

An Institutional Analysis of IFRS Adoption in Poor Jurisdictions

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Abstract : The last two decades witnessed a movement towards harmonization of international financial reporting standards (IFRS) throughout the global economy. This investigation seeks to identify the factors that could explain the adoption of IFRS by poor jurisdictions. While there has been a considerable amount, of literature published on the effects and key drivers of IFRS adoption in both developed and developing countries, little attention has been paid to jurisdictions with less developed capital markets and low-income levels exclusively. Drawing upon the Institutional Isomorphism theory and analyzing a sample of 45 poor jurisdictions between 2008 and 2013, the study empirically shows that poor jurisdictions are driven by legitimacy concerns rather than by economic reasoning to adopt an international accounting perspective. This in turn has implications for the IASB, as it should seek to influence institutional pressures within a particular jurisdiction in order to promote IFRS adoption.

Keywords : IFRS adoption, isomorphism, poor jurisdictions, accounting harmonization

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