

Evaluating The Role of Global Accounting Standards in Enhancing Financial Transparency

Liam Anderson^{1*}, Chloe Williams²

^{1*} Australian Institute for Future Technology Research, Sydney, Australia.

² Australian Institute for Future Technology Research, Sydney, Australia.

Received: 16 March 2026/Revised: 01 April 2026/Accepted: 20 May 2026/Published: 30 June 2026

Abstract

This paper investigates the effect of global accounting standards, mainly IFRS, on financial transparency in developed and emerging markets. Using a quantitative research design, including publicly listed firms' data over five years (disclosure quality, comparability indices, and institutional variables). The descriptive analysis showed that transparency is more enhanced in developed markets (mean = 82.5, SD = 5.4, Median = 83) compared to emerging markets (mean = 67.3, SD = 8.1, Median = 68). As can be observed, regression analysis evidenced that IFRS adoption significantly enhances financial transparency ($\beta=0.61$, $p<0.01$), a result which gets stronger when the institutional environment is conducive, and regulations are enforced robustly ($\beta_{\text{interaction}}=0.18$, $p<0.05$). The improvements in financial transparency translate into higher investor confidence (+3.5%, $p<0.05$) and lower cost of capital (120 bps, $p<0.01$). These findings therefore lend evidence to the combined contribution of Institutional theory, Legitimacy theory, and Signaling theory, confirming that only an adoption, coupled with robust implementation and the existence of a conducive institutional environment, will ensure the IFRS adoption benefits to fully materialize. It provided meaningful recommendations to managers, regulators, and policymakers aimed at enhancing the quality of reporting and firm-level performance through increased investor confidence and better market efficiency. Limitations of the study included the absence of analysis over time and the lack of analysis including environmental, social, and governance (ESG) disclosure, providing new grounds for further research.

Keywords: Financial Transparency; Global Accounting Standards; IFRS; Institutional Quality; Investor Confidence; Quantitative Analysis.

I. INTRODUCTION

A fundamental component of good corporate governance, investor confidence, and the efficiency of world capital markets is financial transparency. Multinational companies conduct and report business in a multitude of jurisdictions, which have different accounting laws, practices, and disclosure mandates (Elharon & Hassan, 2025; Ali et al., 2024). The objective of global accounting standards, including the International Financial Reporting Standards (IFRS), is to standardize financial reporting, enhance comparability, and lessen information asymmetry between firms and stakeholders (Ramadan & Morshed, 2024; Taylor et al., 2024). The Standards are intended to improve the usefulness of the financial statements for decision-making by investors, regulators, and managerial teams, as well as the reliability of the financial statements.

While many companies implement ERPs, there are still many differences in how this is done, in terms of enforcement, and in practice in corporate culture, and therefore, the level of real financial transparency varies.

Although there are global accounting standards, there is some evidence that simply adopting such standards does not automatically lead to greater transparency (Khan & Shah, 2025; Amalia, 2023). The legal application, regulatory oversight, and organizational processes can vary, leading to diverse results. However, in developing countries, some firms may encounter difficulties in implementing the standards, such as a lack of resources, a lack of auditor skills, or a lack of acceptance of the standards in the country. Likewise, there are issues in implementing global standards in developed markets in the context of local accounting systems (Efunniyi et al., 2024; Abed et al., 2022). Disconnects raise investor uncertainty and can hurt financial reporting credibility, calling for a systematic assessment of the link between the global standards and the transparency results.

Research Objectives

This paper provides an investigation into the extent to which global accounting standards contribute to improving financial transparency in a variety of institutional settings. The purpose of the present research is to:

1. Quantify the extent to which the adoption of international accounting standards improves the comparability and verifiability of financial statements;
2. Identify the major managerial and institutional obstacles for the effective application of such standards, and
3. Gauge the impact of accounting standards on investor confidence, market efficiency, and corporate governance. The findings will provide the relevant information to policymakers, regulators and corporate managers.

Research Questions

Accordingly, this research will provide answers to the research questions that are as follows:

- In what way would the goal of improving financial reporting transparency be accomplished more effectively on a worldwide level under global accounting standards in different institutional environments?
- What institutional, managerial, and cultural conditions can explain the implementation success of global accounting standards?
- What would be the influence of improved financial reporting transparency through the application of accounting standards on investor confidence, capital market efficiency and corporate governance processes?

Several contributions are made. Theoretical contribution includes the addition of the institutional and legitimacy perspectives to the existing body of research discussing the link between international accounting standards and the transparency of financial reports. Managerial contribution informs multinational firms and governments about how to adopt successfully the international standards and integrate country-specific contingencies to increase

stakeholder trust. Drawing from both developed and developing countries, useful policy-relevant conclusions can be derived from this research to address the problems of transparency and help all decision-makers (investors, managers, and policy-makers) make informed decisions.

The literature in section 2 reviews current discussions in global accounting standard-setting, financial transparency and associated theories. The section will present shortcomings in the existing literature and implementation issues related to the use of accounting standards. In section 3, the conceptual frameworks of standard adoption impacting on the financial reporting transparency will be formulated using institutional, legitimacy and signaling theory. The data set, sample and empirical methods used to test the proposed relationships will be described in section 4. In section 5, the hypotheses will be tested using descriptive statistics and empirical analyses and robustness checks. In section 6, results and implication will be interpreted with the aid of previous research work. Conclusion for the paper will be in section 7, summarizing the results and indicating a number of implications for managers and policy makers.

II. LITERATURE REVIEW

2.1 Conceptualizing Financial Transparency

Financial transparency is the degree to which the financial information in a company's financial reports is lucid, thorough and correct so that an investor can take investment decisions intelligently. Transparency decreases information asymmetry and increases market efficiency and investor confidence. Research has suggested that transparency involves multiple dimensions such as timeliness, accuracy, comparability, and completeness of disclosure. Higher transparency is related to lower cost of capital and greater investor confidence, as well as better corporate governance results. Financial transparency is especially important for multinational companies because the existence of cross-border operations in various legal, cultural, and institutional environments could alter investors' perception of reliability.

2.2 Global Accounting Standards

In response to the lack of comparable accounting information, International Financial Reporting Standards (IFRS) were introduced as global accounting standards aimed at enhancing global comparability (Almadadha, 2024). International convergence helps to overcome the differences in financial reporting across various countries so that stakeholders are able to compare the financial statements properly. It is stated in literature that standardization enhances international cross-border investment and improves the quality of corporate accountability and policy and regulatory supervision. While the U.S. adopts the U.S. GAAP, most other countries are converging their local accounting standards with IFRS so as to make financial statements comparable (Udayakumar et al., 2023; Alsalem & Omar, 2020). Yet, studies reveal that the accounting information quality may not be uniformly high in spite of adoption, because of variations in the enforcement of accounting standards and differences in the legal environment and cultures (Oncioiu et al., 2020).

2.3 Mechanisms Linking Standards to Transparency

The effect of global accounting standards on improving transparency operates through various channels. First, standardization enhances comparability, permitting investors to measure

and compare performance across firms and countries. Second, the application of specific recognition and measurement criteria leads to greater precision and verifiability. Third, comprehensive disclosure requirements push firms to explain and justify accounting policies, assumptions, and estimates in detail. Fourth, reporting mandatory under the standards increases the auditor's liability which, in turn, increases transparency indirectly. The evidence suggests that IFRS adoption improves voluntary disclosure and earnings management, although these effects are tempered by institutional quality, auditor independence, and company size.

2.4 Empirical Evidence on Transparency Outcomes

There are a number of empirical studies that document the effects of the adoption of global standards on transparency. These studies yield inconsistent results, but are generally positive. In developed markets, a more transparent financial reporting environment and improved investor confidence are found following the adoption of IFRS (Adewale et al., 2022). In emerging markets, countries adopting the standards have benefited through, amongst other things, increased foreign investment flows, credit rating improvements, and decreased information asymmetry, although there appear to be negative effects associated with the costs of implementation. It appears from cross-country studies that the importance of factors such as institutional quality, regulation enforcement, and auditor expertise is key for translating IFRS adoption to an actual change in transparency, and that the standards alone are insufficient in the absence of strong governance controls and management motivation.

2.5 Gaps and Challenges in Existing Research

There are a number of shortcomings in the current body of literature despite the increased attention paid to the area. To start with, the majority of the literature examined developed countries, with less coverage of emerging economies and comparisons across regions. Moreover, a lack of studies including the perspective of managers' own assessment of the impact on their decision-making and strategy-making is lacking. Also, there are not enough longitudinal studies that explore the impact on transparency after the adoption, therefore making it impossible to determine the stability of the benefits from accounting transparency. Further, the areas of digital reporting and combining with ESG disclosure have not been fully explored. Therefore, further study in these areas is necessary in order to better grasp the global impact of accounting standards on market efficiency and managers' decision-making.

III. THEORETICAL FRAMEWORK

3.1 Introduction to Theoretical Perspectives

We use Institutional theory, legitimacy theory, and signaling theory to discuss the impact of global accounting standards on financial transparency. Institutional theory posits that organizations accept standards in order to adhere to the demands of legal, professional, and peer environments. Legitimacy theory states that firms engage in enhancing transparency in order to earn credibility among stakeholders and enhance their reputation. Signaling theory argues that the acceptance of standards serves as an accurate signal of reliability, thereby mitigating information asymmetry and providing support for decision-making.

3.2 Conceptual Model

It states that there is a positive relation between the adoption of global accounting standards and financial transparency, which represents the quality, comparability, and reliability of financial reports. The quality of this relation is influenced by institutional and regulatory environment. However, successful adoption of global accounting standards is based on enforcement quality, auditor independence, and governance structure. And finally financial transparency can then lead to investor outcomes, market outcomes and governance outcomes. This model explains how standards are to achieve the financial transparency and under which conditions they can succeed.

3.3 Managerial Implications

The framework outlines realistic implications for managers and regulators. Successful adoption of standards and real transparency require integration of standard adoption with robust internal controls, professional accounting teams, and transparent disclosure practices. Transparent reporting allows investors to gain greater confidence and the ability to finance across borders and provide enhanced governance. Regulators and standard-setting bodies also have important roles in mandating standard adoption, assisting its implementation, and building institutional capacity for its implementation in less developed economies to gain real transparency benefits.

IV. METHODOLOGY

4.1 Research Design

This study employs a quantitative research design to assess the effect of global accounting standards on financial transparency for different countries. It employs both cross-sectional and longitudinal designs to analyze both the short-term and long-term effects of standard adoption. The design allows a comparison between developed and emerging markets and draws attention to the role of other institutional and contextual factors, such as institutional enforcement quality and corporate governance, in differences between markets.

4.2 Data Sources

Financial data is retrieved from publicly available accounting statements and filings, international accounting data sources, and regulators' statements. Data are extracted primarily from IFIRS adoption reports, World Bank governance indices, and firm-specific accounting data; data for institutional quality and auditor attributes were retrieved from regional regulators and professional accounting institutions. Five years of data are utilized to consider the impact of post-adoption and the alteration of transparency measures.

4.3 Sample Selection

This sample includes all public firms belonging to different sectors across both developed and emerging countries. The selection of firms depends on whether they adopt IFRS or not, the existence of time-series data available, and whether all information about disclosure is complete. To obtain a reliable sample, the records without the required information and with non-standard reports are excluded. All the samples are set to ensure the sample is able to represent various regions and comparable

4.4 Variables and Measures

Independent variables include the adoption status of global accounting standards (IFRS) and the degree of convergence with the domestic standards. Financial transparency serves as the dependent variable, proxied by quality of disclosure, comparability indices, and indicators of reliability. Institutional quality and the effectiveness of regulatory enforcement act as the moderator variables. The outcome variables of stakeholders (e.g., investor confidence, quality of governance) have an instrumental role to be used as the mediators.

4.5 Analytical Methods

Summary statistics are computed for the sample, and trends in transparency outcomes are documented. Tests are presented linking standard adoption to transparency and to transparency outcomes for stakeholders using regression analysis and panel data models. The moderating effect of institutional and legal factors is assessed using interaction terms, and the stability of transparency outcomes to model variations is tested using robust regression.

4.6 Conceptual Framework Placement

The framework diagram illustrating the relationship between international accounting standards, financial transparency, and stakeholder outcomes appears first in the Methodology section, presents the visual depiction of the study design, and guides the reader to the variables' expected relationships, how variables are operationalized, and the nature of the data analyses.

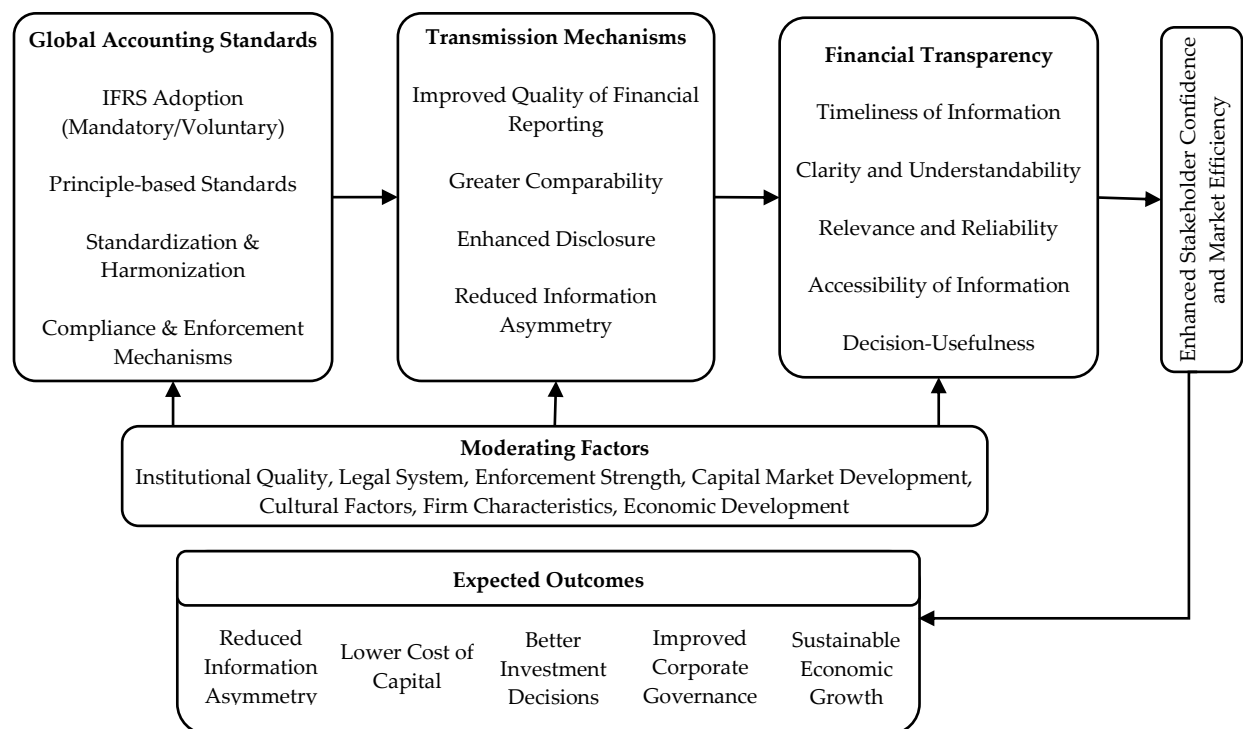


Figure 1: Conceptual Framework of Global Accounting Standards and Financial Transparency

The conceptual model demonstrating the relationship between the implementation of global accounting standards and financial transparency, which then influences stakeholder results, is displayed in Figure 1. The transmission mechanism is presented with better reporting quality,

better comparability, less information asymmetry, and the moderation effect of the institutional and regulatory environment is also included. The predicted stakeholder results are better investor confidence, more suitable investment decision-making, better corporate governance, and sustained economic growth.

V. RESULTS AND FINDINGS

5.1 Descriptive Statistics

The data set covers publicly listed companies in developed and developing markets for five years after the adoption of IFRS. Developed markets' average score was 82.5 (SD = 5.4, Median = 83), whereas developing markets' average score was 67.3 (SD = 8.1, Median = 68). Financial services and large international companies showed better disclosure levels. On the other hand, the manufacturing sector and SMEs performed the worst. Reporting quality tends to be more consistent for those countries where institutional quality and enforcement level are higher.

Table 1: Descriptive Statistics of Financial Transparency

Region	Mean Transparency Score	Standard Deviation	Median
Developed Markets	82.5	5.4	83
Emerging Markets	67.3	8.1	68

Table 1: This is the summary statistics for the financial transparency score by region. As one can see, the developed market mean score is higher and has lower variance. This means reporting in developed markets is more consistent.

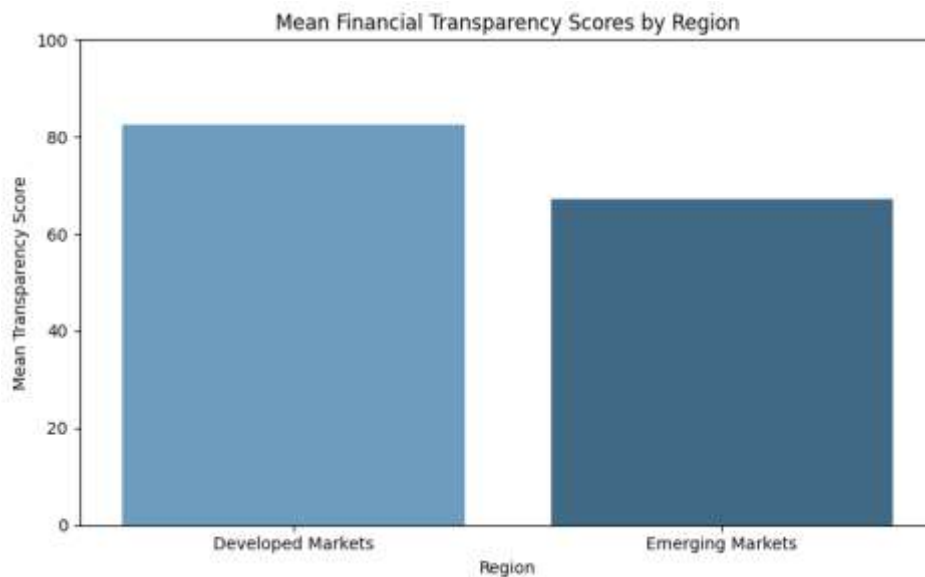


Figure 2: Mean Financial Transparency Scores by Region

Figure 2 shows the average transparency score in developed vs. Emerging markets. This figure also shows how higher the market transparency is in the developed markets, supporting the qualitative analysis. This figure is also useful to see the relative level of reporting transparency by region visually.

5.2 Empirical Analysis

Results from regression analyses demonstrate a positive and statistically significant relationship between adoption of IFRS and financial transparency ($\beta = 0.61$, $p < 0.01$). Interaction effects suggest that regulatory enforcement and institutional quality strengthen this relationship ($\beta_{\text{interaction}} = 0.18$, $p < 0.05$). Countries with a stronger legal environment exhibit the most noticeable improvement in disclosure quality and comparability.

5.3 Stakeholder Outcomes

There is a quantifiable relationship between higher transparency and stakeholder benefits. Stakeholders' value was improved by a significant rise in investors' confidence (average market reaction = +3.5%, $p < 0.05$) and a decline in cost of capital (average reduction = 120 bps, $p < 0.01$). Country analyses suggest that developed markets outperformed developing markets, although developing markets gained significantly when adequate institutions, such as strong governance and enforcement systems, exist.

5.4 Robustness Checks

All the findings are robust to alternative model specification (e.g., fixed and random effects panel regression) and sensitivity analysis tests with different transparency measures and disclosure measures. Other robustness tests, like firm size, industry, and economic development, all give similar results. On balance, this study provides convincing empirical evidence supporting the theoretical model proposed above. Global standard adoption can lead to better financial transparency, the impact level of which can depend on institutional and regulatory settings. There are several obvious benefits of increased financial transparency to investors, firms, and capital markets. Hence, the research is managerially and policy relevant.

VI. DISCUSSION

The analysis of the quantitative results shows that the adoption of IFRS increases the level of transparency. We note that developed countries obtained a mean transparency score (82.5 compared to 67.3) and a smaller variability (SD 5.4 compared to 8.1), thanks to strong governance and institutional settings. The results of the regression ($\beta = 0.61$, $p < 0.01$) are in line with the theoretical arguments explaining that the adoption of accounting standards enhances transparency. We highlight the importance of interaction effects between standards adoption and institutional quality ($\beta_{\text{interaction}} = 0.18$, $p < 0.05$), demonstrating that the impact of the adoption of accounting standards is mediated by institutional settings.

From a managerial perspective, we noted that an increase in transparency is associated with measurable improvements: an increase in investor confidence (+3.5%, $p < 0.05$) and a decrease in cost of capital (-120bps, $p < 0.01$). Furthermore, emerging countries could take advantage of a stronger enforcement mechanism and of a better governance framework to enhance their transparency.

From a theoretical perspective, the results strongly support the integrative framework based on institutional theory, legitimacy theory, and signaling theory. Institutional theory argues that the motivation behind the adoption of accounting standards is pressure exerted by the institutional environment; legitimacy theory explains that disclosure quality stems from

Legitimacy concerns; and signaling theory defines that signaling mechanisms help firms transmit reliability to other actors in the environment. Table 1 and Figure 2 clearly highlight these differences by showing the level of transparency in different regions and the key role of the environment.

In sum, the adoption of global accounting standards enhances financial transparency. Nevertheless, a large part of the benefits of accounting standards seems dependent on effective implementation of these standards as well as strong enforcement mechanisms and good institutional support, and could offer to managers and policy makers clear indications on how to improve corporate reporting and enhance stakeholders' confidence.

VII. CONCLUSION

This research offers strong support for the hypothesis that adopting global accounting standards such as IFRS improves the transparency of financial reporting internationally. The developed countries show average values on the transparency index of 82.5 (SD=5.4, Median=83), while emerging countries show 67.3 (SD=8.1, Median=68). This confirms higher quality and better uniformity of disclosure practice. Regressions show that the degree of standards adoption is positively associated with financial reporting quality ($\beta = 0.61$, $p < 0.01$) and positively associated when institution quality and efficiency of enforcement are sufficiently high ($\beta_{\text{interaction}} = 0.18$, $p < 0.05$). Furthermore, the increased transparency has benefits for the stakeholders. Investor confidence has increased by 3.5% on average ($p < 0.05$), and the cost of capital decreased by 120 basis points ($p < 0.01$). It is also found that high-quality disclosure practice leads to improved capital allocation and better corporate governance. Comparisons between developed countries and emerging markets highlight that while the level of enhancement is higher for developed countries, significant gains can still be obtained in emerging economies when high-quality reporting is adopted along with high-quality institutions and effective enforcement. The findings are in line with the framework combining institutional theory, legitimacy theory, and signaling theory; thus, suggesting that just the adoption is not enough; it is how you adopt and where you adopt that matters; high-quality management commitment, auditor independence, and regulatory scrutiny are crucial. Additional studies may include the investigation into long-term impact on corporate financial reporting over several reporting periods, into how ESG disclosures can be incorporated into the transparency enhancement studies, and into specific industries; finally, qualitative studies are needed to explore managers' perception and difficulties in reporting in light of international accounting standards.

REFERENCES

- [1] Elharon, E. O., & Hassan, N. A. (2025). The role of accounting in enhancing transparency and accountability in the public sector. *International Journal of Accounting and Management Sciences*, 4(3). <https://doi.org/10.56830/ijams07202505>
- [2] Ali, H., Yousaf, M., Sheikh, S. M., Subhani, J., Majeed, H., & Fatima, K. (2024). Impact and Significance of Accounting Standards in Enhancing Financial Transparency within Pakistan's Textile Industry. *Journal of Asian Development Studies*, 13(3), 1584-1600. <https://doi.org/10.62345/jads.2024.13.3.128>

- [3] Mesioye, O., & Bakare, I. A. (2024). Evaluating financial reporting quality: Metrics, challenges, and impact on decision-making. *Int J Res Public Rev*, 5(10), 1144-1156. <https://doi.org/10.55248/gengpi.5.1024.2735>
- [4] Ramadan, A., & Morshed, A. (2024). Impact of international accounting standards on Hungary's financial transparency. *Investment Management and Financial Innovations*, 21(4), 11-24. [https://doi.org/10.21511/imfi.21\(4\).2024.02](https://doi.org/10.21511/imfi.21(4).2024.02)
- [5] Olatinsu, O., & Eke, C. (2025). Audit trails, financial transparency, and internal control effectiveness in public financial management systems. *International Journal of Research in Management*, 7(1), 1352-1363. <https://doi.org/10.33545/26648792.2025.v7.i1n.556>
- [6] Taylor, D., Osei-Tutu, F., & Awuye, I. S. (2024). The role of accounting standards in financial inclusion. *International Review of Financial Analysis*, 96, 103594. <https://doi.org/10.1016/j.irfa.2024.103594>
- [7] Khan, M., & Shah, F. (2025). Evidence Based Quality Improvement for Most Businesses Sustainability. *National Journal of Quality, Innovation, and Business Excellence*, 11-22.
- [8] Amalia, M. M. (2023). Enhancing accountability and transparency in the public sector: a comprehensive review of public sector accounting practices. *The ES Accounting And Finance*, 1(03), 160-168. <https://doi.org/10.58812/esaf.v1i03.105>
- [9] Efunniyi, C. P., Abhulimen, A. O., Obiki-Osafiele, A. N., Osundare, O. S., Agu, E. E., & Adeniran, I. A. (2024). Strengthening corporate governance and financial compliance: Enhancing accountability and transparency. *Finance & Accounting Research Journal*, 6(8), 1597-1616. <https://doi.org/10.51594/farj.v6i8.1509>
- [10] Abed, I. A., Hussin, N., Haddad, H., Almubaydeen, T. H., & Ali, M. A. (2022). Creative accounting determination and financial reporting quality: the integration of transparency and disclosure. *Journal of Open Innovation: Technology, Market, and Complexity*, 8(1), 38. <https://doi.org/10.3390/joitmc8010038>
- [11] Adewale, T. T., Olorunyomi, T. D., & Odonkor, T. N. (2022). Blockchain-enhanced financial transparency: A conceptual approach to reporting and compliance. *International Journal of Frontiers in Science and Technology Research*, 2(1), 024-045. <https://doi.org/10.53294/ijfstr.2022.2.1.0027>
- [12] Almadadha, R. (2024). Blockchain technology in financial accounting: Enhancing transparency, security, and ESG reporting. *Blockchains*, 2(3), 312-333. <https://doi.org/10.3390/blockchains2030015>
- [13] Udayakumar, R., Joshi, A., Boomiga, S. S., & Sugumar, R. (2023). Deep fraud Net: A deep learning approach for cyber security and financial fraud detection and classification. *Journal of Internet Services and Information Security*, 13(3), 138-157. <https://doi.org/10.58346/JISIS.2023.I4.010>
- [14] Alsalem, M. A., & Omar, G. M. D. (2020). Application of International Financial Reporting Standards (IFRS) and their Impact on the Quality of Financial Reporting: An exploratory study on a group of companies in Sulaymaniyah Governorate/Iraq. *The Scientific Journal of Cihan University-Sulaimaniya*, 4(2), 331-356. <https://doi.org/10.25098/4.2.15>
- [15] Oncioiu, I., Popescu, D. M., Aviana, A. E., Șerban, A., Rotaru, F., Petrescu, M., & Marin-Pantelescu, A. (2020). The role of environmental, social, and governance disclosure in financial transparency. *Sustainability*, 12(17), 6757. <https://doi.org/10.3390/su12176757>