السنة الرابعة والعشرون، العدد 90 ، شهر ايلول، سنة 2026 تاريخ قبول النشر 2026/6/16

https://doi.org/10.31272/ijes.v24i90.1603

المجلة العراقية للعلوم الاقتصادية
Iraqi Journal For Economic Sciences

PISSN : 1812-8742 EISSE : 2791-092X Arcif : 0.375

The Impact of International Accounting Standards Adoption on Global Economic Integration(Subject Review)

أثر اعتماد المعايير المحاسبية الدولية المتبناة على التكامل الاقتصادي العالمي (مقال مراجعة)

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المستخلص

تسعى هذه المراجعة إلى تقييم التفاعل بين تبني معايير المحاسبة الدولية والتكامل الاقتصادي العالمي. مع ازدياد تكامل أسواق رأس المال وترابطها، أصبح توحيد معايير المحاسبة عاملاً مهماً في تعزيز كفاءة الاستثمارات الدولية. تحلل هذه المراجعة الأدبيات المتوفرة حول الموضوع المطروح، ألا وهو تأثير استخدام معايير التقارير المالية الدولية (IFRS) على تكامل أسواق رأس المال، والنمو الاقتصادي، وحوكمة الشركات. وتناقش المراجعة الجوانب النظرية والتجريبية لتوحيد معايير المحاسبة، مع الأخذ في الاعتبار الصعوبات التي قد تواجه تطبيق هذه المعايير. لذا، ينبغي للبحوث المستقبلية توسيع نطاقها الجغرافي وإضافة بيانات تجريبية التي جُمعت باستخدام مناهج بحثية كدراسة الحالة، وذلك للحصول على معلومات أكثر تفصيلاً حول تبني معايير المحاسبة الدولية. وتخلص المراجعة إلى أن معايير المحاسبة الدولية تُسهم بشكل كبير في التكامل الاقتصادي العالمي، إلا أنه لا يزال هناك عملاً يتعين القيام به لتحقيق التنسيق الكامل.

الكلمات الرئيسية: المعايير المحاسبية الدولية المتبناة، المعايير الدولية لأعداد التقارير المالية، والتكامل الاقتصادي العالمي.

Abstract

The current review attempts to assess the interaction between the adoption of International Accounting Standards and global economic integration. With the increase in integration and interdependence of capital markets, the standardization of accounting standards has become an important factor that makes international investments efficient. The current review analyzes the existing literature on the issue at hand – the influence of the use of International Financial Reporting Standards (IFRS) and its impact on capital markets integration, economic growth, and corporate governance. Both theoretical and empirical aspects of accounting standardization are discussed, taking into account the difficulties that can be faced while implementing these standards. Thus, future research should try to widen the geographic range and include empirical data gathered using such research methods as case study analysis in order to obtain more detailed information regarding IAS adoption. The conclusion is that the IAS standards contribute to global economic integration greatly, but there still is some work to be done to achieve complete harmonization.

Keywords: International Accounting Standards adoption, International Financial Reporting Standards, and Global Economic Integration.

1. Introduction: Globalization in trade, finance, and business transactions has demonstrated the importance of having an accounting system which can ensure cross-border comparability. The development of international accounting standards that have been reflected in the creation of the International Financial Reporting Standards (IFRS) is due to the segmentation of national accounting systems as well as the need for information which is useful for making decisions. As companies make use of resources and perform economic transactions outside the country of origin, accounting standards affect not only reporting but the information structure itself.

1,1 Background and Significance: Accounting harmonization has gained prominence about the need for reducing the costs involved due to having different standards for various nations. It should be pointed out that harmonizing standards would help improve the level of comparison and make cross-border investment easier because it will become simpler to make evaluations. Academic studies usually analyze the topic in relation to an even wider context, whereby institutional changes create opportunities for increased integration of markets on account of decreased transaction costs due to the better information environment.

1,2 Review Purpose and Research Focus: The purpose of this review is to evaluate the role played by international accounting standards in integrating of the global economy.

2. Literature Review

2,1 Economic Effects of Standards Adoption: There exist several ways through which the adoption of accounting standards affects economic integration in the empirical literature. For example, according to Covrig et al. (2007), as well as Daske et al. (2008), the adoption of IFRS promotes foreign direct investment (FDI) as well as portfolio investments (Barth et al., 2008; Daske et al., 2008). There exists consistent evidence across international literature showing the adoption of IFRS being followed by an increase in foreign investment (Barth et al., 2008; Armstrong et al., 2010). In addition, increased flows of foreign investment are noted especially when adoption of IFRS is considered credible and enforceable (Ball, 2006; Leuz & Wysocki, 2016). This can be attributed to the fact that increased information comparability helps to reduce investor uncertainty while reducing their search costs (Soderström & Sun, 2007; Leuz & Wysocki, 2016). Supporters of standardized accounting standards argue that IAS contributes significantly to increased transparency of accounting practices and the ability of financial statements to become comparable (Hagn L, 2024; Isaac S Awuye et al., 2024). As a result, economic integration through foreign direct investments becomes possible since IAS promotes cross-border business activity (N Imamova, 2025; Trimble M et al., 2024). However, there is another opinion on the issue since some scholars argue about the downsides and barriers in terms of using a unified standard that may produce smaller outcomes than expected (Legenzova R et al., 2023; Enoch O Alonge et al., 2024; Inès Kateb, 2023). For example, one possible negative aspect is an increase in economic inequality between developed and underdeveloped countries since the latter do not have enough means for implementing IAS standards in their economies (Schmidthuber L et al., 2020; Song F, 2024). Moreover, it can be noted that empirical evidence shows that, while helping in harmonizing accounting processes, IAS may also lead to biased reports because of overlooking different economic circumstances (Vinasi I, 2025., Daske et al., 2008; Pope & McLeay, 2011).

2,2 Researchers' Opinion: Though there have been numerous studies conducted in relation to International Accounting Standards (IAS) with Global Economic Integration, the existing literature has some significant weaknesses both in scope and methodology.

1- A major weakness of the current literature in relation to IAS adoption is that it often focuses on a few specific countries without considering the experience of other nations. In particular, little attention is paid to countries situated in less researched regions like Africa, Southeast Asia, and Latin America. Thus, it can result in an imbalanced perspective on the adoption of the standards. What is more, most of the studies are based on secondary data only, which may not be able to reflect the real implementation challenges faced by practitioners. Therefore, future research should include more countries in the analysis and use primary data obtained with the help of case studies to provide a more comprehensive picture of IAS adoption.

2-IAS adoption is considered to be an event rather than an action associated with some complex interactions. Much knowledge has to be gained about the ways in which institutional forces affect the adoption process and the adoption outcomes. Therefore, it is crucial to look at the interaction of international standards and local institutions and see what adaptations are needed to make the process effective.

3- The existing literature lacks detailed research on the impact of IAS adoption on small and medium enterprises (SMEs). It provides inconsistent results: on the one hand, there is a claim that SMEs benefit from better quality reporting; on the other hand, it is stated that they bear additional costs and suffer negative competitive consequences of excess disclosure. In addition, most of the studies are cross-sectional, which means that the dynamics of the impact of the adoption process are not taken into account. Thus, longitudinal research designs are required in the future to investigate the changes brought about by constant updates.

3. Results and Analysis : Although there were some valuable findings from the review of literature with respect to the effects of adopting IFRS on Global Economic Integration, there still exist several problems, which have not been studied previously in relation to the issue under consideration, it seems that a limited number of qualitative methods used in previous papers hinders further investigation in this direction. In addition, the majority of works on the problem under discussion focus on the situation in developed countries only.

3,1 Mixed or Conditional Findings: There is also an evident diversity among the findings related to the scale and sustainability of economic benefits from adopting International Accounting Standards. The bulk of the literature suggests that when there is any benefit from adopting IASs, it will most likely be higher where the implementation process is high, the market is developed, or compliance incentives are significant. Otherwise, there would be little change or none at all.

3,2 Gaps and relevant literature limitations: Some of the limitations found within the relevant literature can be highlighted below: First, there is an issue of endogeneity where countries that decide to use the International Financial Reporting Standards (IFRS) accounting system are already inclined towards globalizing. Secondly, diversity in the institutions can pose a problem where the impact of the institutions on adoption cannot be overlooked. Finally, some of the researchers have considered only binary adoption without considering implementation. According to the reviewed literature, the role played by accounting standards in enhancing market integration is related to their ability to minimize information costs in national markets. More precisely, when the statements become more comparable and credible, the associated information costs of searching and processing decrease for international investors, and at the same time the range of the capital base becomes more diversified. From this point of view, the use of IFRS is an important component of the infrastructure that enables market integration.

Conclusion: This review, it considers the existing literature about the role of IAS in economic integration. According to many researchers, the use of unified standards improves the quality of accounting because it decreases the level of information asymmetry, thus increasing stakeholders' confidence in the process and promoting economic integration. However, along with the positive connections, this review reveals some difficulties related to the implementation of IAS as well. According to the reviewed sources, there is the risk of creating differences in the ability to adopt the standards because of the fact that IAS does not reflect local peculiarities of an economy sufficiently enough. Hence, even though this review proves the efficiency of the process of adoption of IAS, the problem of its applicability needs to be addressed by more researchers.

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