

## Critical Factors of IFRS Adoption in Bank Industries In Middle East Countries

**Authors :** Benjamin Bae

**Abstract :** This study investigates the relationship between the adoption of International Financial Reporting Standards (IFRS) and the performance of banks in a number of Middle East countries. We examine whether performance levels and audit qualities play any role in adopting the International Financial Reporting Standards (IFRS) in Middle East banks. This study hypothesizes that, in general, banks with high performance and audit quality measures tend to adopt the IFRS than low-performing banks, as the adoption of a new standard takes lots of time and expenses, which could be an additional burden to them. The results show that three hypotheses are strongly supported whereas the cultural factor hypothesis is not. Banks with high ROA and ROE tend to adopt IFRS than low-performing banks. Big banks are also more likely to adopt IFRS than small or medium-sized banks. Contrary to the hypothesis, the Islamic bank status as a cultural factor has some positive impact on the adoption of the banks in the region. Overall, this research adds to our understanding of the bank's performance. First, evidence on the relationship between the adoption of IFRS and the bank's performance should be useful to investors. Second, the findings of this study provide financial statement users with useful information about the bank's performance measures.

**Keywords :** IFRS, financial performance, audit quality, culture, firm size

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