating a violation of the parallel trends' assumption that the main specification's endpoint accumulation had obscured. Accordingly, the GDP growth result is treated as inconclusive rather than as evidence of the IFRS adoption effect.

Per-country interrupted time series (Table 6)

As a robustness check on whether the panel-level results reflect broad-based patterns or are driven by individual countries, a per-country interrupted time series (ITS) test is estimated for each outcome, comparing each country's own pre- and post-adoption means. Bangladesh was excluded from this analysis because no pre-adoption period was observable within the sample.

For FDI, the panel-level null result masks two significant offsetting country-level effects: FDI increased significantly in Nepal ($F = 6.10$, $p = 0.031$) but decreased significantly in Sri Lanka ($F = 42.44$, $p < 0.001$), with no significant effect detected in Bhutan, India, or Pakistan. This heterogeneity plausibly explains the absence of a net effect at the panel level in this study. For GDP growth, no country shows a statistically significant shift, reinforcing the panel-level and balanced-sample conclusion that the result is not robust. Although Bhutan's adoption coincided with the establishment of its first formal accounting standards board, the significant decrease in inflation during the post-adoption periods ($F = 25.66$, $p < 0.001$) is likely attributable to broader institutional and macroeconomic stabilization rather than an isolated effect of IFRS adoption per se. For trade, only Sri Lanka shows a statistically significant coefficient ($F = 456.00$, $p < 0.001$), indicating that the panel-level positive trade effect is substantially concentrated in a single country, rather than reflecting a broad regional pattern. This diagnostic result should be read as a supplementary check on the origin of the panel-level pattern rather than as a competing causal estimate, given the methodological differences (an unstandardized two-period comparison without year fixed effects) relative to the main event study specification.

Table 3 Panel Event Study — Main Specification (Lead/Lag Coefficients)

Event Time	FDI	Gdp growth	Inflation	Trade
Lead 3	-0.751 (0.510)	-0.583 (0.220)	-0.615 (0.276)	-0.638 (0.491)
Lead 2	-1.041 (0.256)	-0.412 (0.180)	-0.804*** (0.007)	-0.850 (0.295)
Lag 0	-0.184 (0.435)	-0.495* (0.078)	-0.243 (0.396)	0.107 (0.815)
Lag 1	-0.407 (0.646)	-0.734 (0.178)	-0.362 (0.216)	0.177 (0.686)
Lag 2	0.134 (0.902)	-0.716** (0.014)	-0.440 (0.374)	0.532 (0.416)
Lag 3	-0.330 (0.613)	-0.788** (0.050)	-0.457 (0.372)	0.762 (0.231)

Lag 4	0.382 (0.760)	-0.747 (0.122)	-0.011 (0.979)	1.329** (0.020)
Lag 5	-0.159 (0.856)	-0.986** (0.011)	-0.479 (0.399)	1.239 (0.104)
Lag 6	0.752 (0.465)	-1.023* (0.064)	-0.239 (0.597)	1.295* (0.089)
Lag 7	0.063 (0.964)	-1.198** (0.028)	-0.709** (0.039)	1.369* (0.062)

p-value in parenthesis - ***p<0.01, **p<0.05, *p<0.10

Chart 2 FDI

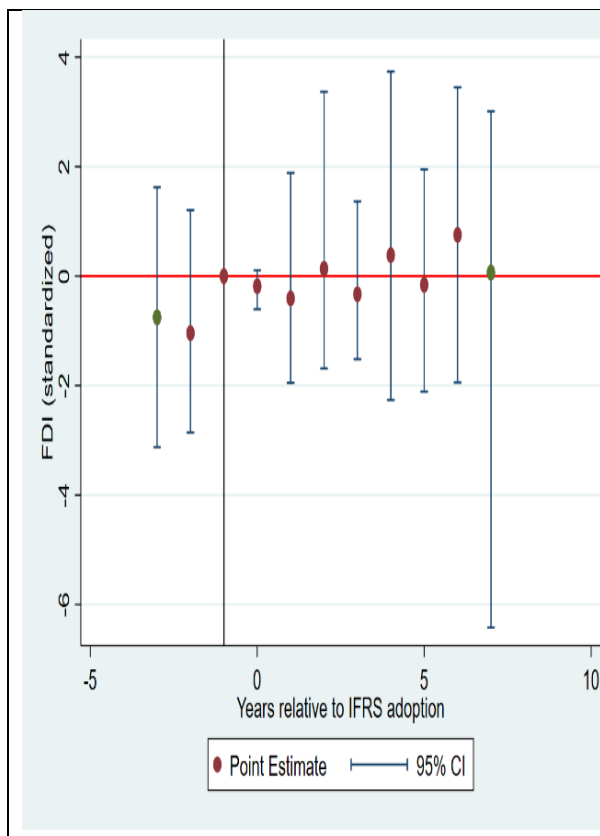


Chart 3 GDP growth

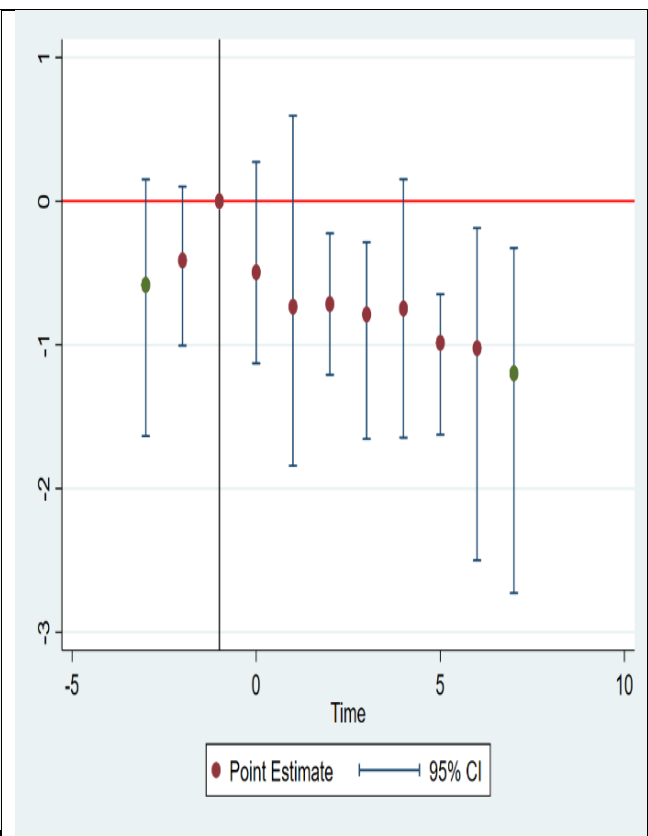


Chart 4 Inflation

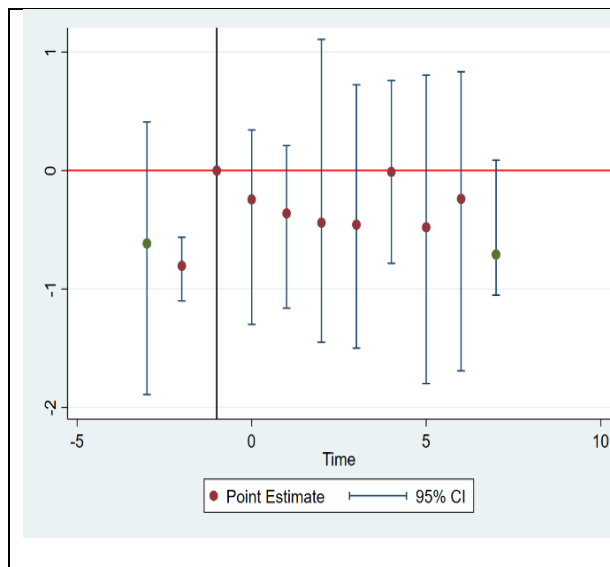


Chart 5 Trade

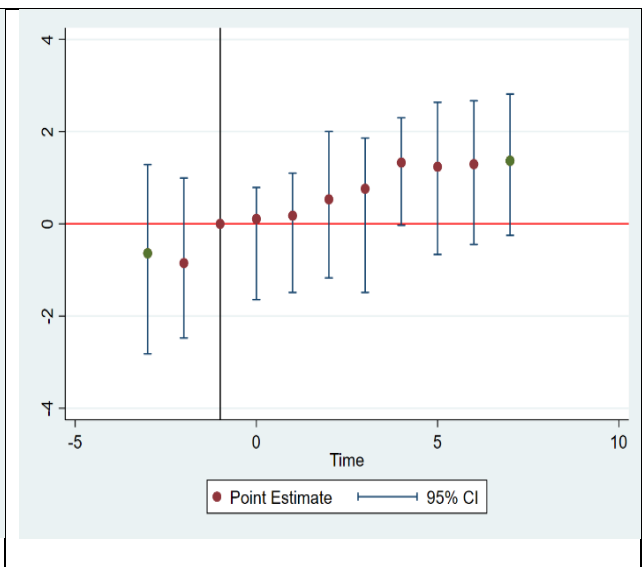


Table 4 Joint Significance Tests (Wild Cluster Bootstrap) — Main Specification

Outcome	Leads F (2,5)	Leads p-value	Lags F (8,5) standalone	Lags p-value standalone	Lags F (8,5) combined	Lags p-value combined
FDI	1.325	0.313	0.250	0.938	0.139	0.969
Gdp_growth	2.052	0.250	6.709	0.031**	3.850	0.125
Inflation	16.269	0.063*	0.757	0.813	1.130	0.531
Trade	1.062	0.500	1.869	0.375	5.993	0.094*

***p<0.01, **p<0.05, *p<0.10

Table 5 Balanced-Sample Robustness Check (Overlapping Range)

Event Time	FDI (main)	FDI (balanced)	Gdp_growth (main)	Gdp_growth (balanced)	Inflation (main)	Inflation (balanced)	Trade (main)	Trade (balanced)
Lag 5	-0.159 (0.856)	-0.089 (0.902)	-0.986** (0.011)	-0.438 (0.238)	-0.479 (0.399)	-0.615 (0.310)	1.239 (0.104)	0.461 (0.492)
Lag 7	0.063 (0.964)	-0.109 (0.895)	-1.198** (0.028)	-0.324 (0.249)	-0.709** (0.039)	-0.631 (0.075)	1.369 (0.062)	0.809** (0.031)
Lead 2	-1.041 (0.256)	-0.823 (0.362)	-0.412 (0.180)	-0.561 (0.244)	-0.804*** (0.007)	-0.943** (0.011)	-0.850 (0.295)	-0.867 (0.313)
Lead 4 (balanced only)	—	-1.205 (0.303)	—	-0.802** (0.047)	—	-0.662 (0.292)	—	-0.381 (0.733)
Lead 7 (balanced only)	—	0.940 (0.586)	—	-3.448** (0.028)	—	-2.292 (0.106)	—	-0.499 (0.814)

p-value in parenthesis - ***p<0.01, **p<0.05, *p<0.10

Chart 6 FDI (Balanced)

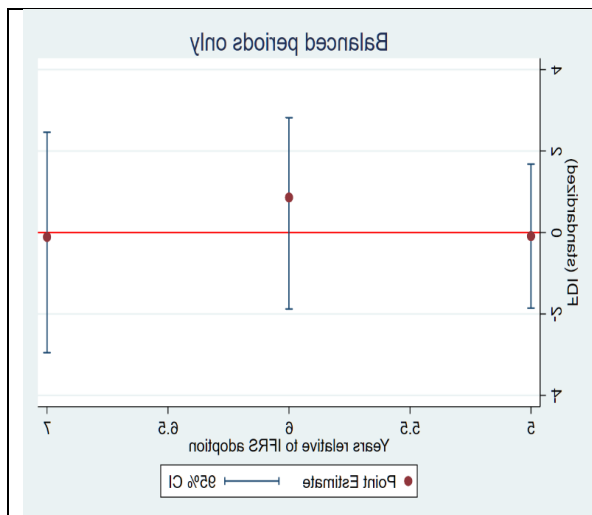


Chart 7 Gdp_growth (Balanced)

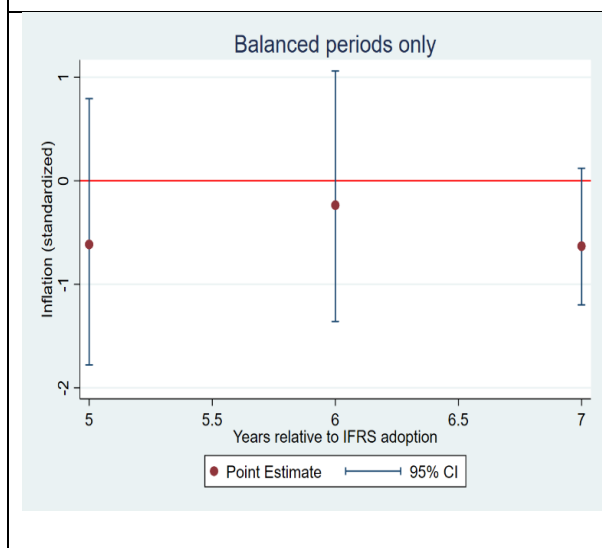
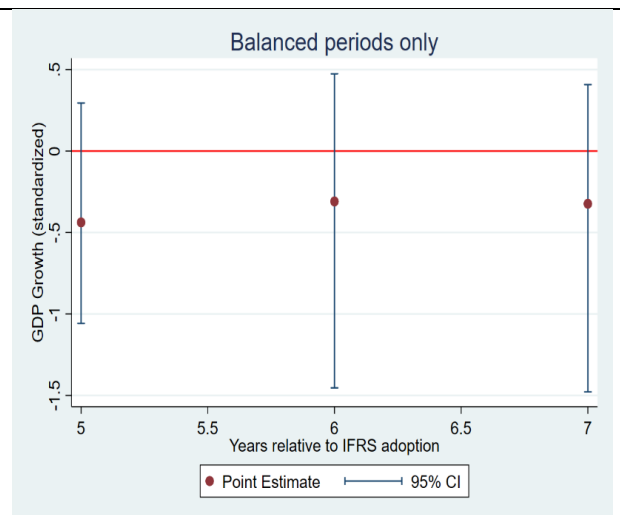


Chart 8 Inflation (Balanced)

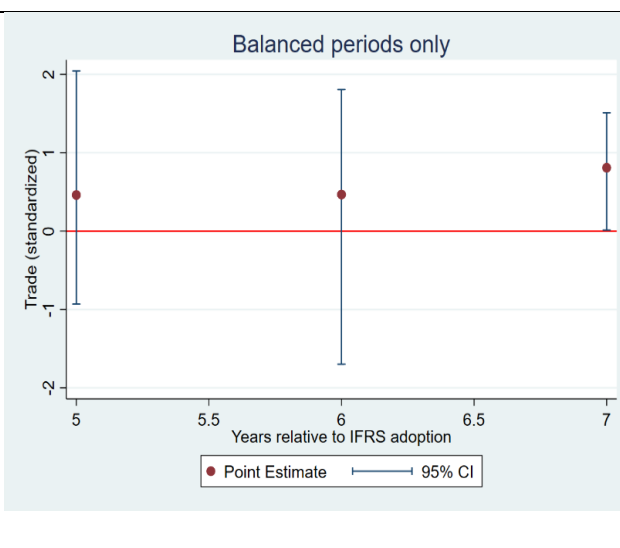


Chart 9 Trade (Balanced)

Table 6 Summarized Per-Country Interrupted Time Series (Robustness Diagnostic)

Outcome	Country	F-Stat	p-value	Post coefficient	Direction
FDI	Nepal	6.10	0.031**	+0.366	Increase
FDI	Sri Lanka	42.44	<0.001***	-0.749	Decrease
FDI	Bhutan, India, Pakistan	—	> 0.10	—	Not significant
GDP Growth	All five countries	—	> 0.18	—	Not significant anywhere
Inflation	Bhutan	25.66	0.0004***	-6.360	Decrease
Inflation	India, Nepal, Pakistan, Sri Lanka	—	> 0.25	—	Not significant
Trade	Sri Lanka	456.00	<0.001***	-15.210	Decrease
Trade	Bhutan, India, Nepal, Pakistan	—	> 0.14	—	Not significant

V. Conclusion

This study examines the macroeconomic and governance conditions underlying IFRS adoption in six South Asian lower-middle-income countries: Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka. This study further investigates whether IFRS adoption has had any discernible impact on key macroeconomic variables, particularly FDI and trade openness, using a panel event study approach. The results indicate that the parallel-trends assumption is violated in the case of inflation, while IFRS adoption has a significant negative effect on trade openness, with Sri Lanka contributing more substantially to this effect than the other sample countries. These findings suggest that IFRS adoption in lower-middle-income emerging economies should be approached cautiously, considering each country's prevailing economic conditions and governance capacity. In the absence of such considerations, the effectiveness of the IFRS as a policy tool is likely to be undermined in these settings.

References

- [1] Acharya, K. R., Acharya, R., & Sharma, N. K. (2025). Factors Influencing the Adoption of Nepal Financial Reporting Standards in Nepal. *INTELLIGENCE Journal of Multidisciplinary Research*, 4(1), 49-66.
- [2] Adhikari, A., Bansal, M., & Kumar, A. (2021). IFRS convergence and accounting quality: India a case study. *Journal of International Accounting, Auditing and Taxation*, 45, 100430.
- [3] Aminuzzaman, M., Bakar, R., & Islam, M. A. (2015). Mandatory compliance on IASs and IFRSs in an emerging economy: A case of Bangladesh. *International Business Management*, 9(1), 7-14.
- [4] Baig, M., & Khan, S. A. (2016). Impact of IFRS on earnings management: Comparison of pre-post IFRS era in Pakistan. *Procedia-Social and Behavioral Sciences*, 230, 343-350.
- [5] Ball, R. (2006). International Financial Reporting Standards (IFRS): pros and cons for investors. *Accounting and business research*, 36(sup1), 5-27.
- [6] Bandara, S., & Falta, M. (2021). The usefulness of IFRS-compliant reports: perceptions of Sri Lankan investors and lenders. *Asian Review of Accounting*, 29(4), 525-557.
- [7] Bhattacharjee, S., & Islam, M. Z. (2009). Problems of adoption and application of international financial reporting Standards (IFRS) in Bangladesh. *International Journal of Business and Management*, 4(12), 165-175.
- [8] Cameron, A. C., Gelbach, J. B., & Miller, D. L. (2008). Bootstrap-based improvements for inference with clustered errors. *The review of economics and statistics*, 90(3), 414-427.
- [9] Clarke, D., & Tapia-Schytte, K. (2021). Implementing the panel event study. *The Stata Journal*, 21(4), 853-884.
- [10] Colin Cameron, A., & Miller, D. L. (2015). A practitioner's guide to cluster-robust inference. *Journal of human resources*, 50(2), 317-372.
- [11] DeGennaro, M. (2016). An economic comparison of US GAAP and IFRS. *J. Int'l Bus. & L.*, 16, 249.
- [12] Hossain, M., Hasan, M., & Safiuddin, M. (2015). Adoption of international financial reporting standards in Bangladesh: Benefits and challenges. *IOSR Journal of Business and Management*, 17(8), 16-24.
- [13] Islam, M., Hossain, S., & Taki, M. K. (2024). CONTEXT MATTERS: EXPLORING THE DYNAMICS OF IFRS ADOPTION IN INDIA AND PAKISTAN. *Research In Management and Accounting (RIMA)*, 7(2), 97-117.
- [14] Jain, P. (2011). IFRS implementation in India: Opportunities and challenges. *World Journal of Social Sciences*, 1(1), 125-136.
- [15] Kamath, R., & Desai, R. (2014). The impact of IFRS adoption on the financial activities of companies in India: An empirical study. *IUP Journal of Accounting Research & Audit Practices*, 13(3), 25.
- [16] Karn, D. L. (2024). Nepalese financial reporting standards: Problems and prospects. *Shodh Drishti*, 15(4), 153-167.
- [17] Kaushalya, P., & Kehelwalatenna, S. (2020). The impact of IFRS adoption on value relevance of accounting information: The case of Sri Lanka. *International Review of Business Research Papers*, 16(2), 66-86.
- [18] Manawadu, I., Che Azmi, A., & Mohamed, A. (2019). Moderating effect of IFRS adoption on FDI and conditional accounting conservatism in South Asia. *Journal of Accounting in Emerging Economies*, 9(1), 51-74.
- [19] Meshram, V. V., & Arora, J. (2021). Accounting constructs and economic consequences of IFRS adoption in India. *Journal of International Accounting, Auditing and Taxation*, 45, 100427.
- [20] Nijam, H. M., & Jahfer, A. (2018). IFRS adoption and value relevance of accounting information: Evidence from a developing country. *Global Business Review*, 19(6), 1416-1435.
- [21] Parvathy, P. R. (2017). IFRS convergence: opportunities and challenges in India. *Accounting and Financial Control*, 1(2), 13.
- [22] Potharla, S. (2025). Global Adoption of International Financial Reporting Standards (IFRS): A Comprehensive Review and Critical Analysis (2000-2025). Available at SSRN 5277789.
- [23] Poudel, G., Hellmann, A., & Perera, H. (2014). The adoption of International Financial Reporting Standards in a non-colonized developing country: The case of Nepal. *Advances in Accounting*, 30(1), 209-216.
- [24] Rehman, I. U., & Shahzad, F. (2014). The economic consequences of mandatory IFRS reporting: Emerging market perspective. *Engineering economics*, 25(4), 401-409.
- [25] Roodman, D. (2009). How to do xtabond2: An introduction to difference and system GMM in Stata. *The stata journal*, 9(1), 86-136.
- [26] Sharma, S., Joshi, M., & Kansal, M. (2017). IFRS adoption challenges in developing economies: an Indian perspective. *Managerial Auditing Journal*, 32(4-5), 406-426.
- [27] Tawiah, V., & Boolaky, P. (2020). Consequences and determinants of IFRS convergence in India. *International Journal of Accounting & Information Management*, 28(2), 303-322.
- [28] Yasas, T. G., & Perera, H. A. P. L. (2019). The impact of IFRS adoption on quality of accounting information: evidence from Sri Lanka. *Kelaniya journal of management*, 8(1).

Appendix Table 1 IFRS country-specific details

Country	Strategy (Adoption/C onvergence)	National Standards Name	Regulatory/Standar d Setting Body	Adoption/Convergence details	Key details
Bangladesh	Adoption	BFRS / BAS (Bangladesh Financial Reporting Standards / Accounting Standards)	Institute of Chartered Accountants of Bangladesh (ICAB); Financial Reporting Council (FRC) since 2013	Adoption process started from 1999 (IAS)-2005-2007-2010-2013 (full set of IFRS/IAS adopted as BFRS by January 2013)	Bangladesh has adopted IFRS Standards; the Financial Reporting Act 2015 empowers the FRC to set standards in accordance with IASB standards. Banks/NBFIs follow central bank directives with some deviations.
Bhutan	Adoption (phased, IFRS as- issued)	BAS (Bhutanese Accounting Standards) - transitional name	Accounting and Auditing Standards Board of Bhutan (AASBB), established 2010	Phase I: 2013-2015; Phase II: 2016-2017; Phase III: 2018 onward; full adoption targeted by 2021	The AASBB signed a copyright waiver agreement with the IFRS Foundation to adopt IFRS Standards in a phased manner. Before this, Bhutan had no domestic GAAP and often relied on Indian Accounting Standards.
India	Convergence	Indian Accounting Standards (Ind AS)	Ministry of Corporate Affairs (MCA); standards drafted by ICAI	Mandatory from 1 April 2016 (Phase I, net worth $\geq$ ₹500 crore); 1 April 2017 (Phase II, listed companies and others with net worth $\geq$ ₹250 crore)	India chose convergence over adoption to accommodate local regulatory requirements (RBI, SEBI norms), tax law interactions, and local business realities. Ind AS contains carve-outs/carve-ins relative to the IFRS. Voluntary adoption was permitted from FY 2015-16. Banks, NBFCs, and insurance companies follow separate roadmaps.
Nepal	Convergence	NFRS (Nepal Financial Reporting Standards)	Accounting Standards Board (ASB) Nepal, under Institute of Chartered Accountants of Nepal (ICAN)	Phased from FY 2014/15 (mid-July 2014); mandatory for all entities except SMEs from FY 2016/17	The ICAN rolled out the NFRS implementation in a phased manner, starting with listed multinational manufacturing companies and listed state-owned enterprises. Nepal is assessed as 'Partially Adopted' because the NFRS converges with, rather than is identical to, the IFRS as issued.
Pakistan	Adoption (near-full)	IFRS Standards as adopted in Pakistan (no separate local name)	Securities and Exchange Commission of Pakistan (SECP); Institute of Chartered Accountants of Pakistan (ICAP)	Ongoing since the 2000s; formalized under Companies Act 2017	Pakistan has adopted all effective IFRS Accounting Standards, except IFRS 1 (First-time Adoption), with a few exemptions/deferrals granted by the SECP and the State Bank of Pakistan. Standards gain legal force through gazette notifications.
Sri Lanka	Adoption (converged, IFRS-branded)	SLFRS / LKAS (Sri Lanka Financial Reporting Standards / Accounting Standards)	CA Sri Lanka (Institute of Chartered Accountants of Sri Lanka)	1 January 2012	Sri Lanka adopted IFRS Standards effective 1 January 2012; in 2015 modified paragraph 69(d) of IAS 1 (Current Liabilities section). The SLFRS are gazetted under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, giving them legal authority.

Appendix Table 2 Governance and Macroeconomic Controls — Main Specification

Variable	FDI	Gdp growth	Inflation	Trade
RQ	-2.240** (0.030)	-0.139 (0.918)	-1.395 (0.238)	-0.260 (0.521)
RL	0.696 (0.461)	0.398 (0.499)	0.290 (0.847)	1.354 (0.239)
GE	0.153 (0.869)	0.149 (0.807)	-1.127 (0.300)	-1.220 (0.372)
CC	-0.236 (0.676)	-1.015 (0.617)	-1.287 (0.337)	-2.930** (0.018)
FDI (std.)	—	-0.090 (0.459)	-0.128 (0.164)	0.050 (0.732)
GDP Growth (std.)	-0.195 (0.439)	—	-0.548*** (0.007)	0.169 (0.135)
Inflation (std.)	-0.266 (0.159)	-0.525*** (0.003)	—	-0.076 (0.464)
Trade (std.)	0.090 (0.748)	0.142 (0.207)	-0.067 (0.376)	—