

## **IFRS adoption and economic growth in developing economies**

### **ABSTRACT**

We examine whether the adoption of International Financial Reporting Standards (IFRS) affects economic growth in developing economies and investigate the role that country-level institutional quality plays in the relationship. Using a panel data averaged over three non-overlapping years, from the period 1996 to 2013, for 78 developing countries and employing the efficient two-step system generalised methods of moment (GMM) estimation technique; we find that countries that adopt IFRS experience better economic growth than non-adopting countries. Our results also demonstrate that good institutions moderate the IFRS-economic growth nexus. Taken together, these findings suggest that IFRS adoption has important implications for economic growth.

**Keyword:** International Financial Reporting Standards; IFRS; Economic growth; Developing economies; Generalised methods of moment; GMM; Institutional quality; Foreign direct investment; FDI; Principal component analysis; Accounting standards; System GMM; Accounting systems