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A review of the determinants of IAS / IFRS international accounting standards by developing countries around the world

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Abstract

Many countries have already expressed their willingness to accept, even in accordance with internationally accepted accounting standards. Private and state-owned manufacturing and insurance companies February 27, 2006, International Standards Board and the Financial Accounting Standards Board both issued a joint statement emphasizing the two boards' goal of developing high-quality joint quality standards and ratings for applications in the financial and stock markets.

Keywords: *Developing countries, International financial reporting, standards*

Introduction

The distance of this standard in dc has drawn the awareness of the people. The economic development of a country is measured with statistical indicators namely per capita income (GDP), life expectancy, literacy rate of people in that society, etc. The United Nations is developing HDI, which combines the above statistics to measure the level of human economic development for countries where data is available. We focus on IFARS voluntary rather than mandatory decisions, in the present article. One of the countries to join the International Accounting Harmonization Movement was Tunisia. There was a change of experience for Tunisia before and after joining the accounting system in 1996, which brought a new experience for the country.

The key to taking advantage of the "sanctions-free economy" for Iran was to "attract foreign investment." To the extent that the country's policymakers in the drafting of the Sixth Development Plan bill for that 22 percent share in providing resources to achieve economic growth of 8 percent. But the lack of infrastructure to attract foreign investment is what makes these goals challenging. The risk of quality information and financial information and reporting is one of the key elements in economic assessments. Although for many years the country's auditing organization has been responsible for reviewing and clarifying the accounts of companies, in Iran, everything that was done was based on national standards and was far from the International Financial Reporting Standards (IFRS).

Acceptance of IFRS means international alignment in corporate governance, auditing, ethical standards and oversight mechanisms, and ultimately greater transparency. So far, this has been done by 147 countries, and Iran lags behind neighboring countries such as Pakistan, Turkey, Kuwait, and Oman.

It is almost under international standards. In the case of Algeria, the country has adopted an accounting scheme that is usually in line with International Standards (IFRS). This outline follows IFRS principles and key concepts. At the academic level, however, most previous research has been entirely concerned with the costs and difficulties of accepting IFRS in developed countries (Bradshaw & Miller, 2003; Delvaille, Ebbers & Saccon, 2005; Epstein & Mirza, 2006). Larson & Street, 2004; Nobes Parker, 2004). Studies on the acceptance of IFRS by developing countries are scarce, they are still limited compared to studies on DCs. Charcoal and Mohadhi (2006) In this regard performed their study on the determinants of IAS / IFRS acceptance by developing countries. Their study looked at a sample of 32 developing countries that have accepted the IAS and 32 other non-accepting countries.

Developing countries with capital markets, advanced education, and high economic growth were more likely to adopt IFRS, as they conclude in their study.

Current research is a development of a study conducted by Charcoal and Mohazi (2006) that deals with the main factors affecting the acceptance of IAS by developing countries. However, the contribution of the present article includes testing the relevance of the findings obtained by Charcoal and Mohdzi (2006) after five years of study considering the transition from IAS to IFRS as well as other variables related to the legal type system and political environment.

Given the growing number of emerging countries that have already or intend to apply IFRS, and with the accelerated processes from 2008 to 2011, we suggest through this study, that the determinants of IAS/IFRS acceptance Identify through a delegation of 74 developing countries. Thus, in a single logistics model of a country's economic development, we tend to integrate factors such as the education system, the cultural aspect, the legal system model, the political factor stock markets, and openness to the outside world. Therefore, the main purpose of this study is to understand the principles behind the decision to adopt IFRS by DCs.

We found that the level of economic growth is a key factor in accepting international accounting standards (Al-Akra, Jahangir, and Murshid, 2009; Larson, 1993; Coal and Convex, 2006) based on previous research. But with this experience, we found that factors such as culture, language, beliefs, political system, and the existence of capital and financial markets did not have an important effect on the decision to adopt IFRS.

It can also be explained that this paper has been prepared as follows: The second part is a summary of the literature related to the research topic. The third illustrates the research assumptions. The fourth section describes the used procedure. The fifth part shows the outcomes acquired and their arguments. Finally, the sixth part of the conclusion is dedicated to the presentation of research findings with their restrictions.

2. Literature review

This study aims to determine the major elements affecting the adoption of IAS/IFRS standards by developing countries. It should be cited that research in this area is rare due to cases of acceptance of international standards by developed countries.

Previous literature indicates that two lines of research can be distinguished. Whereby the first stream of research focuses on determinants related to macroeconomic factors to adopt international standards, and the second examines determinants related to the characteristics of microeconomics. However, one can well point to the vast dominance of microeconomic factors studies related to microeconomic factors related to firm characteristics, whereas the specific institutional effects for each country are ignored.

In the framework of this research, the main focus of this study is on examining the determining factors for the adoption of international standards through factors related to the characteristics of the country.

Notably, Leuz and Verrechia (2000) examined the accounting options of German companies listed in the DAX index for 1998. The authors indicate that factors such as firm size, financial needs, and financial performance significantly explain the decision to adopt international standards, by using logistic regression analysis.

Trembley (1989) examined the characteristics of 53 US software companies, of which 14 companies selected SFAS No. 86 for investment in software development costs. The author has concluded that the choice of acceptance is mainly determined by the size of the company and the opinion of the auditor.

Similarly, Barbue (2004) performed a longitudinal study from 1985 to 1999 to measure the willingness of French companies to implement the international standard. He created a wandering accountant that was surveyed among the 100 French business groups studied.

In turn, Affes and Callimaci (2007) highlighted the motivations that led to the early adoption of the IAS/IFRS by the listed groups in Germany and Austria. Logistic regression performed on a sample of 106 German and Austrian companies shows that the probability of early acceptance of IAS/IFRS concerning the company size increases. However, it seems that the relationship between debt and the IAS/IFRS forecast acceptance is not significant for high-indebted companies, as their creditors may need to meet their debt obligations based on specific calculations. In addition, in a sample of 28 companies listed on the Swiss stock market using local standards, along with 51 companies applying IAS/IFRS, Dumontier and Raffournier (1998) showed no significant relationship between voluntary IAS acceptance. A debt ratio and company performance.

However, the issue of studying the determinants of IAS / IFRS acceptance in developing countries has recently been explored. DCs continue to experience strong economic development, weigh in on the international economy, and multiply in their adherence to IAS/IFRS. As a result, some research work has attempted to determine whether DC features are relevant to the decision to adopt international standards.

For example, Omneya, Abd-Elsalam, and Weetman (2003) examined the influence of language on the first introduction of IFRS in Egypt. Given the differences between the spirit and philosophy of IFRS in terms of local accounting traditions and cultures, through the sample of 72 companies listed in the local list, the authors demonstrate that Egyptian companies still face many difficulties in implementing IFRSThis study demonstrates that IAS/IFRS is more sophisticated by local standards.

The role of international standards in improving the quality of financial information produced for the stock market in developing countries was examined by Chamisa (2000). also, he stated that "These standards are very important and vital for developing countries with active financial markets and capital, and not so important for other developing countries,".

These observations are confirmed by a study by Zeghal and Mhedhbi (2006) with a test sample of 32 DCs that accepted the IAS and some 32 other countries that did not. They show that developing countries with capital markets, advanced education, and high economic growth rates are most likely to adopt IFRS.

In addition, in reviewing the development of accounting regulations in Jordan, Al-Accra et al. (2009) have analyzed the influence of economic, political, legal, and cultural factors on the promotion of accounting practices. They concluded that political and economic factors are the elements that contribute most to this development.

From all the cases mentioned in the literature review, it can be explained that the field of research determining the factors determining IAS/IFRS acceptance is limited to somewhat different results according to DCs. That is, most studies display the importance of institutional metrics (economic growth, education level, capital market. etc) along with some special features related to companies operating in these countries (size, level of debt, quality of external audit) in these countries has been highlighted, which has led to the decision to adopt these standards.

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3. Research hypotheses

The accounting literature, both theoretical and experimental, has consistently revealed the impact of environmental factors on the development of accounting. Thus, Belkaoui (1983) has pointed out that accounting standards and policies are social products that can not escape the effects of the organizational environment. Given the acceptance of the IAS/IFRS literature (Al-Akra et al., 2009; Chamisa, 2000; Hove, 1986; Standish, 2003; Street, 2002; Zeghal & Mhedhbi, 2006), we try to derive a set of views, which is related to the study of the impact of developing countries on the IAS/IFRS decision.

3.1. The cultural factor

It is a well-known fact that culture is an important factor in explaining the choice of appropriate accounting systems for each country. Hofsted (1980) emphasizes that cultures may differ based on four major cultural dimensions: power distance, individualism, masculinity, and avoidance of uncertainty. Dopnik and Salter (1995) show that cultural norms and values differ according to important changes caused by the external environment.

Several researchers have shown that countries influenced by Anglo-Saxon culture have more advanced and sophisticated accounting systems. In this sense, Zef (1998) found that culture is a major influencing factor for social systems standards and social system values as well as the behavior of intergroup systems. He believes that in the last two decades, Anglo-Saxon culture has profoundly influenced national cultures.

Nobes (1998) points out that countries that are influenced by the same cultural values are likely to adopt the same accounting standards. Chamisa (2000) and Hove (1986) have suggested that IFRS acceptance will be easier for developing countries with Anglo-Saxon cultures. This can be justified by the dominance of Anglo-Saxon members in the work of the IASB.

Zeghal and Mhedhbi (2006) in turn have revealed that developed countries with Anglo-Saxon culture are the easiest countries to accept IAS. From this standpoint, it can be predicted that it will be easier for countries with Anglo-Saxon cultures to adopt the IAS/IFRS criteria. The first theory is as follows:

Theory 1: A country with an Anglo-Saxon culture is more likely to adopt IFRS.

3.2. Economic growth

Since the establishment of the IASB, countries have sought to improve their accounts by applying IASB standards. These standards, developed by an accounting body regulating international standards, are heavily dominated and inspired by the specific facts of developed countries. Looking at the composition and structure of the IASB, it is clear that developed countries are far more developed than developing countries. Explain this geographical difference according to the topics covered in these detailed standards. The latter are generally suggested by representatives of developed countries and thus raise the issues that most companies operating in these countries face. This once again confirms the fact that the development of accounting has never been separate from economic development. Arpan and Radbeg (1985) consider that economic development is an essential variable that profoundly affects the development of accounting because it impacts other functions of society.

At the academic level, the results that highlight the relationship between IFRS and economic development are contentious. A study by Zeghal and Mhedhbi (2006) has shown that the adoption of IFRS by DCs in countries with high economic growth is more tolerable. Woolly (1998) observed that in the Asian context, there is no significant disparity in terms of economic growth between IFRS applicants and those who apply their local standards.

Therefore, the following theory seems more likely to advance:

Theory 2: A country with a higher level of economic development is more likely to adopt IFRS.

3.3. Capital market availability

The quality of financial information is one of the main elements of the development and efficiency of capital markets. The main challenge of adopting IFRS is to facilitate stock market operations and thus protect the interests of investors in various global stock markets.

In this regard, Gary and Radebaugh (1997) have stated that investors constantly need complex information to be able to analyze investment possibilities and optimize their options. Such intimidation exerted by the organizational environment has forced several countries to simply resort to replacing their local standards with IFRS. Thus, Jemakowicz and GornikTomaszewski (2006) have shown that countries with financial markets that are open to foreign investors are more likely to accept IFRS. Accordingly, by increasing the comparability of information, IFRS is a tool for integrating the local financial market into the global exchange chain. Consequently, our third theory can be put forward, i.e.:

Theory 3: A country with a capital market is more likely to adopt IFRS.

3.4. The educational level

The topics covered by the IAS/IFRS generally draw on the recommendations and opinions of professional competencies as well as the practical experiences of the various IASB members. These standards are quite complex and their understanding requires in-depth knowledge not only of accounting but also of other disciplines (actuarial calculations, finance, etc.). Therefore, their acceptance rate requires a very advanced level of expertise by countries that adhere to such standards. In this regard, Doupnik and Salter (1995) and Street (2002) have declared the acceptance of IFRS as a strategic social decision eligible. Understanding, interpreting, and applying these standards requires a certain level of education and university education. Therefore, our fourth theory can be formulated as follows:

Theory 4: A country with an advanced level of education is more likely to embrace IFRS.

3.5. Openness to the exterior world

Remarkably, Cooke and Wallace (1990) pioneered the introduction of external environmental factors as essential elements for understanding each country's accounting systems. One of these factors is the level of openness of the economy to the outside world. The higher the degree of economic openness of the country, the more the country is exposed to external pressures, according to these authors. Of course, the openness of a country abroad increases economic development, but, there are more risks in terms of security and the scale of international pressure, and these pressures are reflected in the volume of economic affairs. Applying internationally recognized standards will partially reduce some of the pressures on open companies to the outside world and can facilitate access to other global markets for companies that intend to do so. Hence, the fifth theory:

Theory 5**:** A country that is open to the outside world is more likely to adopt IFRS.

3.6. The legal system

International accounting has declared the importance of the legal system as a predictor of differences in accounting standards between countries. In this regard, Nobes (1998) distinguishes between countries of written law that belong mainly to continental Europe and countries of common law representing the Anglo-Saxon model.

Despite this prevailing international dichotomy over legal systems, history testifies to the strong dominance of the Anglo-Saxon legal system, especially in the United States, in promoting an accounting culture. These seem to explain several Anglo-Saxon influences on the process of international accounting harmonization. Thus, for many years we can see the prevalence of significant American influence in the work of the International Organization for Standardization, which became apparent with the rapprochement between the IASB and the FASB. This proximity or integration involves three aspects: i.e. the change of name, headquarters, and structure, which illustrates the imitation between the United States standardization body and the International one. In addition, the characteristics of the IASB members display the influence of the loyal Anglo-Saxons on the analyzed process. This led Standish (2003) to analyze nationality, language, vocational training, and activity on a standard-setting committee to present Anglo-Saxon dominance in the IASB. He states that in the IASB process, the strong dominance of the US legal system is extremely prevalent.

Hence, the following theory can be proposed:

Theory 6: A country with a common legal system rises to adopt IFRS.

3.7. The political factor

Accounting standards are the product of political action and reflect a state of temporary equilibrium anchored in some scientific logic and practice (Barbue, 2004).

Belkaoui (1983) suggests that the level of economic and civil liberties is a key factor in the development of accounting practices. He explains his theory with the fact that if a country has low political freedom, citizens can not be able to elect members of government due to the lack of democracy. As a result, it is inconceivable that these individuals, with deprivation of any forms of freedom, could act per the accounting policies. Conversely, however, in the presence of a fair, democratic policy, better development of accounting standards is likely to succeed.

In addition, many researchers have acknowledged that government and monetary stability can significantly affect economic conditions, which in turn may affect the development of accounting (Hassab Elnaby, Epps & Said, 2003; Larson & Kenny, 1995). Given the weight of public authorities and states in governing most developing countries, the theory below seems to be worth advancing:

Theory 7: A country with a favorable political environment is more likely to adopt IFRS.

4. Methodology

4.1. Sample

To test the relationship between macroeconomic factors and IFRS acceptance by developing countries, we have relied on a sample of some selected developing countries selected from the IAS website (www.iasplus.com/country/ country.htm). In the tagged section (use of IFRS by the jurisdiction). This site provides detailed information on the position of several jurisdictions regarding the decision to adopt IFRS. 74 developing countries are selected and classified into two groups. The first group consists of 37 developing countries that have accepted IFRS (with or without amendment), while the second group includes 37 developing countries, that as of 2008, have not yet accepted IFRS. The list of both groups of countries, scattered across four continents, is shown in Table 1 below.

Presentation of the sample countries by region and according to their position concerning International Accounting Standards Board standards.

Countries that have adopted IFRS				Countries that have not adopted IFRS			
Asia	America	Africa	Europe	Asia	America	Africa	Europe
China	Jamaica	South Africa	Poland	Bangladesh	Mexico	Nigeria	Albania
Jordan	Peru	Kenya	Croatia	India	Argentina	Tunisia	
Sri Lanka	Dominique	Ghana	Lithuania	Indonesia	Brazil	Cote d'ivoire	
Saudi Arabia	Haiti	Egypt	Romania	Malaysia	Columbia	Algeria	
Turkey	Honduras	Morocco	Hungary	Thailand	Chile	Mali	
Armenia	Panama	Sudan	Estonia	Pakistan	Cuba	Zimbabwe	
Cambodia	Salvador	Madagascar	Ukraine	Philippines	Uruguay	Angola	
Georgian	Nicaragua	Uganda	Slovenia	Vietnam	Ecuador	Burundi	
Azerbaijan			Macedonia	Bhutan		Benin	
Maldives				Syria		Burkina Faso	
Nepal				Iran		Libya	
Iraq						Niger	

Table 1 IFRS, international financial reporting standards.

Table 2

Sources of data collection.

Variables	Variable's sources
Capital market "ECM"	World development indicators (WDI):

Foreign direct investment “FDI”	database of indicators statistical
Education level “EDUC” The culture“CULT”	Specific countries-based information
The legal system “LS” The political system “PS” (Gistel Index)	Freedom House: Freedom House is the independent US. based non-governmental, organization founded in 1940. It is composed of personalities belonging to the business and trade unions’ field, as well as intellectuals and people from all backgrounds who share the common belief that the U.S. leadership is essential to the cause of global promotion of development rights and liberties

CULT, culture; ECM, the existence of a capital market; ECO, economic; EDUC, education.

4.2. Data collection sources

It should be noted that all information about the studied factors has been collected from various data sources. The following table (Table 2) describes the sources of our study of environmental variables.

4.3. Variables’ measurement and model presentation

The above set of IAS/IFRS adoption decisions is included in the logistics model presented below:

$$\log\left[\frac{P_i}{(1-P_i)}\right] = b_0 + b_1ECO_i + b_2EDUC_i + b_3FDI_i + b_4LS_i + b_5CULT_i + b_6ECM_i + b_7PS_i + «$$

Where:

- Pi: the probability of adopting IAS/IFRS in 2008.
- E COi: the annual average growth rate of gross domestic product /person.
- E DUCi: education level, measured by the general literacy rate in the country.
- F DIi: Openness to the outside world, measured by foreign direct investment divided by the gross domestic product.
- PSi: the political system measured by the Gistel index.
- C ULTi: culture is a dummy variable that takes the value 1 if the country has an Anglo-Saxon culture and 0 otherwise.
- ECMi: the existence of a capital market is a dummy variable that takes the value 1 if the country has a capital market and 0 otherwise.
- L Si: the legal system is a dummy variable that takes the value 1 if the country has a common-law type of legal system and 0 otherwise.
- «: is the margin of error.

5. Results’ analysis

5.1. Descriptive analysis presentation

A description of the 74 DC variables of our study sample is shown in Table 3 (panels A, B). According to this table, it is worth noting that the average GDP per capita of our sample is $ 4629,649 with a minimum of 138 and a maximum of 271499. It should be noted that the developing countries studied have an average literacy rate of 76.19% with a minimum rate of 7.04% and a maximum rate of 100%.

Table 3

Descriptive statistics of the 74 DC's macroeconomic variables.

Panel A: Descriptive statistics of the 74 DC’s macroeconomic variables

Variables	ECO	EDUC	FDI	PS
Average	4629,649	76,19	0,66	4,00
Median	2963,500	83,80	0,30	4,00
Maximum	27149	100	5,90	7,00
Minimum	138	7,04	0,00	1,00
Standard deviation	5310,730	22,29	1,10	2,08

Panel B: Descriptive statistics of the 74 DC’s macroeconomic variables

	CULT		ECM		LS	
Variables	1	0	1	0	1	0
Frequency	39	35	44	30	39	35
Percentage	52%	48%	60%	40%	52%	48%

In addition, 52% of the DCs surveyed have Anglo-Saxon culture, 52% have a "Common Law" legal system and 60% have a capital market. In general, our example can be described as a fair distribution in terms of cultural roots and legal system. As can be seen, the average Gastil index of political freedom is 4, which indicates that our sample members in developing countries are characterized by an average level of political freedom.

5.2. Univariate analysis: comparing the two developing country groups

The purpose of this analysis is to examine whether there is a difference between the set of developing countries that have adopted the IAS/IFRS and the group of countries that have not yet adopted these standards. Hence, two types of statistical tests are used: the t-student test to compare the means of some variables (see Table 4) and the Mann-Whitney test for other variables in relation to the result of the Kolmogorov test. (See Table 5).

Table 4 shows that countries that have adopted IFRS have a higher level of education (EDUC = 84.87) compared to other developing countries (67.51%). Moreover, these same countries show strong economic development (ECO variable) in contrast to developing countries with less democratic political systems that do not adopt the international standard criteria.

According to Table 5, it is worth noting that there is a significant difference between the two groups of developing countries in terms of their legal system (SL variable). Countries

Table 4

Comparison of the characteristics of both developing countries groups.

Variables	Average values		F	Sig.	t Student	Sig.
	Adoption = 1	Not Adoption = 0				
ECO	5752,081	3507,216	3,85	0,053	1,84	0,06
EDUC	84,87	67,51	10,24	0,002	3,61	0,001
PS	3,56	4,48	0,06	0,79	–1,93	0,057

ECO, economic; EDUC, education; PS, political system coefficient.

Table 5

Comparison of the two developing countries' groups' characteristics based on the Mann-Whitney test.

Variables	Average rank		Z	Sig.
	Adoption = 1	Not adoption = 0		
CULT	41	34	–1.61	0.10
ECM	40.50	34.50	–0.09	0.92
FDI	37.73	37.27	–1.41	0.15
LS	45.5	29.5	–3.70	0.00

CULT, culture; ECM, the existence of a capital market; FDI, Foreign Domestic Investment; LS, legal system.

The adoption of IFRS has been largely dominated by a conventional legal system.

Regarding the other variables, neither culture (CULT), nor the existence of a capital market (ECM) and the openness to the outside (IDF) can depict any noticeable major difference between the two sets of countries.

As a summary of the univariate analysis, it is worth noting that countries that have adopted IFRS have reported the highest levels of education and economic growth, dominated by Anglo-Saxon culture with a common legal system.

5.3. Presentation and discussion of the multivariate analysis results

First, it is worth noting that the Pearson correlation between independent variables has been analyzed. Examination of this matrix coefficient (see appendix) does not show any major problems in multi-collinearity. In the second stage, the following logistics model is to be estimated.

In general, the results of the logistics analysis presented in Table 6 confirm the findings of the univariate analysis. This model seems to be globally important and has accurately categorized 75.14% of observation ranges by adopting IFRS in the context of developing countries. First, we find that factors such as culture, political system, and the existence of a capital market have not had a significant impact on the decision to adopt IFRS. The marginal impact of culture on IFRS decision-making can be explained by the lack of traditions or even an accounting culture in many emerging countries.

The decision to adopt IFRS could be a substitute for this cultural vacuum.

In the case of the market, its insignificant effect can be attributed to the relatively young age of most capital markets in emerging countries, as these markets remain as debt sub-financing instruments.

However, the positive sign of the political system coefficient (PS) met our expectations (coefficient = 0.065, p-value = 0.201). This variable does not seem to be important in determining the adoption decisions of developing countries. In the context of emerging countries, the political system may be a priority factor in socio-economic areas rather than accounting.

On the other hand, economic development, education level, and legal system seem to significantly influence the choice of developing countries to adopt international accounting standards. Consistent with previous studies (Al-Akra et al., 2009; Larson, 1993; Zeghal & Mhedhbi, 2006), we have found that the level of economic growth (ECO) is a key determinant of international accounting standards.

For example, Slovenia (a DCs country that has adopted IFRS) has a per capita GDP of $ 27,149, while Burundi (a DCs country that has not accepted IFRS) has a very low GDP for Each person ($ 138) identified. This result not only confirms the H1 hypothesis of this study but also confirms the claims of a strong correlation between economic development and accounting standards.

Education variable (EDU) reflects the level of education has a positive and significant coefficient (coefficient = 0.044, p-value = 0.000). This result confirms that the higher the level of education of a developing country, the more the country will be inclined to adopt IFRS. This result supports our H4 hypothesis. The comparison between Georgia (a DC that has accepted IFRS with an education level of 100%) and Rwanda (a DC that has not accepted IFRS with an education level of 7.04%) is a complete picture. Therefore, it seems obvious that an advanced level of education is likely to facilitate the implementation of IFRS. These ever-changing standards, often known as more complex ones, require heavy training, qualified professional accountants, and high-level teaching staff.

In the case of the legal system, it significantly and positively affects the acceptance of IFRS by developing countries. This result supports the prediction that developing countries with a common legal system are more likely to adopt IFRS. As mentioned, the work of the IASB and its ambitious project to harmonize international accounting is heavily dominated by Anglo-Saxon common law countries. Thus, the implementation of IFRS will be more possible for developing countries with a common legal system. The impact of the legal system on the adoption of IFRS indicates the existence of a coercive type of isomorphism that reflects legal pressure.

Given the level of openness of the country to the outside world, the foreign direct investment variable has shown a negative and significant coefficient for the decision of developing countries to adopt IFRS. As a result, it disproves the hypothesis that the more open a developing country is to the outside world, the more likely it is to adopt IFRS.

Hence, it may be thought that by adopting IFRS, developing countries will primarily target local financial communications.

6. Conclusion

Following the financial scandals that erupted in Europe and the United States in the early 2000s (Enron, Worldcom), regulators sought to improve the quality of financial disclosure and communication in the context of widespread economic globalization. The global village issue was raised. This response led to a series of reforms, governance practices, and financial communications, including the adoption of the IFRS. If in 2005 the main user of this criterion remained the international standards of the European Union.

Table 6
Results of the logistic aggression.

Variables	Coefficients	Z-Statistic	Prob.
ECO	4.190	1.815	0.069
CULT	0.337	1.572	0.115
EDUC	0.044	6.121	0.000
ECM	0.258	1.042	0.297
FDI	–0.694	–6.292	0.000
LS	2.249	10.444	0.000
PS	0.065	1.277	0.201
Model statistics	–2 log probability = 297.494 R of Cox and Snell = 0.306 % of correctly classification = 75.14 Sample size = 74		

CULT, culture; ECM, the existence of a capital market; ECO, economic; EDUC, education; FDI, Foreign Domestic Investment; LS, legal system; PS, political system coefficient.

Through Regulation CE1606/2002, recent years have seen the widespread dissemination of IFRS among developing countries. Therefore, the purpose of the present work includes identifying the key factors associated with the decision to adopt IFRS in developing countries.

The results of empirical analysis have shown that developing countries are the most favorable for accepting IFRS countries with high economic development rates, high levels of education, and a legal system based on common law. Regarding other variables related to our model: culture, capital market existence, political system, and internationality, it was found that they do not have a significant impact on the decision to adopt IFRS. Taken together, these results suggest that the decision to adopt an international standard is closely related to the institutional environment of developing countries (above all the legal system) as well as to their macroeconomic data (ie, their economic and educational growth level). This allows us to identify the existence of coercive isomorphism in the development of developing countries concerning international accounting standards. This finding highlights the difference in the results of similar studies in developed countries, and our study has reached results in the context of developing countries. The methods of transferring developing countries to IFRS are probably different from developed countries. Our results may provide a valuable classification for standardization bodies in developing countries that wish to adhere to international accounting standards.

However, the present study leaves room for certain limitations. In particular, the explanatory power of the model is quite average. This indicates the residual effect of some omitted variables that may be examined in future studies.

Finally, various forward-looking approaches to further research through investigation seem to be worth considering: such as What are the new effects of IFRS on accounting practices in developing countries? Will the adoption of IAS/IFRS affect the economies of these countries? Finally, is the content of some IFRS able to improve accounting information?

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