

The effect of international financial reporting standards on financial inclusion: A country-level analysis



 **Huong Thi Thanh Tran¹⁺**

^{1,2,3,4}Banking Academy of Vietnam, Vietnam.

¹Email: huongttt76@hvn.edu.vn

 **Ha Thi Thu Le²**

²Email: haltt@hvn.edu.vn

 **Thi Anh Dao Phan³**

³Email: daopta@hvn.edu.vn

 **Thi Thu Huong Ngo⁴**

⁴Email: huongttn@hvn.edu.vn



(+ Corresponding author)

ABSTRACT

Article History

Received: 21 April 2025

Revised: 16 September 2025

Accepted: 10 October 2025

Published: 7 November 2025

Keywords

Accounting framework
Financial inclusion
Financial inclusion index
International Financial Reporting Standards
Principal component analysis
Two-stage regression.

JEL Classification:

C36; C38; G20; G21; M41.

Many studies have examined the drivers of financial inclusion. However, few have explored the impact of the accounting framework on financial inclusion. Our study aims to investigate whether the adoption of International Financial Reporting Standards (IFRS) affects financial inclusion. We use a two-stage regression method to analyze data from 53 countries collected between 2017 and 2021. We construct a financial inclusion index using principal component analysis (PCA), which combines access to and use of financial services. We employ the Worldwide Governance Indicators, specifically Control of Corruption and Rule of Law, as instrumental variables. Our findings indicate that the adoption of IFRS enhances financial inclusion. Additionally, GDP per capita and the Internet penetration rate positively impact the financial inclusion index, highlighting the importance of economic growth and information technology in expanding financial access. Conversely, the employment-to-population ratio (ERP) has an adverse effect, suggesting that higher employment rates do not necessarily lead to better financial access. These results imply that IFRS can serve as a tool to promote financial inclusion. Based on these findings, the study recommends that policymakers encourage IFRS adoption to improve access to and utilization of financial products.

Contribution/ Originality: This study contributes to the limited body of research on the relationship between the accounting framework and financial inclusion. The originality of this study is that we explore the effect of IFRS on the financial inclusion index at the national level, which has not been addressed in previous studies.

1. INTRODUCTION

Financial inclusion (FI) involves providing affordable financial services to individuals, particularly those from disadvantaged groups (Cámara & Tuesta, 2014; Sethi & Acharya, 2018). People can access formal financial services through FI, which offers advantages such as cash management, spending restrictions, and security. Additionally, increasing access to formal financial services such as credit, savings, and insurance creates opportunities for individuals and small and medium-sized businesses to invest in production, improve labor productivity, and achieve higher efficiency (Dupas & Robinson, 2009). The savings individuals invest in the financial market also generate capital, which is allocated to large investments. This reduces liquidity risk, which is caused by a lack of capital (Sethi & Acharya, 2018). Identifying the determinants of FI is necessary to enhance economic development towards a stable and equitable society. Previous studies have acknowledged several factors contributing to FI, such as economic growth, information technology, education, population demographics, and financial literacy (Evans & Alenoghena,

2017; Kabakova & Plaksenkov, 2018; Kara, Zhou, & Zhou, 2021; Lu, Niu, & Zhou, 2021). A potentially important driver of FI is the accounting framework, which is a crucial factor for the efficient functioning of the financial system. The adoption of well-recognized accounting guidelines, such as International Financial Reporting Standards (IFRS), offers many benefits by improving transparency, enhancing access to capital, supporting risk management, and promoting financial system stability. According to Taylor, Osei-Tutu, and Awuye (2024), the adoption of IFRS improves FI by increasing public confidence in banking operations and decreasing corruption in the financial system.

However, there are still few studies that explore the impact of adopting IFRS on FI. The research by Taylor et al. (2024) is one of the most notable studies on this topic. In this study, the authors use binary variables such as whether an individual has a formal account, a debit card, or savings at a financial institution to represent FI at the micro level. The authors also conduct a robustness test on the impact of IFRS at the country level. However, the authors only use the percentage of people who have a formal account to represent FI at the national level. This measure may not fully capture FI as a multi-dimensional concept. Therefore, more research is needed to explore the effect of IFRS on FI at the national level with more comprehensive FI indicators.

We employ a two-stage least squares (2SLS) regression analysis using data from 53 countries between 2017 and 2021 to investigate the effect of IFRS adoption on financial inclusion. We construct a financial inclusion (FI) index based on the use and access of financial services. Our findings demonstrate that the adoption of IFRS positively impacts countries' financial inclusion. This study provides additional evidence that adopting IFRS can enhance financial inclusion at the national level. This study contributes to the literature in several ways. First, it adds to the current limited evidence on how IFRS adoption influences FI. With the notable exception of Taylor et al. (2024), there is limited research on the role of accounting standards, even though numerous studies have explored the factors influencing FI. Second, while Taylor et al. (2024) concentrate on the individual level, our study explores the effect of IFRS on FI at the national level. Third, unlike Taylor et al. (2024) in this study, we use principal component analysis to construct a composite FI index in terms of use and access to financial services. Using an FI index will provide a more comprehensive assessment of FI than single measures of the usage of financial products. Additionally, to deal with possible endogeneity arising from reverse causality between IFRS and FI and unobserved bias, we use a two-stage least squares (2SLS) regression model to estimate the impact of IFRS on the FI index. Unlike Taylor et al. (2024), who use trade openness as an instrument variable, we believe that trade openness can directly affect FI through channels such as growth, banking development, and financial services. Estrada, Park, and Ramayandi (2010) also demonstrate that international trade helps expand the financial system. Therefore, to control for endogeneity in the model, we select the global governance indicators with two aspects: Rule of Law and Control of Corruption, as instrumental variables. Institutional factors, rule of law, and government efficiency are closely related to the ability to implement IFRS because applying IFRS requires a strong legal framework (Rule of Law), transparent governance, and anti-corruption measures (Control of Corruption). These two factors are less likely to have a direct relationship with financial inclusion because financial inclusion results from financial policy, financial technology, and people's access to financial services. The study is organized as follows. In Section 2, we review the literature; we outline the research methodology and model in Section 3; in Section 4, we present the results and discussions; and in Section 5, we conclude the study.

2. LITERATURE REVIEW

2.1. International Financial Reporting Standards

International Financial Reporting Standards (IFRS) are a set of accounting guidelines created by the International Accounting Standards Board (IASB). Their goal is to standardize how financial information is reported worldwide. IFRS spreads quickly by offering advantages such as creating a common language for accounting and reducing costs. It also makes comparing financial statements between countries easier. The theory of economic convergence (Deegan, 2009) suggests that, as the world economy becomes more connected, the need for unified

accounting standards grows. Financial reports must be comparable, reliable, and transparent across borders (Sun, Zhang, Zhang, & Zhang, 2022). Institutional theory (Ball, 2006) suggests that countries adopt IFRS for a variety of reasons. They might want to align with global best practices. Or they may be under pressure from organizations like the World Bank or the International Monetary Fund (IMF) (Deegan, 2002). According to capital market access theory, countries with large stock markets are more likely to adopt IFRS (Christensen, Lee, & Walker, 2007). It builds investor trust, simplifies comparisons, and attracts more global investment.

2.2. Financial Inclusion

FI is the provision of affordable financial services and ensuring disadvantaged people have access to financial products and services (Kumar, 2013; Mohseni-Cheraghloo, 2015). According to Inoue (2019), FI ensures that all individuals can get access to financial services at a reasonable expense. Many studies have focused on measuring FI (Amidžic, Massara, & Mialou, 2014; Cámara & Tuesta, 2014; Demirgüç-Kunt & Klapper, 2012; Le, Anh, & Taghizadeh-Hesary, 2019; Sarma, 2015; Sarma & Pais, 2011; Tran & Le, 2021).

FI brings various socio-economic benefits, such as increasing savings (Demirgüç-Kunt & Singer, 2017), reducing inequality and poverty (Chithra & Selvam, 2013; Dogan, Madaleno, & Taskin, 2021; Koomson, Villano, & Hadley, 2020; Tran & Le, 2021), helping people manage financial risks, and enhancing financial stability and capital accumulation (Dupas & Robinson, 2009; Sethi & Acharya, 2018). Financial inclusion can help increase the capital in the economy and thereby promote economic growth (Cama & Emara, 2022).

2.3. The Role of International Financial Reporting Standards in Promoting Financial Inclusion

The role of IFRS in FI is demonstrated through several aspects as follows.

2.3.1. Increasing Transparency and Trust in Financial Information

Adopting IFRS increases the transparency and credibility of businesses because IFRS requires companies to disclose more detailed financial information, which helps investors assess the reliability of the business's financial statements and make appropriate investment decisions. Information transparency is important in finance because more transparent and reliable financial statements improve users' confidence in the operations of financial institutions. The application of IFRS helps improve the quality of financial information, thereby reducing information asymmetry between parties. This promotes investor confidence in credit institutions (Jorissen, Ram, & Barros, 2022).

Trust is an important factor determining households' access to and use of financial services (Allen, Demirgüç-Kunt, Klapper, & Peria, 2016; Koomson, Koomson, & Abdul-Mumuni, 2023). Firms that demonstrate transparency in their operations can gain greater trust from customers. This trust is important to attract more users, especially the unbanked population (Taylor et al., 2024). According to Fungáčová, Kerola, and Weill (2022), a significant obstacle to using formal financial services is a lack of trust in financial institutions. Koomson et al. (2023) recommend that financial institutions take measures to promote customer trust to enhance FI. According to Taylor et al. (2024), IFRS adoption increases FI by enhancing trust and transparency and reducing corruption in the financial system.

2.3.2. Attracting Investment and Supporting Financial Growth

An IFRS-compliant financial reporting system helps financial institutions, especially banks and credit institutions, attract international investors. When an organization's financial statements comply with international standards, investors can easily compare them with other organizations in different countries, creating opportunities for capital mobilization and the development of financial products for FI. Adopting IFRS leads to higher accounting quality and improves foreign direct investment across countries (Musa, 2019). Economic theory suggests that a firm's commitment to increasing the level of disclosure will reduce information asymmetry and adverse selection in the capital market, thereby leading to increased market liquidity, reduced cost of capital, and increased firm value (Sato

& Takeda, 2017). Many studies find the positive impact of IFRS adoption on the capital market, such as increasing liquidity (Daske, Hail, Leuz, & Verdi, 2008), reducing information asymmetry (Muller, Riedl, & Sellhorn, 2011), reducing the cost of equity (Li, 2010) and reducing bond yield spreads (Florou & Kosi, 2013). Companies adopting IFRS are more attractive to investors. Beneish, Miller, and Yohn (2012) find that foreign investment increases in countries that require IFRS adoption. Gordon, Loeb, and Zhu (2012) find that IFRS adoption positively affects the total FDI inflows.

2.3.3. Strengthening the Stability of the Financial System

IFRS adoption helps maintain the stability of the financial system by implementing best practices in financial reporting and risk disclosure. IFRS convergence aids in reducing earnings manipulation, which results in more timely loss recognition and accurate accounting practices (Musa, 2019). This is particularly important for FI, where microfinance institutions and other financial institutions providing credit to vulnerable groups must operate stably and sustainably. IFRS is important in enhancing transparency, investor confidence, and access to capital markets for microfinance institutions (Mamadiyarov, Sultanova, Khamdamov, & Makhmudov, 2024).

In addition to IFRS, several studies have shown the impact of other factors on FI. For example, Evans and Alenoghena (2017) conducted a study of 15 African countries over the period 2005 to 2014 that found GDP per capita had a significant impact on FI. Claessens, Glaessner, and Klingebiel (2002) use a regression of moments with panel data from 61 developing countries over 13 years to show that the Internet has significantly enhanced financial development, and developing countries can further strengthen their weak financial systems by investing more in communication technology. Alshubiri, Jamil, and Elheddad (2019) also find that the increased fixed broadband and the number of Internet users positively and statistically impact financial development. Stable and formal employment makes it easier for workers to access financial services such as bank accounts, credit, and insurance. Research by Jin, Gan, and Anh (2024) shows that household employment status significantly impacts financial inclusion.

Based on the above literature, we anticipate that adopting IFRS will promote the development of FI. Therefore, we propose the following hypothesis:

H₁: The adoption of IFRS has a positive influence on financial inclusion.

3. RESEARCH METHODOLOGIES

3.1. Research Model

Adopting IFRS can enhance transparency and improve access to credit, thereby fostering financial institutions (Taylor et al., 2024). However, countries with highly inclusive financial systems may find transitioning to and adopting IFRS easier. This suggests a potential reverse causality between IFRS adoption and FI. The test results presented in Appendix 3 and 4 indicate a difference in the FI index between countries adopting IFRS and those not, with IFRS-adopting countries exhibiting higher average FI indexes. Since countries with high IFRS adoption may be inherently more developed, we employ a regression model using instrumental variables to better account for the endogenous cause-and-effect relationship between IFRS and FI. IFRS is treated as an endogenous variable in this model due to (1) its possible response to FI policies and (2) its being influenced by unobserved factors such as institutional quality and financial development levels. The exogenous variables in the model include GDP per capita (*GDPPC*), employment rate (*ERP*), and internet penetration rate (*IUI*), which affect FI but are not influenced by IFRS adoption. Unlike Taylor et al. (2024), who use trade openness as an instrument variable, we use the Worldwide Governance Indicators, specifically Rule of Law and Control of Corruption, as instrumental variables. These institutional factors are closely linked to the likelihood of IFRS adoption (Judge, Li, & Pinsker, 2010; Ramanna & Sletten, 2009) as IFRS adoption requires a robust legal framework (Rule of Law), transparent governance, and effective anti-corruption measures (Control of Corruption). Furthermore, these factors are unlikely to have a direct impact on financial inclusion, as financial inclusion is primarily driven by financial policies, financial technology, and

access to financial services. As IFRS may be considered an endogenous variable that can be influenced by unobserved financial or institutional factors, we use a two-stage regression (2SLS) method, with the instrumental variables being Rule of Law (*POL*) and Control of Corruption (*COC*). The model is presented as follows:

First stage: Estimating IFRS from the instrumental variables:

$$IFRS_{it} = \gamma_0 + \gamma_1 POL_{it} + \gamma_2 COC_{it} + \gamma_3 GDPPC_{it} + \gamma_4 ERP_{it} + \gamma_5 IUI_{it} + u_{it} \quad (1)$$

Where *POL* and *COC* are instrumental variables.

Second stage: Estimate the impact of IFRS estimated in the first stage (Equation 1) and exogenous variables on FI.

$$FII_{it} = \alpha_0 + \alpha_{1it} IFRS_{it} + \alpha_2 GDPPC_{it} + \alpha_4 ERP_{it} + \alpha_5 IUI_{it} + c_i + u_{it} \quad (2)$$

Where *i* denotes the country, *t* denotes the year, *c_i* represents country-specific characteristics, and *u_{it}* is the random error term. *FII* stands for the FI index, while *IFRS* indicates whether a country follows IFRS (with a value of 1 if IFRS is applied in a given year and zero otherwise). The model also includes control variables such as *GDPPC* for economic growth, measured by GDP per capita; *ERP* for the country's population characteristics, based on the employment-to-population ratio; and *IUI* for the country's science and technology indicators, measured by the Internet usage ratio.

To measure financial inclusion (FI), we construct an index based on two aspects: access to and usage of financial services. Access to FI is represented by two indicators: *ATM* (automated teller machines) and *BRAN* (commercial bank branches) per 100,000 adults. Usage is represented by two indicators: *DEP* (depositors with commercial banks) and *BORR* (borrowers from commercial banks) per 1,000 adults.

We employ principal component analysis (PCA) to create an FI index. Many authors, such as Cámara and Tuesta (2014), Tran and Le (2021), and Le et al. (2019) use the PCA method in measuring the FI index. We perform Bartlett and Kaiser-Meyer-Olkin (KMO) tests to check the suitability of the data for PCA. Appendix 1 reports the results of the Bartlett and KMO tests. The KMO value is 0.734, between 0 and 1, and greater than 0.5. The Bartlett test result has a *p*-value less than the significance level of 0.01. Thus, both tests' results demonstrate the suitability of the PCA approach. Appendix 2 reports the total explained variance of the comprehensive financial index.

Table 1 presents the variable names, measures of the variables, and the data sources used in the study.

Table 1. Measures of variables and the data source.

Dimension	Variable	Measurement	Data source
IFRS	<i>IFRS</i>	1 if the country applies IFRS, 0 if otherwise	Song and Trimble (2022) dataset
Financial inclusion	<i>ATM</i>	ATMs/100,000 adults	Global Findex database
	<i>BRAN</i>	Commercial bank branches/100,000 adults	Global Findex database
	<i>BORR</i>	Borrowers from commercial banks/1,000 adults	Global Findex database
	<i>DEP</i>	Depositors from commercial banks/1,000 adults	Global Findex database
Economics	<i>GDPPC</i>	GDP per capita, in constant 2015 dollars	World development indicators
General country characteristics	<i>ERP</i>	Employment-to-population ratio of people aged 15 and above.	World development indicators
Technology	<i>IUI</i>	Individuals using the Internet relative to the total population	World telecommunication/ICT indicators

3.2. Sources of Data

Our sample includes 53 countries during the period from 2017 to 2021. We collect information on FI from the Global Findex database, GDP per capita (GDPPC), employment-to-population ratio (ERP) data from the World Development Indicators, and Internet usage (IUI) data from the World Telecommunication/ICT Indicators. The Worldwide Governance Indicators provide information on the Control of Corruption (COC) and Rule of Law (POL). We obtain IFRS adoption data from Song and Trimble's (2022) dataset, which is also used by Taylor et al. (2024).

In this study, we are interested in the role of IFRS in FI from a macro perspective. Therefore, we use data reflecting FI from two aspects: access and usage of financial services. The level of financial access is expressed through two indicators, *ATM* and *BRAN*; usage is constructed through two indicators, *BORR* and *DEP*. We collect these data from the World Development Indicators of the World Bank. Because some countries do not provide complete information on indicators reflecting FI, countries with full details on FI mainly provide data up to 2021, while very few countries have complete data up to 2023. Therefore, to ensure sufficient data reflecting the factors in the research model, we use the convenience sample method. After filtering out countries with insufficient data, we obtained 53 countries. Of these, the high-income group has 12 countries (22.6%), the low-income group has 6 (11.3%), the lower-middle-income group has 16 (30.2%), and the upper-middle-income group has 19 (35.8%).

4. RESULTS AND DISCUSSIONS

4.1. Research Results

We show descriptive statistics in Table 2. As shown, 87.5% of the observations correspond to countries that have adopted IFRS. Indicators of FI exhibit substantial variation across the sample. On average, there are 45.56 ATMs and 12.70 bank offices per 100,000 adults. Furthermore, the mean number of borrowers and depositors per 1,000 individuals is 230.16 and 824.35, respectively.

Table 2. Descriptive statistics.

Variables	N	Minimum	Maximum	Mean	Std. dev.
<i>ATM</i>	265	1.33	276.29	45.56	41.35
<i>BRAN</i>	265	0.85	48.93	12.70	10.15
<i>BORR</i>	265	7.07	1122.29	230.16	213.09
<i>DEP</i>	265	25.51	2727.37	824.35	545.64
<i>EPR</i>	265	22.63	87.52	56.90	11.07
<i>GDPPC</i>	265	422.92	67638.65	9223.37	9223.37
<i>IUI</i>	265	5.90	100.00	58.88	26.65
<i>ERP</i>	265	22.63	87.52	56.90	11.07
<i>IFRS</i>	Yes: 232 (87.5%) No: 33 (12.5%)	-	-	-	-

Table 3. 2SLS regression estimation results with IFRS as endogenous variable.

Explanatory variables	2 SLS, robust
<i>IFRS</i>	2.784 (0.657)***
<i>GDPPC</i>	0.000 (0.000)***
<i>IUI</i>	0.018 (0.003)***
<i>ERP</i>	-0.034 (0.009)***
<i>Constant</i>	-1.758 (0.557)***
Observations	265
Wald chi2(4)	209.55 (p = 0.000)
Root MSE	0.932
Testing of instrumental variables IFRS	

Explanatory variables	2 SLS, robust
R ²	0.238
Adjusted R ²	0.224
Partial R ²	0.103
F (2,259)	14.698
Prob >F	0.000
Tests of overidentifying restriction	
Score chi2(1)	2.579 (p = 0.108)

Notes: POL and COC are Instrumental variables; *** indicates significance at the 1% level.

According to the estimation results in Table 3, the partial R² coefficient of 0.103 indicates a moderate correlation, sufficient to justify the use of the instrument. The F-statistic of 14.698, which is greater than 10, confirms that the instrumental variable is not weak (Stock & Yogo, 2002). The overidentifying restriction test yields a P-value of 0.108, which is greater than 0.05, indicating that *ROL* and *COC* are valid instrumental variables and are not correlated with the error term.

The estimation results support that IFRS adoption improves FI, even after addressing endogeneity concerns with instrumental variables. Specifically, the adoption of IFRS is related to an increase in FI, as reflected by an estimated coefficient of 2.784, which is significant at the 1% level. These findings validate the model and emphasize the important role of improving institutional quality, controlling corruption, and adopting international accounting standards in advancing financial access and inclusion.

Additionally, GDP per capita (GDPPC) positively affects FI, while the Internet penetration rate (*IUI*) shows a positive impact, highlighting the significance of information technology in expanding FI. However, the employment-to-population ratio (*ERP*) has an adverse effect, suggesting that higher employment rates do not necessarily lead to better financial access, particularly in countries with large informal sectors or underdeveloped financial services.

4.2. Discussions

Our results are consistent with Taylor et al. (2024), who find evidence that IFRS enhances FI. Taylor et al. (2024) prove that there are two ways in which IFRS promotes FI. Firstly, IFRS makes the financial system more transparent. Secondly, it lowers the level of corruption. Taylor et al. (2024) demonstrate that IFRS adoption fosters FI by building trust, improving transparency, and reducing corruption in the financial system.

Some prior studies also show that trust influences the households' use of financial products (Allen et al., 2016; Koomson et al., 2023). Fungáčová et al. (2022) also state that a lack of trust in credit institutions hinders the use of formal financial products. Koomson et al. (2023) suggest that financial institutions take steps to build customer trust to promote FI.

The findings have important implications for governments and financial institutions. Policymakers should consider encouraging the implementation of IFRS in addition to factors like economic conditions, education, and information and communication technology. IFRS helps create an environment that is transparent and trustworthy. This environment allows financial service providers to offer more products to communities. Therefore, countries may use IFRS to expand access to financial services and improve financial inclusion.

5. CONCLUSIONS

We use 2SLS regression with data from 53 countries during the period 2017-2021 to examine whether IFRS adoption is related to financial inclusion. We construct a financial inclusion index based on access to and usage of financial services. Our findings show that adopting IFRS helps promote financial inclusion at the country level. The results imply that IFRS adoption should be considered to enhance financial inclusion. The connection between IFRS adoption and financial inclusion emphasizes the need for transparent and consistent financial reporting.

The results support the alignment of financial reporting standards worldwide. Policymakers should consider adopting IFRS. Implementing IFRS may serve as a tool for policymakers seeking to increase financial inclusion in

nations with limited access to financial services. This can attract more foreign investment and strengthen financial systems. To ensure the proper application of IFRS, governments and corporations should provide accountants with comprehensive training on IFRS. According to Gonçalves, De Moura, and Motoki (2022), there are challenges with implementing IFRS, including inconsistencies and comprehension problems. Therefore, effective training is necessary to overcome these obstacles.

In conclusion, our research shows that adopting IFRS can help increase FI. Future studies could examine how IFRS affects different regions or economic environments to understand how local factors influence its impact.

Funding: The authors gratefully acknowledge the financial support from the Banking Academy of Vietnam.

Institutional Review Board Statement: Not applicable.

Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

Data Availability Statement: Upon a reasonable request, the supporting data of this study can be provided by the corresponding author.

Competing Interests: The authors declare that they have no competing interests.

Authors' Contributions: All authors contributed equally to the conception and design of the study. All authors have read and agreed to the published version of the manuscript.

REFERENCES

- Allen, F., Demirgüç-Kunt, A., Klapper, L., & Peria, M. S. M. (2016). The foundations of financial inclusion: Understanding ownership and use of formal accounts. *Journal of Financial Intermediation*, 27, 1–30. <https://doi.org/10.1016/j.jfi.2015.12.003>
- Alshubiri, F., Jamil, S. A., & Elheddad, M. (2019). The impact of ICT on financial development: Empirical evidence from the Gulf Cooperation Council countries. *International Journal of Engineering Business Management*, 11, 1847979019870670. <https://doi.org/10.1177/1847979019870670>
- Amidžić, G., Massara, M. A., & Mialou, A. (2014). *Assessing countries' financial inclusion standing: A new composite index*. Washington, D.C, USA: International Monetary Fund.
- Ball, R. (2006). International Financial Reporting Standards (IFRS): Pros and cons for investors. *Accounting and Business Research*, 36(sup1), 5–27. <https://doi.org/10.1080/00014788.2006.9730040>
- Beneish, M. D., Miller, B. P., & Yohn, T. L. (2012). *The impact of financial reporting on equity versus debt markets: Macroeconomic evidence from mandatory IFRS adoption, Working paper*. Retrieved from <http://ssrn.com/abstract=1403451>
- Cama, F. A. R., & Emara, N. (2022). Financial inclusion and gross capital formation: A sectoral analysis approach for the MENA region and EMs. *International Review of Financial Analysis*, 79, 101993. <https://doi.org/10.1016/j.irfa.2021.101993>
- Cámara, N., & Tuesta, D. (2014). *Measuring financial inclusion: A multidimensional index*. BBVA Research Paper, No. (14/26).
- Chithra, N., & Selvam, M. (2013). Determinants of financial inclusion: An empirical study on the inter-state variations in India. *Available at SSRN*, 1–15. <https://doi.org/10.2139/ssrn.2296096>
- Christensen, H. B., Lee, E., & Walker, M. (2007). Cross-sectional variation in the economic consequences of international accounting harmonization: The case of mandatory IFRS adoption in the UK. *The International Journal of Accounting*, 42(4), 341–379.
- Claessens, S., Glaessner, T., & Klingebiel, D. (2002). E-finance in emerging markets: Is leapfrogging possible? *Financial Markets, Institutions & Instruments*, 11(1), 1–125. <https://doi.org/10.1111/1468-0416.00001>
- Daske, H., Hail, L., Leuz, C., & Verdi, R. (2008). Mandatory IFRS reporting around the world: Early evidence on the economic consequences. *Journal of Accounting Research*, 46(5), 1085–1142. <https://doi.org/10.1111/j.1475-679X.2008.00306.x>
- Deegan, C. (2002). Introduction: The legitimising effect of social and environmental disclosures—a theoretical foundation. *Accounting, Auditing & Accountability Journal*, 15(3), 282–311. <https://doi.org/10.1108/09513570210435852>
- Deegan, C. M. (2009). *Financial accounting theory* (4th ed.). Australia: McGraw-Hill Education (Australia) Pty Ltd.
- Demirgüç-Kunt, A., & Klapper, L. (2012). *Measuring financial inclusion: The global Findex database*. World Bank Policy Research Working Paper, No. 6025. Washington, DC: The World Bank.

- Demirgüç-Kunt, A., & Singer, D. (2017). *Financial inclusion and inclusive growth: A review of recent empirical evidence*. World Bank Policy Research Working Paper No. 8040.
- Dogan, E., Madaleno, M., & Taskin, D. (2021). Financial inclusion and poverty: Evidence from Turkish household survey data. *Applied Economics*, 54(19), 2135-2147. <https://doi.org/10.1080/00036846.2021.1985076>
- Dupas, P., & Robinson, J. (2009). The impact of financial access on economic outcomes: Evidence from Kenya. *American Economic Review*, 99(5), 1153-1184.
- Estrada, G. B., Park, D., & Ramayandi, A. (2010). *Financial development and economic growth in developing Asia*. Asian Development Bank Economics Working Paper No. 233.
- Evans, O., & Alenoghena, O. (2017). Financial inclusion and GDP per capita in Africa: A Bayesian VAR model. *Journal of Economics & Sustainable Development*, 8(18), 44-57.
- Flourou, A., & Kosi, U. (2013). *Does mandatory IFRS adoption facilitate debt financing? Working paper*. UK: University of London.
- Fungáčová, Z., Kerola, E., & Weill, L. (2022). Does experience of banking crises affect trust in banks? *Journal of Financial Services Research*, 62, 61-90. <https://doi.org/10.1007/s10693-021-00365-w>
- Gonçalves, F. J. A., De Moura, A. A. F., & Motoki, F. Y. S. (2022). What influences the implementation of IFRS for SMEs? The Brazilian case. *Accounting & Finance*, 62(2), 2947-2992.
- Gordon, L. A., Loeb, M. P., & Zhu, W. (2012). The impact of IFRS adoption on foreign direct investment. *Journal of Accounting and Public Policy*, 31(4), 374-398. <https://doi.org/10.1016/j.jaccpubpol.2012.06.001>
- Inoue, T. (2019). Financial inclusion and poverty reduction in India. *Journal of Financial Economic Policy*, 11(1), 21-33. <https://doi.org/10.1108/JFEP-01-2018-0012>
- Jin, S., Gan, C., & Anh, D. L. T. (2024). Financial inclusion toward economic inclusion: Empirical evidence from China's rural household. *Agricultural Finance Review*, 84(1), 67-89. <https://doi.org/10.1108/AFR-09-2023-0121>
- Jorissen, A., Ram, R., & Barros, P. M. (2022). Are IFRS Standards a 'trusted' language for private firm credit decisions? An analysis of country differences in users' perspective. *Accounting & Finance*, 62(2), 3021-3065.
- Judge, W., Li, S., & Pinsker, R. (2010). National adoption of international accounting standards: An institutional perspective. *Corporate Governance: An International Review*, 18(3), 161-174. <https://doi.org/10.1111/j.1467-8683.2010.00798.x>
- Kabakova, O., & Plaksenkov, E. (2018). Analysis of factors affecting financial inclusion: Ecosystem view. *Journal of Business Research*, 89, 198-205.
- Kara, A., Zhou, H., & Zhou, Y. (2021). Achieving the United Nations' sustainable development goals through financial inclusion: A systematic literature review of access to finance across the globe. *International Review of Financial Analysis*, 77, 101833. <https://doi.org/10.1016/j.irfa.2021.101833>
- Koomson, I., Koomson, P., & Abdul-Mumuni, A. (2023). Trust in banks, financial inclusion, and the mediating role of borrower discouragement. *International Review of Economics and Finance*, 88, 1418-1431.
- Koomson, I., Villano, R. A., & Hadley, D. (2020). Effect of financial inclusion on poverty and vulnerability to poverty: Evidence using a multidimensional measure of financial inclusion. *Social Indicators Research*, 149(2), 613-639. <https://doi.org/10.1007/s11205-019-02263-0>
- Kumar, N. (2013). Financial inclusion and its determinants: Evidence from India. *Journal of Financial Economic Policy*, 5(1), 4-19. <https://doi.org/10.1108/17576381311317754>
- Le, T. H., Anh, T. C., & Taghizadeh-Hesary, F. (2019). Financial inclusion and its impact on financial efficiency and sustainability: Empirical evidence from Asia. *Borsa Istanbul Review*, 19(4), 310-322.
- Li, S. (2010). Does mandatory adoption of international financial reporting standards in the European Union reduce the cost of equity capital? *The Accounting Review*, 85(2), 607-636. <https://doi.org/10.2308/accr.2010.85.2.607>
- Lu, W., Niu, G., & Zhou, Y. (2021). Individualism and financial inclusion. *Journal of Economic Behavior & Organization*, 183, 268-288.
- Mamadiyarov, Z. T., Sultanova, N. I., Khamdamov, S. J. R., & Makhmudov, S. B. (2024). Analyzing the impact of international financial reporting standards (ifrs) on microfinance services. In *Development of International Entrepreneurship Based*

- on Corporate Accounting and Reporting According to IFRS: Part A. In (pp. 39–47). Uzbekistan: Emerald Publishing Limited.
- Mohseni-Cheraghlo, A. (2015). *Reducing poverty through promoting financial inclusion, shared prosperity, and social solidarity: The role of Islamic finance and qard hassan*. Paper presented at the 4th International Conference on Inclusive Islamic Financial Sector Development.
- Muller, I. K. A., Riedl, E. J., & Sellhorn, T. (2011). Mandatory fair value accounting and information asymmetry: Evidence from the European real estate industry. *Management Science*, 57(6), 1138–1153. <https://doi.org/10.1287/mnsc.1110.1339>
- Musa, A. (2019). The role of IFRS on financial reporting quality and global convergence: a conceptual review. *International Business and Accounting Research Journal*, 3(1), 67–76.
- Ramanna, K., & Sletten, E. (2009). *Why do countries adopt international financial reporting standards?* Harvard Business School Working Paper, No. 09-102. Retrieved from: https://www.hbs.edu/ris/Publication%20Files/09-102_1bc06d7-7340-4f0a-b638-e23211a40c41.pdf
- Sarma, M. (2015). Measuring financial inclusion. *Economics Bulletin*, 35(1), 604–611.
- Sarma, M., & Pais, J. (2011). Financial inclusion and development. *Journal of International Development*, 23(5), 613–628. <https://doi.org/10.1002/jid.1698>
- Sato, S., & Takeda, F. (2017). IFRS adoption and stock prices of Japanese firms in governance system transition. *The International Journal of Accounting*, 52(4), 319–337.
- Sethi, D., & Acharya, D. (2018). Financial inclusion and economic growth linkage: Some cross country evidence. *Journal of Financial Economic Policy*, 10(3), 369–385. <https://doi.org/10.1108/JFEP-11-2016-0073>
- Song, X., & Trimble, M. (2022). The historical and current status of global IFRS adoption: Obstacles and opportunities for researchers. *The International Journal of Accounting*, 57(02), 2250001. <https://doi.org/10.1142/S1094406022500019>
- Stock, J. H., & Yogo, M. (2002). *Testing for weak instruments in linear IV regression*. National Bureau of Economic Research Working Paper No. 284. Cambridge, MA: National Bureau of Economic Research.
- Sun, H., Zhang, C., Zhang, J., & Zhang, X. (2022). How does mandatory IFRS adoption affect tax planning decisions? Evidence from tax avoidance distributions. *Accounting Forum*, 48(1), 90–120.
- Taylor, D., Osei-Tutu, F., & Awuye, I. S. (2024). The role of accounting standards in financial inclusion. *International Review of Financial Analysis*, 96, 103594.
- Tran, H. T. T., & Le, H. T. T. (2021). The impact of financial inclusion on poverty reduction. *Asian Journal of Law and Economics*, 12(1), 95–119.

Appendix 1. KMO and Bartlett's test.

Kaiser-Meyer-Olkin measure of sampling adequacy.		0.734
Bartlett's test of Sphericity	Approx. Chi-Square	330.940
	df	6
	Sig.	0.000

Appendix 2. Total variance explained.

Component	Initial eigenvalues			Extraction sums of squared loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	2.431	60.765	60.765	2.431	60.765	60.765
2	.721	18.034	78.799			
3	.549	13.719	92.518			
4	.299	7.482	100.000			
Extraction method: Principal component analysis.						

Appendix 3. Group Statistics.

Variables	IFSR	N	Mean	Std. deviation	Std. error mean
ATM	1	232	48.739	42.895	2.816
	0	33	23.246	15.369	2.675
BRAN	1	232	13.205	10.384	0.682
	0	33	9.165	7.505	1.306
BORR	1	232	246.782	221.145	14.519
	0	33	113.300	74.112	12.901
DEP	1	232	889.310	546.209	35.860
	0	33	367.660	238.443	41.508
IFI	1	232	0.094	1.013	0.066
	0	33	-0.749	0.510	0.089

Appendix 4. Independent samples test.

Variables		Levene's test for equality of variances		t-test for equality of means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean difference	Std. error difference	95% confidence interval of the difference	
									Lower	Upper
ATM	Equal variances assumed	11.082	0.001	3.379	263.000	0.001	25.492	7.545	10.635	40.349
	Equal variances not assumed			6.563	121.525	0.000	25.492	3.884	17.802	33.182
BRAN	Equal variances assumed	3.699	0.056	2.155	263.000	0.032	4.040	1.875	0.348	7.732
	Equal variances not assumed			2.741	51.276	0.008	4.040	1.474	1.082	6.998
BORR	Equal variances assumed	20.990	0.000	3.435	263.000	0.001	133.482	38.858	56.970	209.994
	Equal variances not assumed			6.872	134.497	0.000	133.482	19.423	95.069	171.895
DEP	Equal variances assumed	17.845	0.000	5.406	263.000	0.000	521.650	96.487	331.665	711.634
	Equal variances not assumed			9.510	90.605	0.000	521.650	54.853	412.685	630.615
IFI	Equal variances assumed	16.874	0.000	4.693	263.000	0.000	0.843	0.180	0.489	1.197
	Equal variances not assumed			7.601	74.693	0.000	0.843	0.111	0.622	1.064

Views and opinions expressed in this article are the views and opinions of the author(s), Asian Economic and Financial Review shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.