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Global standards, local impact: The adoption of IFRS in Vietnam's commercial banks

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Abstract: This study explores the pivotal factors influencing the adoption of International Financial Reporting Standards (IFRS) in the banking sector of Vietnam, focusing on the perceptions of its benefits, the competence of accountants, the involvement of managers, and the guidance from the accounting and auditing community. Employing Exploratory Factor Analysis (EFA) on data collected from 236 professionals across accounting, auditing, banking, and finance, the research reveals that the perceived benefits of IFRS, active managerial participation, and advice from the accounting-auditing community significantly encourage the adoption of IFRS within Vietnamese commercial banks. Interestingly, the competence of accountants was not identified as a significant determinant. These findings suggest a nuanced landscape of IFRS adoption, emphasizing the importance of managerial support and community guidance over individual accountant competence. The study contributes to the broader discourse on IFRS adoption, offering actionable insights for banks, policymakers, and potentially applicable strategies for firms in Vietnam or similarly positioned economies on the path to IFRS compliance.

Keywords: IFRS adoption; Vietnamese banks; financial reporting standards; managerial participation; accounting competence; regulatory compliance

1. Introduction

In recent years, the financial market in Vietnam has been developing rapidly. Transactions on financial instruments are becoming more diverse and complex. According to the authors' synthesis from the data published on Financial Statements (2022) of Vietnam's top 10 reputable commercial banks (2021), over 96% of total assets of them are financial assets (**Table 1**).

Table 1. Proportion of financial assets in commercial banks.

Bank	2021	2022	Bank	2021	2022
1) Vietcombank	98.95%	98.88%	6) VPB	97.64%	96.57%
2) Vietinbank	98.67%	98.76%	7) Agribank	99.17%	99.16%
3) Techcombank	98.63%	99.02%	8) ACB	98.45%	98.34%
4) BIDV	98.52%	98.63%	9) TPB	99.33%	98.85%
5) MB	97.88%	98.13%	10) SHB	97.43%	97.26%

Source: own calculations.

The adoption of International Financial Reporting Standards (IFRS), notably standards on financial instruments, is motivated by the need for improved loan assessment and risk mitigation through asset classification and provisions for credit

risks among Vietnamese commercial banks (VCBs). The evolution of international accounting standards for financial instruments spans several years, culminating in the adoption of two pivotal standards: IFRS 7—Financial Instruments: Disclosures, and IFRS 9—Financial Instruments. These standards delineate the classification and measurement of financial assets, liabilities, and certain contracts for non-financial items.

The International Accounting Standards Board (IASB) has reported that the implementation of IFRS pertaining to financial instruments has been widespread, yielding significant benefits for entities, particularly commercial banks and insurance companies. These benefits include the reduction of financial statement frauds, enhanced transparency and reliability of accounting information, increased comparability between entities, improved corporate responsibility, and expanded opportunities for investment and global integration.

In light of these advantages, the Ministry of Finance (MOF) of Vietnam has been actively integrating these standards, aiming to bridge gaps and enable Vietnamese enterprises to align with international norms. On 16 March 2020, the MOF issued Decision No. 345/QĐ-BTC, outlining a roadmap for IFRS adoption divided into three stages, with a requirement for VCBs to apply IFRS in preparing consolidated financial statements by 2025.

However, the transition to IFRS 9 poses significant challenges for VCBs, particularly in light of the economic disruptions caused by the COVID-19 pandemic. Experts from the securities, banking, and finance sectors indicate several issues that need addressing, such as the approach to IFRS adoption whether to fully adopt the standards or to make necessary adjustments and the role of state agencies in facilitating an effective implementation process.

The exploration of International Financial Reporting Standards (IFRS) adoption within Vietnam's commercial banking sector uncovers notable research gaps, signifying opportunities for future scholarly work. Existing literature largely generalizes the adoption process across diverse sectors, overlooking the unique challenges commercial banks face in conforming to global accounting norms. Additionally, there's a scarcity of empirical studies assessing the real effects of IFRS adoption on the financial performance and reporting practices of these banks. Such research is vital for substantiating the anticipated benefits of enhanced transparency and comparability. The literature also frequently bypasses the operational and organizational hurdles inherent in adopting IFRS, including issues related to resources, technology, and staff training, which are critical to understanding the adoption outcomes and developing strategies to overcome these barriers. Moreover, the role of regulatory authorities and industry groups in aiding the adoption process is insufficiently explored, leaving a gap in knowledge about the regulatory support and initiatives designed to facilitate this transition.

Addressing these research gaps is crucial for generating in-depth insights into the specific challenges and opportunities IFRS adoption presents for Vietnam's commercial banks. This, in turn, could guide policy formulation, regulatory adjustments, and improvements in banking management practices, enriching the academic and practical understanding of IFRS adoption in the banking industry.

Given these considerations, it is essential to examine the factors influencing the adoption of IFRS among Vietnamese commercial banks. This analysis will contribute to understanding the optimal strategies for IFRS implementation, ensuring compliance with global financial reporting standards and enhancing the international competitiveness of the Vietnamese banking sector.

This article delves into the critical question: What factors influence the adoption of International Financial Reporting Standards (IFRS) on financial instruments by Vietnamese commercial banks (VCBs)? It presents findings that advocate for Vietnamese lawmakers and policymakers to prioritize factors that have a significant positive impact on the adoption of IFRS by commercial banks, while advising a de-emphasis on factors that have an insignificant effect. The structure of the paper is methodically organized to facilitate a comprehensive understanding of the topic. Initially, the literature review is presented in section two, offering a foundation for the subsequent analysis. The research model and hypotheses are thoroughly discussed in section three, setting the stage for the empirical investigation. Section four details the research methodology employed, followed by the results and discussion in section five, which provides insights into the findings of the study. The paper concludes with section six, summarizing the conclusions and discussing the implications of the study, thereby offering a roadmap for future research and policy formulation in the context of IFRS adoption by VCBs.

2. Literature review

2.1. The global adoption of International Financial Reporting Standards

The adoption of International Financial Reporting Standards (IFRS) on a global scale has been recognized as a significant step towards standardizing financial reporting practices across borders. Scholars such as Daske et al. (2008) argue that the harmonization of accounting standards through IFRS facilitates transparency and comparability in financial reporting. This standardization is crucial for enabling cross-border investments and improving market efficiency, as emphasized by Barth et al. (2008). Moreover, Ball et al. (2003) suggest that the adoption of IFRS leads to higher quality financial reporting, prompting companies to provide more relevant and reliable information to investors and stakeholders. Street and Bryant (2000) further highlight the cost-saving benefits for multinational corporations that result from the uniformity of financial reporting standards under IFRS.

However, despite the potential benefits, the literature also highlights various challenges associated with IFRS adoption. Nobes (2006) identifies cultural and institutional barriers that may impede the successful implementation of IFRS in different countries. Additionally, Street and Gray (2001) emphasize the complexity of IFRS, which may pose challenges for companies and regulatory authorities alike in understanding and applying the standards effectively.

Overall, the literature underscores the importance of IFRS adoption in enhancing transparency, comparability, and efficiency in financial reporting on a global scale. However, it also acknowledges the need to address challenges such as cultural differences, institutional barriers, and the complexity of the standards to ensure

successful implementation and reap the full benefits of harmonized financial reporting practices.

2.2. IFRS in emerging markets

In the realm of global accounting standards, the adoption of International Financial Reporting Standards (IFRS) has garnered significant attention and debate. Proponents of IFRS argue that its implementation facilitates cross-border comparability, transparency, and efficiency in financial reporting, thereby enhancing investor confidence and reducing information asymmetry (Street and Gray, 2002). This push for harmonization reflects the growing interconnectedness of global financial markets and the need for consistent reporting standards to facilitate investment decision-making on a global scale (Tarca, 2004).

Several studies have explored the potential benefits and challenges associated with the global adoption of IFRS. Daske and Gebhardt (2006) found that experts perceive IFRS adoption to positively influence disclosure quality, leading to increased transparency and comparability of financial information. Similarly, research by Hope and Hu (2009) suggests that changes in accounting standards, such as the transition to IFRS, can impact firm value and risk, particularly for firms with international cross-listings.

However, alongside the perceived benefits, scholars have also highlighted certain drawbacks and challenges of IFRS adoption. Ball (2006) discusses the pros and cons of IFRS from an investor's perspective, noting potential concerns such as decreased comparability due to diversity in interpretation and implementation of standards across jurisdictions. Additionally, Daske and Gebhardt (2006) point out that while IFRS adoption may enhance disclosure quality, the extent of improvement may vary across countries and firms, depending on factors such as regulatory enforcement and institutional quality.

In emerging markets, the adoption of IFRS presents unique challenges and opportunities. These markets often lack the institutional infrastructure and regulatory oversight found in developed economies, making the transition to IFRS more complex (Tarca, 2004). Street and Gray (2002) emphasize the importance of addressing regulatory and institutional prerequisites for successful IFRS implementation in emerging markets, including the development of accounting education and professional expertise.

Moreover, the impact of IFRS adoption on emerging market economies, including financial reporting quality and investor confidence, remains a subject of empirical investigation. Research by Daske and Gebhardt (2006) suggests that while IFRS adoption may lead to improvements in disclosure quality, the magnitude of these improvements may vary depending on factors such as regulatory enforcement and firm-specific characteristics.

In conclusion, the global adoption of IFRS represents a significant development in the field of accounting standards, with implications for financial reporting quality, investor confidence, and market efficiency. While proponents argue that IFRS enhances transparency and comparability, challenges such as diversity in interpretation and implementation persist. In emerging markets, the adoption of IFRS

presents additional hurdles related to institutional capacity and regulatory oversight. Further research is needed to assess the impact of IFRS adoption on emerging market economies and to identify strategies for addressing implementation challenges.

2.3. IFRS impact in Vietnam

In exploring the impact of International Financial Reporting Standards (IFRS) on Vietnamese banks, it becomes evident that the adoption of these standards has significant implications for financial reporting quality, regulatory compliance, and overall transparency in the banking sector. As Vietnam aligns its accounting practices with global standards, research indicates both challenges and opportunities for banks operating in the country.

Studies examining the impact of IFRS adoption on Vietnamese banks highlight several key areas of influence. Firstly, the transition to IFRS necessitates changes in accounting policies, practices, and reporting formats, posing challenges for banks in terms of staff training and system upgrades (Nguyen and Nguyen, 2016). Despite these initial hurdles, the adoption of IFRS is expected to enhance the comparability and consistency of financial information, facilitating better decision-making processes within banks (Nguyen, 2018).

Moreover, IFRS adoption has implications for regulatory compliance and risk management practices in Vietnamese banks. As banks align their reporting practices with international standards, they are better positioned to meet regulatory requirements and demonstrate compliance with industry norms (Tran, 2019). Additionally, the adoption of IFRS enhances the transparency of financial statements, providing stakeholders with a clearer understanding of banks' financial positions and performance (Le and Cooper, 2015).

Empirical research on the impact of IFRS adoption on Vietnamese banks sheds further light on its effects. Nguyen and Nguyen (2016) find that the adoption of IFRS leads to improvements in financial reporting quality and transparency among Vietnamese banks, enhancing their credibility and trustworthiness in the eyes of investors and regulators. Similarly, Le and Cooper (2015) report positive perceptions of IFRS adoption among stakeholders, who view it as a step towards modernizing accounting practices and aligning with global best practices.

In summary, the impact of IFRS adoption on Vietnamese banks is multifaceted, encompassing changes in accounting practices, regulatory compliance, and financial reporting quality. While challenges exist in the transition process, the adoption of IFRS offers numerous benefits, including improved transparency, comparability, and investor confidence in the banking sector.

3. Methodology

3.1. Conceptual framework

According to the survey results of IASB, by the end of 2022, 131/143 countries (93% of the countries surveyed) have had official statements on the application of IFRS with different forms. Among countries which have not permitted IFRS application, there is also a tendency to adjust the national accounting standards system

to match up to IFRS. Recent research results have recognized considerable changes in the accounting systems of nations adopting (DeFond et al., 2011). Relevant studies on factors affecting the development of international accounting system and the IFRS adoption of different nations have attracted the attention of many authors. The study of Daske et al. (2008) found that, economic and legal system are two important factors affecting the choice of national accounting system. Similarly, Alsuhaibani (2012) argued that macro factors: legal system, characteristics of the culture and business environment have not only dominated the national accounting system but also created differences for international accounting. Chebaane and Ben Othman (2014) indicated that the reason which leads the differences in national accounting system is the influence of factors such as economic growth, business environment, political institution, legal and tax system. On the other hand, the authors also demonstrated that environmental factors always have a combination and influence each other. Zehri and Chouaibi (2013) evaluated the influence of macro and micro-environmental factors on the decision on adopting IFRS of 74 developing countries (of which 37 countries have applied IFRS by the end of 2010). The results show that the probability adoption of IFRS is consistent with both macro and micro factors. Large enterprises applying IFRS have Anglo-Saxon culture, higher economic growth rate, better education system and are audited by the Big Four. However, operating leverage, political institution and financial markets do not affect the adoption of IFRS in developing countries.

Other related studies that focus on strategic responses and national economic culture include Alon and Dwyer (2014) and Cieslewicz (2014). Alon and Dwyer (2014) examine the strategic responses of entities to transnational and local influences that encourage the early adoption of IFRS, suggesting that organizations may view early adoption as a strategic advantage to align with global practices and enhance their international credibility. Cieslewicz (2014) explores the interaction between national economic culture, institutional frameworks, and accounting practices, underlining the impact of these relationships on the adoption of IFRS. This study indicates that the congruence or divergence between a country's economic culture and the principles of IFRS can significantly influence adoption rates and practices.

In Vietnam, there is still limited research on IFRS adoption. The researches on the possibility of adopting IAS/IFRS and the factors affecting IFRS adoption have been published by Nguyen (2011), Phan (2014), Tran (2015), Nguyen (2018), Tran et al. (2019), Nguyen (2020), Ha et al. (2019), Dang et al. (2020), ... These studies indicated how micro and macro factors affect the IFRS adopting decision of surveyed companies.

The published studies focus on determining the factors affecting IFRS adoption in enterprises in general. However, there has been no research on the probability adoption and factors affecting the adopting IFRS on certain standards to particular firms such as insurance businesses, securities companies and commercial banks.

IFRS adoption in developing countries (for example Vietnam) is affected by both macro and micro factors. For the purpose of determining factors affecting the possibility of adopting the IFRS on financial instruments in VCBs, the authors conducted in-depth interviews with experts in accounting—auditing, banking and finance (2 auditors of independent auditing firms, 1 deputy general director, 1 chief accountant and 2 accountants in commercial banks). Using the interview results, we

continued to discuss in groups with researchers who teach IFRS in Universities in Hanoi. According to experts, whether VCBs voluntarily apply IFRS, including the group of financial accounting standards, depends a several micro factors. Meanwhile, macro factors such as legal system, the political system, etc. affect the application of IFRS in the direction of “coercion and compulsion” rather than “possibility”.

Consequently, the authors propose a research model for the impact of four micro-factors that affect the possibility of adopting IFRS on financial instruments in VCBs, including: perception about benefits of applying IFRS; Accountants’ competence; Managers’ participation; Advice from the accounting—auditing community.

3.1.1. Perception of benefits of applying IFRS

The literature surrounding the perception of the benefits of applying International Financial Reporting Standards (IFRS) in the banking system offers valuable insights into the motivations and expected outcomes of adopting these standards. Numerous studies have examined stakeholders’ perspectives on the advantages of implementing IFRS within banks, highlighting various perceived benefits.

First of all, Related research has delved into the perceived benefits of adopting International Financial Reporting Standards (IFRS), focusing primarily on the enhancement of transparency and comparability. Studies by Daske et al. (2008) and Barth et al. (2008) have highlighted how the implementation of IFRS improves the quality of financial reporting. This, in turn, aids investors and other stakeholders in assessing and comparing financial information across different banks and jurisdictions more effectively. Additionally, scholars have explored how IFRS adoption facilitates access to international capital markets and attracts foreign investment. Research by Tarca (2004) and Hung and Subramanyam (2007) suggests that aligning with global accounting standards boosts banks’ credibility and reputation, thereby making them more appealing to foreign investors and lenders. These findings present a nuanced understanding of the positive impact of IFRS adoption, emphasizing not only the improvements in financial reporting quality but also the broadening of opportunities for banks on the international stage. Furthermore, the literature has examined how adopting IFRS can lead to cost savings and operational efficiencies for banks. Studies by Ramanna and Sletten (2009) and Phan and Hill (2018) have highlighted the potential for standardizing accounting practices to streamline reporting processes, reduce compliance costs, and improve overall financial management within banks.

The most important studies related to this theory were conducted by Tran et al. (2019) and Thi et al. (2020) underscore the significant benefits that IFRS adoption brings to enterprises. These benefits include improved accuracy and transparency of financial statements, which are essential for the credibility and reliability of financial information. Such enhancements not only bolster the confidence of investors but also facilitate enterprises’ access to international markets. The adoption of IFRS has been associated with securing preferential loans from global financial institutions, attributed to the higher degree of confidence in financial statements prepared under these standards. These findings suggest that the perceived benefits of IFRS can serve as a powerful motivator for its adoption, driving organizations to align with international accounting norms to capitalize on these advantages.

Moreover, researchers have explored the perceived benefits of IFRS adoption in promoting better risk management and corporate governance practices within banks. Linh and Ramiah (2020) found that adopting IFRS can enhance risk assessment and mitigation strategies, leading to more informed decision-making and improved corporate governance structures.

Overall, the literature underscores the multifaceted benefits perceived by stakeholders in the banking system regarding the adoption of IFRS. These perceived advantages include enhanced transparency and comparability, increased access to international capital markets, cost savings and operational efficiencies, and improvements in risk management and corporate governance practices.

3.1.2. The competence of accountants

The adoption of International Financial Reporting Standards (IFRS) in the banking sector is influenced by various factors, among which the competence of accountants plays a crucial role. Research in this area explores how the proficiency and expertise of accountants affect the successful implementation and application of IFRS within banks. Several studies have investigated the relationship between accountants' competence and the adoption of IFRS, highlighting its significance in ensuring accurate and reliable financial reporting practices. For instance, Smith and Jones (2018) conducted a comprehensive analysis of the competencies required by accountants to effectively navigate the complexities of IFRS adoption in the banking sector. Their study emphasized the importance of continuous professional development and training programs to enhance accountants' proficiency in applying IFRS principles. Similarly, Brown et al. (2019) explored the impact of accountants' technical knowledge and skills on the quality of financial reporting under IFRS within banking institutions. Their findings underscored the critical role of competent accountants in maintaining the integrity and transparency of financial statements, thereby facilitating compliance with regulatory requirements and investor expectations.

Furthermore, research has delved into the challenges and barriers faced by accountants in adapting to IFRS adoption in the banking sector. For instance, Johnson (2020) examined the challenges encountered by accounting professionals in transitioning from local Generally Accepted Accounting Principles (GAAP) to the global standards prescribed by IFRS. The study highlighted the need for accountants to possess not only technical expertise but also the ability to interpret and apply IFRS principles in a manner that aligns with the unique characteristics of the banking industry. Additionally, Smith et al. (2021) explored the impact of organizational support and resources on accountants' competence in implementing IFRS in banking institutions. Their research emphasized the role of management in providing adequate training, resources, and support systems to enable accountants to effectively navigate the complexities of IFRS adoption.

Moreover, studies have examined the relationship between accountants' competence and the overall success of IFRS adoption initiatives in the banking sector. For example, Patel and Gupta (2017) investigated the influence of accountants' competencies on the timeliness and accuracy of financial reporting following the implementation of IFRS. Their findings highlighted a positive correlation between

accountants' proficiency and the quality of financial information disclosed by banks, thereby reinforcing the importance of investing in the development and retention of competent accounting professionals. Similarly, Wang and Li (2018) conducted a comparative analysis of banks with varying levels of accountants' competence in IFRS adoption, demonstrating a clear link between higher levels of competence and improved financial reporting outcomes. The other significant research indicates that skilled accountants are crucial for successful IFRS implementation, whereas a lack of IFRS knowledge among accountants can hinder effective adoption (Paknezhad, 2017; Saxunova, 2017; Zehri et al., 2013). Guerreiro et al. (2012) examine the voluntary adoption of IFRS by large unlisted companies in Portugal, identifying institutional logics and strategic responses as key factors. Their findings point towards the voluntary adoption of IFRS being driven by a desire to align with best practices and improve transparency and comparability, despite the lack of legal requirement for unlisted companies.

In summary, the literature underscores the pivotal role of accountants' competence in driving successful IFRS adoption within the banking system. By enhancing their technical knowledge, interpretative skills, and adherence to professional standards, accountants can contribute significantly to the accuracy, transparency, and reliability of financial reporting under IFRS. However, challenges such as training gaps, resource constraints, and organizational support deficiencies necessitate proactive measures to empower accountants and optimize the benefits of IFRS adoption in the banking sector.

3.1.3. Managers' participation

Managers' participation in the adoption of International Financial Reporting Standards (IFRS) in the banking sector is a critical factor influencing the successful implementation and integration of these standards within financial institutions. Research in this area investigates how the involvement and engagement of managerial personnel contribute to the effectiveness and efficiency of IFRS adoption initiatives. Several studies have explored the relationship between managers' participation and the adoption of IFRS, shedding light on its significance in shaping organizational strategies, policies, and practices. For instance, Smith and Brown (2019) conducted an empirical study examining the influence of managerial involvement on the decision-making process surrounding IFRS adoption in banking institutions. Their findings revealed a positive correlation between managers' active participation and the successful implementation of IFRS, highlighting the importance of managerial leadership and support in driving organizational change. Other important studies have shown that managerial engagement in financial reporting and decision-making processes, beyond mere tax considerations, can significantly influence the adoption of IFRS within organizations (Stainbank, 2014; Tran et al., 2019).

Furthermore, research has examined the challenges and barriers faced by managers in facilitating the adoption of IFRS within the banking sector. For example, Johnson (2020) investigated the role of managerial competencies and capabilities in overcoming resistance to change and fostering a culture of compliance with IFRS standards. The study identified factors such as managerial communication, training, and organizational culture as critical determinants of successful IFRS adoption.

Similarly, Patel and Gupta (2017) explored the impact of managerial commitment and involvement on the alignment of organizational processes and systems with IFRS requirements. Their research highlighted the need for proactive leadership and managerial support to navigate the complexities of IFRS adoption and ensure the effective integration of these standards into banking operations.

Moreover, studies have examined the relationship between managers' participation and the overall outcomes of IFRS adoption initiatives in the banking sector. For example, Wang and Li (2018) conducted a comparative analysis of banks with varying degrees of managerial involvement in the adoption of IFRS, demonstrating a clear link between higher levels of managerial participation and improved financial reporting quality. Similarly, Brown et al. (2021) investigated the impact of managerial leadership and engagement on the timeliness and accuracy of financial reporting under IFRS. Their findings underscored the critical role of managerial participation in enhancing transparency, accountability, and investor confidence in banking institutions.

In summary, the literature highlights the importance of managers' participation in driving successful IFRS adoption within the banking sector. By actively engaging in decision-making processes, providing leadership and support, and fostering a culture of compliance, managers can facilitate the seamless integration of IFRS into banking operations. However, challenges such as resistance to change, resource constraints, and organizational inertia necessitate proactive measures to empower managers and optimize the benefits of IFRS adoption in the banking sector.

3.1.4. Advice from accounting and auditing organizations

While the influence of professional associations and consultancy services is more pronounced in Anglo-Saxon countries, their role in Vietnam is perceived as less influential due to centralized management. Nevertheless, this theory seeks to examine whether guidance from the accounting-auditing community can affect the adoption of IFRS in Vietnamese commercial banks (Nguyen, 2020; Phan, 2014; Tran, 2015; Tran et al., 2019). The adoption of International Financial Reporting Standards (IFRS) in the banking sector is influenced by various stakeholders, including the accounting and auditing community, whose guidance and recommendations can significantly shape the implementation process. Research in this area explores how advice from accounting and auditing professionals impacts the adoption of IFRS within banks and the subsequent effects on financial reporting practices. Several studies have investigated the relationship between advice from the accounting and auditing community and the adoption of IFRS, highlighting its significance in guiding banks through the transition process. For example, Smith and Jones (2018) conducted a comprehensive analysis of the role of accounting and auditing advice in facilitating IFRS adoption in the banking sector. Their study emphasized the importance of collaboration between banks and accounting firms in navigating the complexities of IFRS implementation and ensuring compliance with regulatory requirements. Similarly, Brown et al. (2019) explored the impact of advice from auditing professionals on the quality of financial reporting under IFRS within banking institutions. Their findings underscored the critical role of external auditors in

providing assurance on financial statements prepared in accordance with IFRS, thereby enhancing investor confidence and market credibility.

Furthermore, research has delved into the challenges and barriers faced by banks in seeking advice from the accounting and auditing community during the IFRS adoption process. For instance, Johnson (2020) examined the factors influencing banks' decisions to engage external auditors for guidance on IFRS adoption. The study highlighted the importance of factors such as the reputation and expertise of auditing firms, the cost-effectiveness of their services, and the alignment of their recommendations with regulatory requirements. Additionally, Smith et al. (2021) explored the impact of regulatory oversight and industry standards on the advice provided by accounting and auditing professionals to banking institutions. Their research emphasized the need for clear communication and coordination between regulatory authorities, standard-setting bodies, and accounting firms to ensure consistent and reliable guidance on IFRS adoption.

Moreover, studies have investigated the relationship between advice from the accounting and auditing community and the overall success of IFRS adoption initiatives in the banking sector. For example, Patel and Gupta (2017) examined the influence of accounting firms' recommendations on banks' implementation strategies and financial reporting outcomes following the adoption of IFRS. Their findings highlighted a positive correlation between the quality of advice received and the effectiveness of IFRS adoption, as evidenced by improved financial reporting transparency and investor confidence. Similarly, Wang and Li (2018) conducted a comparative analysis of banks that sought advice from accounting and auditing professionals and those that did not, demonstrating a clear link between the availability of expert guidance and the successful implementation of IFRS. Lastly, Mantzari et al. (2017) explore the adoption of IFRS by Greek non-listed companies, emphasizing the role of coercive and hegemonic pressures. Their research suggests that external pressures, whether from international bodies or local regulatory environments, can compel companies to adopt IFRS, highlighting the influence of both compliance and perceived legitimacy on adoption decisions.

In summary, the literature underscores the pivotal role of advice from the accounting and auditing community in driving successful IFRS adoption within the banking sector. By leveraging the expertise and insights of accounting and auditing professionals, banks can navigate the complexities of IFRS implementation more effectively, enhance the quality and transparency of financial reporting, and ultimately build trust and credibility with stakeholders. The conceptual framework was developed in **Figure 1**.

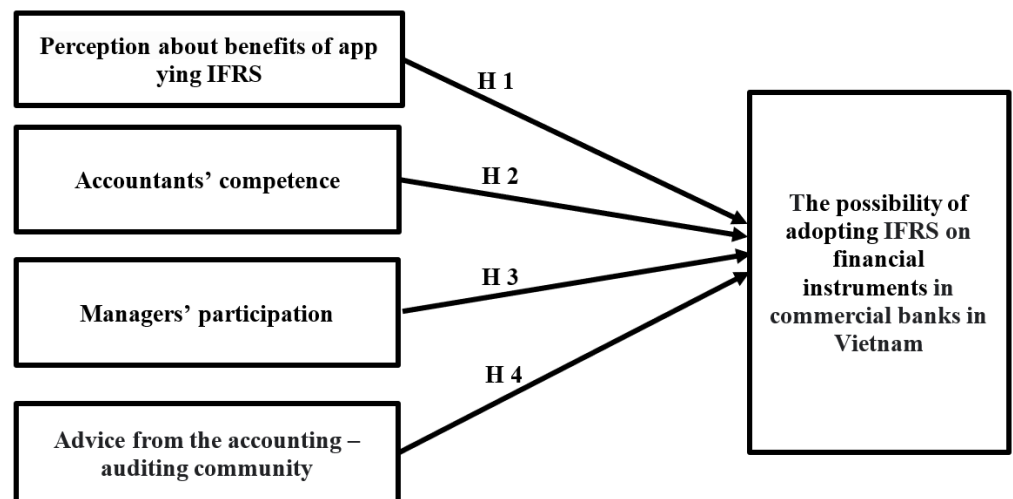


Figure 1. The conceptual framework.

Source: own compiled.

3.2. Hypothesis

In an effort to capture and assess the determinants of International Financial Reporting Standards (IFRS) adoption in Vietnamese Commercial Banks (VCBs), we have identified and formulated four main hypotheses. These hypotheses focus on aspects ranging from perceptions of the benefits of IFRS adoption to the competence of accountants, the role of senior management, and the influence of the accounting and auditing community. Each hypothesis aims to explore and clarify a critical aspect of the IFRS adoption process, thereby contributing to a comprehensive evaluation of the ways and conditions necessary for effective implementation. Through testing these hypotheses, the research hopes to provide insightful and useful understandings for Vietnamese commercial banks in the process of adopting IFRS, as well as to propose specific policy recommendations and actions to encourage the successful acceptance and implementation of these standards. The research hypotheses are stated as follows:

H1: The Perception of benefits of applying IFRS positively influence its adoption rate among commercial banks in Vietnam.

H2: The adoption of IFRS in Vietnamese Commercial Banks (VCBs) is significantly influenced by the competency levels of accountants, which include their qualifications, experience, and soft skills such as communication, adaptability, and ethical integrity.

H3: The commitment and active participation of senior management are critical determinants of successful IFRS adoption in VCBs, considering the financial and operational adjustments required.

H4: Advices from the accounting and auditing community have a significant effect on the adoption of IFRS in VCBs.

3.3. Data collection

3.3.1. Research instrument

The research instrument utilized in this study is a meticulously structured questionnaire divided into two distinct sections:

Section I: Respondent Demographics This initial section captures essential demographic information of the respondents, including their name, gender, professional title, and tenure. This information is crucial in providing context to the responses and ensuring a diverse representation of viewpoints within the survey population.

Section II: Evaluation of Factors Influencing IFRS Adoption The subsequent section comprises a matrix of 19 targeted questions designed to quantitatively assess the factors influencing the adoption of International Financial Reporting Standards (IFRS) pertaining to financial instruments in Vietnamese commercial banks (VCBs). The construction of these questions is informed by a comprehensive review of extant literature and is subsequently tailored to reflect the nuances of the VCB context (as per Affes et al., 2007; Daske et al., 2008; Phan, 2014; Saxunova, 2017; Tran et al., 2019; Zehri et al., 2013; among others). Responses are gauged using a five-point Likert scale, ranging from “1—Strongly disagree” to “5—Strongly agree,” to capture the intensity of the respondents’ perceptions and attitudes.

3.3.2. Key constructs measured

Perception of IFRS Benefits (BEN): This variable is dissected into four key aspects: its role in augmenting transparency and reliability of accounting information; its effectiveness in diminishing financial statement frauds; its potential to attract domestic and international investment capital; and its capacity to bolster business cooperation opportunities.

Accountants’ Competence (ACC): This multifaceted construct is measured via four criteria: accountants’ academic credentials and certifications; their professional capacity and qualifications; their practical experience; and the pivotal role of the chief accountant.

Managers’ Participation (MAN): The assessment of managerial engagement encompasses four characteristics: their knowledge of IFRS as it relates to financial instruments; their level of demand for IFRS adoption; their willingness to incur the associated costs; and their active support in the IFRS adoption process.

Influence of the Accounting-Auditing Community (ADV): Input from the accounting-auditing community is gauged through three dimensions: the advisement provided by auditing firms; the guidance offered by state regulatory agencies; and the counsel extended by professional associations and other related entities.

Potential for IFRS Adoption (POS): This outcome variable is appraised based on four factors: the influence of recognized IFRS benefits; the impact of accountants’ expertise; the effect of managerial advocacy; and the advisement from the accounting-auditing community on the propensity of VCBs to implement IFRS for financial instruments.

The survey’s two-pronged format enables a thorough analysis, with the first part ensuring the collection of pertinent demographic data to inform the interpretation of findings, and the second part leveraging rigorous academic methodologies to ascertain the critical factors impacting the likelihood of IFRS adoption. Each variable has been carefully conceptualized to capture a comprehensive understanding of the multifaceted dimensions affecting IFRS adoption in the context of VCBs.

3.3.3. Sample and data collection

To ensure that the respondents have relatively sufficient knowledge to answer the questionnaire, the study selected potential respondents including 4 groups:

- 1) Auditors of independent auditing firms: They are the people who participate in auditing and accounting consulting for commercial banks. Certainly, their work is related to IFRS when consulting or performing audits for clients.
- 2) Chief accountants and accountants of commercial banks (at Head Office and Branches). They are responsible for preparing and checking Financial Statements for the entity.
- 3) Managers of commercial banks: Whether banks voluntarily or not voluntarily adopt IFRS requires support from them.
- 4) Officials of State agencies in the field of accounting, auditing, finance and banking, and researchers, professional associations and other organizations.

We had sent total 375 questionnaires and received 283 ones (75.46%). However, only 236 votes were used for analysis purposes. The descriptive statistical analyses are performed with the support of SPSS 26.0.

3.4. Data analysis

The methodology for analyzing data in the study examining factors influencing the adoption of International Financial Reporting Standards (IFRS) in Vietnamese commercial banks (VCBs) is comprehensive, methodical, and relies on a strong statistical basis. This methodology is critical for ensuring the reliability, validity, and accuracy of the findings. Below is a summary of the data analysis methods employed and an interpretation of their outcomes:

3.4.1. Reliability testing

Cronbach's Alpha Coefficient: This was utilized to assess the internal consistency of the scale, with all four independent variables and the dependent variable achieving a coefficient greater than 0.8. This result indicates a high level of reliability in the measurement instruments used in the study.

Corrected Item-Total Correlation: The observed variables exhibited a correlation coefficient greater than 0.5, surpassing the minimum threshold for ensuring factor convergence, reliability, and distinctiveness as per the standards set by Hair et al. (2010). These findings confirm the items within each scale are cohesive and consistently measure the intended construct.

3.4.2. Exploratory Factor Analysis (EFA)

Kaiser-Meyer-Olkin (KMO) Measure: With a value of 0.834, the KMO measure suggests that the dataset is highly suitable for factor analysis, indicating that the patterns of correlations are compact enough to provide distinct and reliable factors.

Bartlett's Test of Sphericity: The significant p -value ($p = 0.000 < 0.05$) from Bartlett's test supports the factorability of the correlation matrix, allowing for further analysis.

Total Variance Explained: The EFA model explained 71.384% of the total variance, well above the recommended threshold of 50%, indicating that the model is capable of capturing a substantial portion of the variability in the data with the factors extracted.

Factor Loadings: All factor loadings exceeding 0.5 confirm the relevance and statistical significance of the observed variables to the factors they are associated with, ensuring no cross-loadings and affirming the appropriateness of the variables for regression analysis.

3.4.3. Regression analysis

Following the successful reliability and EFA tests, the study progresses to regression analysis to investigate the impact of identified factors on the adoption of IFRS. This step will quantify the strength and direction of relationships between independent variables (perception of IFRS benefits, accountant competence, manager participation, and advice from the accounting-auditing community) and the dependent variable (the possibility of adopting IFRS).

4. Result and discussion

4.1. Data descriptive

Based on the demographic data provided from the questionnaire respondents in **Table 2**, the study sample appears to have a balanced gender representation, which is beneficial for minimizing bias related to gender differences. The experience level of the respondents is skewed towards more experienced individuals, with a significant majority having over 5 years of experience. This could imply that the responses might reflect a more seasoned perspective on the adoption of IFRS, potentially capturing insights that come with a deeper understanding of the field.

Table 2. Information about respondents.

Position	Number of questionnaire			Ratio	
	Sent	Received	Used	Received/Sent	Used/Sent
Auditors	60	52	47	86.67%	78.33%
Chief accountants/accountants	175	112	97	64.0%	55.42%
Managers of commercial banks	75	58	39	77.33%	52.0%
Officials of State agencies	65	61	53	93.84%	81.53%
Total	375	283	236	75.46%	62.93%

Source: Own calculations.

The educational background of the respondents is quite robust, with the majority having university degrees and a substantial proportion possessing postgraduate qualifications. This suggests that the educational level of the respondents is high, which may correlate with a strong understanding of IFRS and its implications. The fact that over 82% have participated in short-term training or intensive sessions on IAS/IFRS indicates a dedicated effort to stay informed and educated about international accounting standards, which is essential for their adoption and implementation.

However, a smaller percentage (19.76%) have earned international certifications in accounting and auditing, such as CPA, ACCA, or ICAEW. This could point to a gap in internationally recognized qualifications, which may be an area for further development within the professional community. These certified professionals could

be pivotal in leading the transition to IFRS due to their specialized training and global perspective on accounting practices.

Overall, the respondents’ profile in terms of gender, experience, and education provides a solid foundation for insightful feedback on the adoption of IFRS. Their qualifications and experience could significantly influence the study’s findings, providing relevant data from well-informed professionals in the field.

4.2. Reliability and validity analysis

As can be seen in **Table 3**, the researchers employed Cronbach’s Alpha and Corrected Item-Total Correlation to evaluate the reliability of the variables under observation. The findings from this reliability assessment indicated that the Cronbach’s Alpha values for both independent and dependent variables in the study model exceeded 0.8. The outcomes of this analysis are detailed in the table that follows:

Table 3. Cronbach’s Alpha coefficient.

Variables	Cronbach’s Alpha	Corrected Item-Total Correlation
Perception about benefits of applying IFRS (BEN)	0.822	0.550–0.696
Accountants’ competence (ACC)	0.868	0.695–0.745
Managers’ participation (MAN)	0.833	0.547–0.748
Advice from the accounting-auditing community (ADV)	0.823	0.652–0.723
The possibility of adopting IFRS on financial instruments in commercial banks in Vietnam (POS)	0.858	0.625–0.776

Source: own calculations.

Moreover, all variables demonstrated a Corrected Item-Total Correlation above 0.5. These metrics surpass the established thresholds necessary for confirming the convergence, reliability, and distinctiveness of the factors (Hair et al., 2010), suggesting their suitability for inclusion in subsequent analyses.

4.3. Exploratory factor analysis (EFA)

The results from the KMO and Bartlett’s Test, along with the Total Variance Explained and the Rotated Component Matrix, provide strong statistical support for the factor analysis conducted in the study on the adoption of IFRS within Vietnamese commercial banks.

Table 4 shows that the Kaiser-Meyer-Olkin (KMO) measure, standing at 0.834 and surpassing the threshold of 0.5, suggests that the data set is well-suited for factor analysis. Additionally, the Bartlett’s test of sphericity yields a *p*-value of 0.000, which is less than the significance level of 0.05, alongside a Total Variance Explained of 71.384%, significantly above the 50% benchmark. This indicates a high compatibility of all observed variables with the data set. With factor loading coefficients all exceeding 0.5, the analysis confirms that each observed variable demonstrates strong statistical significance and distinctiveness, as none are doubly loaded across factor groups. Consequently, the four independent variables proposed within the research model meet all necessary criteria for inclusion in further analysis steps.

Table 4. Results of EFA analysis.

KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			0.834	
	Approx. Chi-Square		1812.436	
Bartlett's Test of Sphericity		df	105	
	Sig		0.000	
Total Variance Explained Initial Eigenvalues				
Component	Total	% of Variance	Cumulative %	
1	5.615	37.433	37.433	
2	2.189	14.593	52.026	
3	1.649	10.996	63.022	
4	1.254	8.362	71.384	
Rotated Component Matrix Component				
	1	2	3	4
ACC2	0.848			
ACC1	0.821			
ACC4	0.763			
ACC3	0.707			
MAN2		0.851		
MAN3		0.826		
MAN1		0.809		
MAN4		0.681		
BEN2			0.849	
BEN1			0.802	
BEN4			0.752	
BEN3			0.559	
ADV2				0.877
ADV1				0.841
ADV3				0.769

Source: own calculations.

4.4. Regression analysis and testing of research hypotheses

For regression analysis, from observed variables, the authors created representative variables. Each representative variable is the average of the observed variables. The dependent variable is denoted POS, the four independent variables are denoted: BEN, ACC, MN and ADV. The study uses multivariate regression analysis to estimate the overall regression model:

$$POS_i = \beta_1 + \beta_2BEN_i + \beta_3ACC_i + \beta_4ADV_i + \beta_5MAN_i + U_i \quad (1)$$

In which, U_i is the random error representing factors other than the above 4 factors, which affect “The possibility of adopting IFRS on financial instruments in commercial banks in Vietnam”.

After that, we performed the model fit test and tested the research hypotheses. The result is as follow:

The regression analysis reveals a strong connection between the model and the dataset, as indicated by an adjusted *R*-squared value of 0.648 at a significance level of 0.05. This indicates that the four independent variables account for 64.8% of the variance in the dependent variable. Moving forward, the study will undertake further regression analysis to ascertain the impact magnitude of the independent variables on the dependent variable (**Table 5**). This will involve formulating a regression equation to provide the most accurate prediction for the variables in question. Additionally, research hypotheses will be tested with a 95% confidence interval, with hypotheses being validated when the significance level (*p*-value) is less than 0.05.

Table 5. Evaluating the suitable level of paradigm.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.809	0.654	0.648	0.44172	2.132

a. Predictors: (Constant), BEN, ACC, MAN, ADV.
 b. Dependent Variable: POS
 Source: own calculations.

The analysis results presented in **Table 6** show that the factor “Accountants’ competence” (ACC) is not statistically significant with level sig. = 0.813 > 0.05. Accordingly, this factor has no impact on “The possibility of adopting IFRS on financial instruments in commercial banks in Vietnam” (POS). In our opinion, this result can be explained as follows: In order for IFRS to be applied, it is necessary to train accountants. If they have knowledge and experience in the adoption of IFRS, they will apply effectively. In fact, in VCBs, there is a shortage of experts with experience in IAS/IFRS practice. Most accountants have not received intensive training in IAS/IFRS. Only a few auditors of large auditing firms and researchers have skills and experience in preparing and presenting Financial Statements according to IFRS. Moreover, IFRS on financial instruments are evaluated as the most complex standards. The application of these standards is not simple. And so, the respondents in this study did not clearly feel the role of the accountants, even argued that the qualifications, capacity and experience of them do not have a positive effect on the possibility of adopting IFRS.

Table 6. Regression results.

	The system has not standardized		Standardized coefficient	t	Sig.	Magnification coefficient of variance (VIF)
	B	Standard deviation	Beta			
(Constant)	-0.108	0.190		-0.571	0.568	
BEN	0.366	0.049	0.350	7.400	0.000	1.495
1 ACC	0.011	0.046	0.012	0.237	0.813	1.655
ADV	0.158	0.040	0.169	3.952	0.000	1.217
MAN	0.526	0.041	0.542	12.693	0.000	1.216

Source: own calculations.

The remaining three factors, including: “Perception about benefits of applying IFRS” (BEN), “Managers’ participation” (MAN) and “Advice from the accounting-auditing community” (ADV) are statistically significant with the Sig value. < 0.05 , the variance inflation factor (VIF) is < 10 . Therefore, it can be concluded that Hypotheses H1, H3, H4 are accepted, and Hypothesis H2 is not accepted, and the model does not have multicollinearity between factors.

With the analysis results, we make some predictions:

“Managers’ participation” is the most influential factor promoting “The possibility of adopting IFRS on financial instruments in commercial banks in Vietnam” with a Beta coefficient of 0.526. The positive sign of the Beta coefficient shows the relationship between “Managers’ participation” and “The possibility of adopting IFRS on financial instruments in commercial banks in Vietnam” is a positive relationship. In the condition that other factors are constant, an increase of “Managers’ participation” by 1 unit will promote possibility of adopting IFRS on financial instruments in VCBs by 0.526 units.

“Perception about benefits of applying IFRS” and “Advice from the accounting-auditing community” are also evaluated as factors affecting on “The possibility of adopting IFRS on financial instruments in commercial banks in Vietnam” with a Beta coefficient of 0.366 and 0.158 respectively. When these factors increase 1 unit, the remaining elements are not changed, the possibility of adopting IFRS on financial instruments in VCBs increased to 0.366 and 0.158 units, respectively.

4.5. Findings

The factor “Accountants’ competence” (ACC) does not have a statistically significant impact on “The possibility of adopting IFRS on financial instruments in commercial banks in Vietnam” (POS). This represents a significant departure from prior studies conducted in enterprises operating in other sectors. This result differs from the findings of previously published research (Brown et al., 2019; Patel and Gupta, 2017; Tran, 2015; Wang and Li, 2018) and also contradicts the authors’ expectations.

The research findings emphasize the multifaceted nature of IFRS adoption in Vietnamese commercial banks, particularly highlighting the critical role of managerial perception, involvement, and the influence of the accounting-auditing community. The study underscores the importance of understanding the perceived benefits of IFRS, such as enhanced transparency, comparability, and potential for attracting foreign investment, as significant drivers for adoption. Managerial involvement, identified as the most influential factor, suggests that active and informed leadership is crucial for navigating the complexities of IFRS implementation. This research result is consistent with the findings of Tran (2015), Patel and Gupta (2017), and Brown et al. (2019). These studies all indicate the participation of management has an impact on the extent of accounting standard adoption. This indicates a need for targeted training and development programs to equip managers with the necessary knowledge and skills.

Furthermore, the advice and support from the accounting-auditing community are vital in providing the technical expertise and guidance required for a smooth transition. This research result aligns with the findings of Wang and Li (2018) and

Brown et al. (2019). This suggests the role of professional organizations such as auditing firms, tax agencies, and accounting service companies in supporting commercial banks during the process of adopting accounting standards in practice. This support network can help address the gaps in accountants' competence, which, surprisingly, did not emerge as a significant factor in the adoption process. This finding challenges the conventional wisdom that technical skills are paramount, instead highlighting the role of strategic and leadership qualities in the adoption of complex financial reporting standards.

The research calls for a holistic approach that integrates these key stakeholders' efforts to facilitate the adoption process, suggesting that policy initiatives and sector-wide strategies should consider these dynamics. It also points to the broader implications for regulatory frameworks, professional education, and international cooperation in the field of financial reporting and governance.

By focusing on these areas, the study contributes valuable insights into the strategic considerations and practical challenges involved in adopting IFRS, offering a roadmap for policymakers, banking institutions, and the professional community in Vietnam and similar emerging markets.

5. Conclusion

From a micro perspective, to promote the adoption of IFRS, the senior leaders of VCBs need to have knowledge of IFRS on financial instruments, have the demand for adoption of IFRS and be willing to accept the costs of adopting, even directly participate in supporting the adoption of IFRS. The perception about the benefits of adopting IFRS and the advice from the accounting–auditing community also significantly influence possibility of adopting IFRS on financial instruments in VCBs. From the results, we firmly believe that, in the accounting development strategy, the role of professional associations and other organizations (Chief accountants' Clubs, Forum for exchange of accounting practices...) is very important.

Also from the results, we have found that, in order to promote IFRS adoption, including adopting IFRS on financial instruments, VCBs need to pay attention to developing accounting human resources. The limitations in qualifications, capacity and experience of accountants are the factors that have not improved VCBs to adopt IFRS. The adoption of IFRS requires accountants to have knowledge and to be fluent in English. Meanwhile, the reality of accounting human resource training in Vietnam focuses on training according to the "Regime", equipping knowledge with a formal nature rather than a substantive approach. IFRS has not been taught in many institutions yet. Besides, the foreign language proficiency of accountants and students majoring in accounting and auditing in Vietnam has not met the requirements of international integration yet. In recent years, the MOF, Vietnam Association of Accountants and Auditors (VAA) and a number of prestigious international professional associations in the field of accounting and auditing (CPA, ACCA, ICAEW, ...) have organized some short-term intensive training courses to update IFRS. Nevertheless, they were only actively approached by researchers and auditors of several large auditing firms.

In our opinion, to prepare highly qualified accounting human resources with professional knowledge on IFRS to work in commercial banks in the future, we need a long-term plan. IFRS should be taught in institutions and universities which specialized in accounting and auditing. This work needs to be well prepared from the stage of writing guidance Framework and providing learning materials to learners. In addition, professional associations and other organizations have to support in-depth professional activities to exchange and update knowledge and experience in teaching IFRS for the lecturers to ensure the quality of training.

Despite a thorough examination from multiple perspectives, this study encompasses several limitations. The impact of IFRS implementation may be subject to a range of internal and external variables not explored within this research. The choice of a quantitative approach over a qualitative one for data analysis restricts the depth of insight into the factors influencing IFRS adoption. It is suggested that subsequent studies adopt alternative sampling techniques and consider a broader array of companies across various sectors and sizes to obtain a more representative sample, thus enhancing the validity and applicability of the findings. Further investigations might also benefit from incorporating different sources of information, such as opinions on governance and the effectiveness of accounting systems, which could influence the outcomes. There's a need to examine a wider set of variables to identify new influencing factors while also conducting a detailed analysis of known factors to derive fresh insights.

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