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