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Article

Determinants of voluntary IFRS application: Evidence from listed firms in Vietnam

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Abstract: Manuscript type: Research paper. **Research aims:** This study aims to explore the determinants of voluntary IFRS application in listed firms in Vietnam. **Design/methodology/approach:** Analyzing data from 552 public companies listed on the Ho Chi Minh Stock Exchange and Ha Noi Stock Exchange during 2019–2022, this study employs a logistic model with robust analysis. **Research findings:** The findings indicate that voluntary IFRS application is positively associated with firm size, leverage, internationalization, corporate efficiency, state ownership, and foreign ownership. Particularly, internationalization has the most significant impact on voluntary IFRS application. **Theoretical contribution/originality:** These findings of this study align with positive accounting theory, which proposes how factors affect voluntary IFRS application. **Practitioner/policy implications:** Policymakers should consider these findings when developing or revising policies concerning voluntary IFRS application, particularly for state-owned and foreign-owned companies. **Research limitation:** This study spans from 2019 to 2022, during which economic and regulatory conditions may have fluctuated, potentially impacting the results. Moreover, the data on voluntary IFRS adoption were collected through surveys, which may be subject to respondent bias and dependent on participants' understanding and willingness to provide accurate information.

Keywords: internationalization; foreign ownership; state ownership; voluntary IFRS application; Vietnam
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1. Introduction

Adopting IFRS offers several benefits for companies and countries (De George et al., 2016), such as improved transparency, reduced capital costs, increased cross-border investments, enhanced comparability of financial statements, and greater presence of foreign analysts. Previous studies indicated that comprehensive information disclosure can mitigate information asymmetry and enhance market liquidity (Bushee and Leuz, 2005). Additionally, research by Armstrong et al. (2010); Daske et al. (2013); DeFond et al. (2011); Florou and Kosi (2015); Marra and Mazzola (2014) supported the positive capital market outcomes associated with IFRS adoption.

In Vietnam, studies related to voluntary IFRS adoption have primarily focused on examining factors influencing IFRS adoption. For example, Phan et al. (2014) and Phan et al. (2018) conducted a survey of 728 auditors, accountants, and accounting scholars to determine IFRS voluntary adoption behavior in Vietnam. Similarly, Hung and Thien (2021) analyzed the impact of institutional pressure, legitimacy, risk, and uncertainty on the voluntary adoption of IFRS by small and medium-sized enterprises through a survey of 272 auditors, financial directors, and chief accountants. Nguyen (2022) surveyed managers from 400 listed companies in Vietnam to analyze factors affecting their willingness to voluntarily apply IFRS. Nguyen et al. (2023) examined factors influencing the voluntary adoption of IFRS by conducting a survey of 350 businesses. Their study showed that compliance with accounting regulations and principles, the qualifications and experience of accountants, government circulars, the capacity and awareness of managers, and the benefits of applying IFRS positively influence the voluntary adoption of IFRS. From the above analysis, previous studies focused on evaluating factors affecting the voluntary adoption of IFRS based on the personal perceptions of the surveyed individuals, which can lead to subjectivity and errors in the overall review process for the company. In addition, the characteristics of listed companies differ from the assessments of each individual surveyed. Specifically, the activities of listed companies must meet the highest requirements of information quality and corporate value for shareholders. In Vietnam, Decision No. 345/QD-BTC of the Ministry of Finance approves the project to apply financial reporting standards. According to this roadmap, from 2022, listed companies will be allowed to voluntarily apply IFRS to prepare their consolidated financial statements. After 2025, it will be mandatory for this group of enterprises to apply IFRS in preparing their consolidated financial statements. Furthermore, Vietnam’s stock market is a frontier market, characterized by a high level of asymmetric information, and company characteristics are closely related to decisions about the accounting system that provides information. However, this has not been examined specifically and in detail by related studies. Therefore, to address this research gap, this article will analyze whether company characteristics impact the voluntary adoption of IFRS by listed companies. Drawing on data from 552 public companies listed on the Ho Chi Minh Stock Exchange and Ha Noi Stock Exchange from 2019 to 2022, our findings indicate a positive relationship between firm size, leverage, internationalization, corporate efficiency, state ownership, foreign ownership, and voluntary IFRS adoption.

This study comprises five sections. Section 1 serves as the introduction, Section 2 delves into the theoretical background, and Section 3 outlines the data and empirical design. Section 4 encompasses the empirical findings, while Section 5 concludes the study.

2. Theoretical background

Positive accounting theory, introduced by Watts and Zimmerman (1986), posits that markets are efficient and that market participants evaluate this efficiency through observable regulatory tools like accounting policy choices. Watts and Zimmerman (1986) explore this theory to explain why companies adopt specific accounting methods, aiming to provide explanations and predictions about their use. The theory suggests that a company’s main responsibility is to utilize its resources and engage in activities that boost profitability (Watts and Zimmerman, 1986, 1990). It predicts that firms tailor their information disclosure to meet financial needs, potentially engaging in opportunistic behavior to influence reported earnings, contractual arrangements, and reputation (Chung et al., 2002). By voluntarily disclosing information, companies can enhance financial reporting quality and align with investor interests (Fields et al., 2001). This voluntary disclosure can also signal the validity and verifiability of financial accounts, particularly in highly leveraged firms meeting lenders' requirements (Lambert, 2001). Positive accounting theory has been used in various studies investigating the voluntary adoption of IFRS (Emmanuel Iatridis, 2012; Iuliano and Matonti, 2012; Pichler et al., 2018).

An important factor influencing the choice of accounting standards is the growth rate (Francis et al., 2008). Companies with high future growth potential can more easily access external capital and undertake profitable projects, signaling higher quality information to external investors. This makes the adoption of IFRS more likely (André et al., 2012). Additionally, rapidly growing companies might adopt IFRS to meet stock market requirements (Shan and Troshani, 2016). Therefore, companies experiencing rapid and stable growth are more likely to invest in improving the quality of financial reporting to support effective investment decisions by voluntarily adopting IFRS. Based on this, we propose the first research hypothesis:

H1: The company's growth rate is positively associated with voluntarily adopting IFRS.

Firm size is a crucial factor in the voluntary adoption of IFRS, often considered the most significant variable (Di Fabio, 2018). It plays a key role in explaining accounting choices during the transition from GAAP to IFRS (Kvaal and Nobes, 2010). Adopting IFRS can be costly, particularly for smaller businesses (De George et al., 2013). This complexity arises because IFRS requires extensive changes to accounting systems and processes (Gornik-Tomaszewski and Jermakowicz, 2006). Smaller businesses may find IFRS difficult to understand and implement (Hussain et al., 2012). They often lack the internal expertise needed to apply IFRS and may need to hire external consultants (Weaver and Woods, 2015). Additionally, the benefits of adopting IFRS are generally greater for larger companies compared to smaller ones (Schleicher et al., 2010). Previous studies have established a relationship between firm size and the voluntary adoption of IFRS, including works by Emmanuel Iatridis (2012); Gaeremynck and Renders (2007); Giner et al. (2019); Kim and Shi (2012a); Kim and Shi (2012b); Sato and Takeda (2017). Based on this analysis, we propose the second research hypothesis:

H2: Firm size is positively associated with voluntarily adopting IFRS.

Most prior studies suggest that financial leverage positively influences businesses' voluntary adoption of IFRS (Alanezi and Albuloushi, 2011; Di Fabio, 2018; Emmanuel Iatridis, 2012; Yang, 2014). However, some research, such as Chung and Park (2017) and Sato and Takeda (2017), indicates that financial leverage can negatively impact the voluntary adoption of IFRS. Adopting IFRS enhances the transparency and comparability of a company's financial statements (Brüggemann et al., 2013), potentially reducing the company's cost of capital as investors can better assess its risk and return profile (De George et al., 2016). Leveraged companies particularly benefit from IFRS adoption due to their higher cost of capital compared to non-leveraged companies (Kvaal, 2010). Moreover, IFRS can be advantageous for leveraged companies as they often need to raise capital to finance growth (Magli et al., 2018). A key characteristic of businesses that voluntarily adopt IFRS may be their relatively low capital intensity (André et al., 2012). Based on this analysis, we propose the third research hypothesis:

H3: Financial leverage is positively associated with voluntarily adopting IFRS.

Bassemir (2018) suggested that businesses with substantial private capital, numerous subsidiaries, and extensive international transactions tend to prefer IFRS adoption. This inclination aligns with the concept that companies operating globally are more inclined to adopt reporting strategies enabling communication with diverse stakeholders, including international constituents and customers (André et al., 2012). Moreover, globally-oriented companies face heightened complexity in managing information and may turn to IFRS to navigate these challenges (Bassemir, 2018). IFRS, being a globally accepted accounting standard, fosters comparability in financial reporting (Jacob and Madu, 2009). Companies eyeing international expansion are more inclined to adopt IFRS, given that it facilitates comparability with other market players (Brown, 2013). Numerous factors associated with internationalization bolster the propensity of listed enterprises to voluntarily adopt IFRS (Emmanuel Iatridis, 2012; Giner et al., 2019; Kim and Shi, 2012a, 2012b). Based on this analysis, we posit the fourth research hypothesis:

H4: Internationalization is positively associated with voluntarily adopting IFRS.

Giner et al. (2019) have established that profits exert a positive influence on businesses' voluntary adoption of IFRS. In contrast, Alanezi and Albuloushi (2011) contend that profits have a negative impact on the voluntary adoption of IFRS among listed enterprises. However, companies with higher efficiency are more adept at managing the costs and complexities associated with IFRS adoption (Gornik-Tomaszewski and Jermakowicz, 2006). Enhanced firm efficiency often translates into superior IFRS adoption compared to less efficient counterparts, as these companies are more inclined to invest in employee training and development (Gupta and Patro, 2012). Consequently, higher profits enable businesses to allocate more resources toward activities related to IFRS implementation. Thus, we propose the fifth research hypothesis as follows:

H5: Business efficiency is positively associated with voluntarily adopting IFRS.

Companies audited by BIG4 firms possess a deep understanding of IFRS and are well-equipped to assist in its timely and accurate implementation (Albu et al., 2011). They also play a crucial role in helping clients minimize costs and risks associated with IFRS adoption (Musah et al., 2018). The voluntary adoption of IFRS by businesses is positively correlated with the engagement of BIG4 audit services (André et al., 2012). Firms audited by major auditing firms tend to exhibit higher levels of compliance and familiarity with IFRS requirements (Gray and Street, 2002). Consequently, companies audited by large audit firms, commonly known as BIG4 firms, are more likely to disclose voluntary IFRS information before formal adoption (Tarca, 2004). Numerous prior studies consistently demonstrate a positive association between companies audited by BIG4 firms and their voluntary adoption of IFRS. Notable examples include studies by André et al. (2012); Chung and Park (2017); Emmanuel Iatridis (2012); Gaeremynck and Renders (2007); Pichler et al. (2018); and Sato and Takeda (2017). Based on the foregoing analysis, we propose the sixth research hypothesis as follows:

H6: Companies audited by BIG4 firms are positively associated with voluntarily adopting IFRS.

Companies with dispersed ownership structures are more inclined to voluntarily adopt IFRS (Gassen and Sellhorn, 2006). This inclination stems from the correlation between distributed ownership and heightened transparency and accountability (Yoshikawa et al., 2014), objectives that IFRS facilitates achieving. Conversely, firms with controlling shareholders exhibit less enthusiasm for voluntary IFRS adoption (Iuliano and Matonti, 2012). Additionally, foreign-owned companies demonstrate a higher propensity for voluntary IFRS adoption (Iuliano and Matonti, 2012). This inclination arises from the global nature of IFRS, with foreign shareholders often displaying greater familiarity and comfort with it compared to local accounting standards (Covrig et al., 2007). Sato and Takeda (2017) have substantiated a positive correlation between the foreign ownership ratio and the voluntary adoption of IFRS among listed firms. Building on the insights from prior research, we posit the seventh research hypothesis as follows:

H7: The foreign ownership ratio is positively associated with voluntarily adopting IFRS.

In state-owned enterprises, accountability often lags behind that of private enterprises (Nguyen et al., 2021), creating incentives to manipulate accounting practices. Moreover, managers in state-owned enterprises must balance the interests of various stakeholders beyond owners, including the public and public opinion. Negotiating these diverse and sometimes conflicting interests, driven by different managerial powers reflected in the ownership structure (Bruton et al., 2015), may encourage the manipulation of accounting practices and significantly impact the voluntary adoption of IFRS. Therefore, we propose the following research hypothesis:

H8: The state ownership ratio is positively associated with voluntarily adopting IFRS.

3. Research method

3.1. Research data

We collected data on the voluntary adoption of IFRS using offline questionnaires distributed between June 2023 and November 2023. A language expert translated the questionnaire into Vietnamese. During visits to listed firms, we explained the survey's purpose to managers and obtained permission to administer it. A total of 763 questionnaires were completed, of which 552 met the criteria for inclusion in our study. Our sample comprises 552 public companies listed on the Ho Chi Minh Stock Exchange and Ha Noi Stock Exchange from 2019 to 2022. Financial data were obtained from Bloomberg.

Our sample consists of companies from various industries, classified according to Vietnam's economic industry codes. Specifically, it encompasses firms from the following sectors, along with the corresponding number of companies: Oil and gas (5), chemicals (37), basic resources (46), construction and materials (101), industrial services (85), auto and parts (10), food and beverages (45), personal and household goods (26), healthcare (18), retail (15), media (19), travel and entertainment (12), water, petroleum, and gas (31), real estate (88), and information technology (14). Financial institutions and insurance companies are excluded from our sample.

3.2. Research model

Following André et al. (2012); Cameran and Campa (2020); Emmanuel Iatridis (2012); Giner et al. (2019); Key and Kim (2020); Kim and Shi (2012b); Nguyen (2022); Pichler et al. (2018); Sato and Takeda (2017); and Yang (2014), we have built the following model:

$$IFRS_{i,t} = \beta_0 + \beta_1 GROWTH_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 LEV_{i,t} + \beta_4 INT_{i,t} + \beta_5 ROA_{i,t} + \beta_6 BIG4_{i,t} + \beta_7 FOO_{i,t} + \beta_8 SO_{i,t} + i.Year + i.Industry + \mu_{i,t}$$

where *i* and *t* are the firm and year, respectively; α: Is the intercept coefficient; β: Is the regression coefficient of the independent variables; μ Is the standard error.

3.2.1. Dependent variable

IFRS is the variable measuring the voluntary adoption of IFRS by company *i* in year t. In a transforming country with a roadmap for IFRS implementation (e.g., Vietnam), listed companies' voluntary IFRS adoption is seen as a preparatory stage before mandatory adoption, aimed at creating necessary conditions for IFRS application. Following Guerreiro et al. (2008), this study assesses listed companies' voluntary IFRS adoption during the transition to mandatory adoption through the exploration of the following questions:

(i) Does the company prepare a financial reporting system according to IFRS standards?

(ii) Does the company train the finance and accounting department staff according to IFRS standards?

(iii) Is the company preparing to supplement accounting information according to IFRS standards?

If a company engages in any of the three preparatory activities mentioned above, it is deemed to be undertaking voluntary preparations for the adoption of IFRS (Guerreiro et al., 2008). Consequently, companies involved in such activities will be identified in the year they commence voluntary adoption of IFRS and assigned a value of 1 to denote their preparation efforts. In the context of this study, Decision No. 345/QD-BTC of the Ministry of Finance, which approved the project for implementing financial reporting standards in Vietnam, was issued in 2020. Therefore, the timeline for measuring the implementation of voluntary IFRS adoption activities is set from 2020, following a methodology similar to that of the study conducted by Kim and Shi (2012b).

3.2.2. Independent variables

GROWTH represents the company's growth rate, calculated as the net revenue growth rate in year *t* compared to year *t*–1. André et al. (2012); Giner et al. (2019); Key and Kim (2020) used this measurement method to measure the variable of business growth rate.

SIZE is a variable measuring firm size, calculated as the natural logarithm of total assets. This method of measuring the firm size variable is utilized by several empirical studies, including André et al. (2012); Cameran and Campa (2020); Emmanuel Iatridis (2012); Key and Kim (2020); Kim and Shi (2012b); Nguyen (2022); Pichler et al. (2018); Sato and Takeda (2017); and Yang (2014).

LEV is a financial leverage variable, calculated as the ratio of total debt to total assets. Several empirical studies have utilized this approach to measure financial leverage. Examples include studies conducted by André et al. (2012); Key and Kim (2020); Kim and Shi (2012b); Nguyen (2022); Pichler et al. (2018); Sato and Takeda (2017); Yang (2014).

The variable INT denotes the internationalization level of enterprise i in year t. It is measured by a dummy variable, where a value of 1 indicates that the enterprise has investments in foreign markets, and a value of 0 indicates otherwise (Nguyen, 2022).

ROA is a variable measuring business efficiency, calculated as the ratio of profit to total assets. These studies include works by Cameran and Campa (2020); Emmanuel Iatridis (2012); Kim and Shi (2012b); Sato and Takeda (2017).

BIG4 is a dummy variable indicating whether companies are audited by the BIG4 group of auditing firms. This measurement method has been employed in various empirical studies, including those conducted by André et al. (2012); Cameran and Campa (2020); Emmanuel Iatridis (2012); Giner et al. (2019); Key and Kim (2020); Nguyen (2022); Pichler et al. (2018); Sato and Takeda (2017).

The variable SO measures state ownership and is calculated as the ratio of the number of shares owned by the state to the total number of outstanding shares (Yasser et al., 2017).

FOO represents the foreign ownership ratio of the enterprise, serving as an independent variable. It is calculated as the ratio of shares owned by foreign investors to the total number of outstanding shares of the enterprise (Giner et al., 2019; Sato and Takeda, 2017).

The variables i.Year and i.Industry represent fixed effects for the year and industry of the operating enterprise, respectively. In this article, we utilize panel data fixed by year and company. Thus, the variable i.Year is employed to describe the fixed effect of the year, ensuring the sustainability of the research model’s estimation results. Additionally, differences in the characteristics of each business evolve over time, exerting a significant impact on businesses’ voluntary adoption of IFRS. For instance, Ortiz (2005) suggests that service-based companies are more inclined to adopt IFRS, while Buijink and Cuijpers (2005) demonstrate the opposite trend for companies in the service industry. Drawing from these empirical studies, we identify the fixed effects of the year and industry of the operating enterprise, which influence the ability of enterprises to voluntarily apply IFRS.

4. Empirical evidence

4.1. Descriptive statistics

We analyzed data obtained from Bloomberg alongside survey responses to clarify the variables utilized in the research model, as outlined in **Table 1**.

Table 1 presents sample statistics, revealing that the average voluntary adoption of IFRS is 0.166 points, indicating a very low level of adoption among listed firms in Vietnam. This suggests that many firms avoid IFRS due to perceived challenges. The descriptive statistics for the variable SO show an average state ownership ratio of 19.865%. Additionally, the average natural logarithm of total assets is 3.063 points, while the average leverage (LEV) variable stands at 46.021%. The average net revenue growth rate is 13.262%, and the average return on assets (ROA) variable is 5.792%. Lastly, the average values for the variables INT and BIG4 are 0.255 points and 0.297 points, respectively. From these results, we argue that listed firms have a high ratio of leverage to total assets, but a low return on assets ratio, and that the foreign ownership ratio is lower than the state ownership rate.

Table 1. Summary statistics.

Variables	Observations	Mean	Std. Dev.	Minimum	Maximum
IFRS	2208	0.166	0.372	0	1
SIZE	2208	3.063	0.718	1.199	5.761
LEV	2208	46.021	21.656	0.06	137.57
INT	2208	0.255	0.436	0	1
GROWTH	2208	13.262	67.421	−265.73	958.93
ROA	2208	5.792	7.663	−46.07	60.31
BIG4	2208	0.297	0.457	0	1
SO	2208	19.865	26.216	0	99.19
FOO	2208	7.814	13.743	0	94.93

Note: IFRS: Voluntary IFRS application; SO: State ownership; SIZE: Firm size; LEV: Leverage; INT: Internationalization; GROWTH: Firm growth; ROA: Business efficiency; BIG4: BIG4 audit; FOO: Foreign ownership. Source: Author's calculation.

4.2. Correlation coefficients matrix

Table 2 displays the correlation coefficient matrix for the variables in the model. The table reveals a positive correlation between firm size, internationalization, firm growth, business efficiency, BIG4 audit, and foreign ownership with the voluntary adoption of IFRS variable. Additionally, the variance inflation factor (VIF) coefficients for each pair of independent variables are all below 2, indicating, in accordance with Hair et al. (1995), that multicollinearity is not a significant concern in the research model.

Table 2. Correlation matrix.

Variable	IFRS	SIZE	LEV	INT	GROWTH	ROA	BIG4	FOO	SO
IFRS	1.000								
SIZE	0.268***	1.000							
LEV	0.0006	0.38***	1.000						
INT	0.29***	0.22***	0.03	1.000					
GROWTH	0.046**	0.02	0.05***	−0.01	1.000				
ROA	0.15***	−0.04**	−0.36***	0.09***	0.13***	1.000			
BIG4	0.159***	0.43***	0.03*	0.17***	−0.02	0.07***	1.000		
FOO	0.24***	0.23***	−0.08***	0.14***	−0.01	0.14***	0.25***	1.000	
SO	0.01	−0.04**	−0.01	−0.06***	−0.05**	0.1***	0.008	−0.09***	1.000
VIF		1.58	1.42	1.09	1.04	1.24	1.31	1.15	1.04

Note: Significance levels of 10%, 5%, and 1% are denoted by *, **, and ***, respectively. IFRS: Voluntary IFRS application; SO: State ownership; SIZE: Firm size; LEV: Leverage; INT: Internationalization; GROWTH: Firm growth; ROA: Business efficiency; BIG4: BIG4 audit; FOO: Foreign ownership. Source: Author's calculation.

4.3. Regression results and discussion

In order to analyze the factors influencing the voluntary adoption of IFRS, a logistic regression model is employed, with the dependent variable represented as a dummy variable taking values of 1 and 0. To ensure the robustness of the results, we utilize the robust option during the estimation of the logistic model. Specifically, Column (1) depicts logistic regression analysis without the robust option, while Column (2) illustrates logistic regression analysis with the robust option. Consequently, the final conclusions are based on the logistic regression analysis with robust selection. The specific results are outlined as follows:

The analysis in **Table 3** shows that the firm size variable (SIZE) is statistically significant at the 1% level, indicating that larger enterprises have a higher probability of voluntary IFRS adoption. Thus, hypothesis H2, which states that larger company size positively impacts the voluntary application of IFRS by listed enterprises in Vietnam, is accepted. This result is consistent with studies by Emmanuel Iatridis (2012); Gaeremynck and Renders (2007); Giner et al. (2019); Kim and Shi (2012a); Kim and Shi (2012b); and Sato and Takeda (2017). Several factors explain this finding: Larger businesses play a crucial role in accounting choices during the transition from GAAP to IFRS (Kvaal and Nobes, 2010). The costs of adopting IFRS are substantial, particularly for smaller firms (De George et al., 2013), due to the complexity of IFRS, which necessitates changes to accounting systems and processes (Gornik-Tomaszewski and Jermakowicz, 2006). Smaller businesses may find IFRS difficult to understand and implement (Hussain et al., 2012) and often lack the in-house expertise or resources to hire external consultants (Weaver and Woods, 2015). Additionally, larger companies are likely to derive greater benefits from IFRS adoption than smaller companies (Schleicher et al., 2010).

Table 3 results indicate that the internationalization variable (INT) is statistically significant at the 1% level, suggesting that enterprises engaging in foreign investment activities are more likely to autonomously apply IFRS. Thus, hypothesis H4, affirming the positive impact of foreign investment activities on voluntary IFRS adoption by listed enterprises in Vietnam, is supported. This aligns with findings from studies by Emmanuel Iatridis (2012); Giner et al. (2019); Kim and Shi (2012a); and Kim and Shi (2012b). Globally-oriented companies often adopt IFRS to enhance communication and trust with foreign partners (André et al., 2012), while also addressing the increasing complexity of international operations (Bassemir, 2018). Additionally, IFRS facilitates comparability in financial reporting across global markets (Jacob and Madu, 2009), making it preferable for companies expanding internationally (Brown, 2013).

The corporate efficiency variable (ROA) is statistically significant at the 1% level (refer to **Table 3**), indicating that higher business efficiency is associated with increased voluntary IFRS adoption by listed enterprises. Hence, hypothesis H5, suggesting a positive impact of corporate performance on voluntary IFRS application in Vietnam, is supported. This finding aligns with Giner et al. (2019). Efficient companies can better manage the costs of IFRS adoption (Gornik-Tomaszewski and Jermakowicz, 2006) and invest more in employee training, enhancing IFRS adoption

(Gupta and Patro, 2012). Additionally, higher profits enable businesses to allocate more resources to IFRS implementation activities.

The foreign ownership variable (FOO) is statistically significant at the 1% level (refer to **Table 3**), indicating a strong association between higher ownership rates by foreign investors and increased voluntary adoption of IFRS by listed enterprises in Vietnam. Thus, hypothesis H7, suggesting a positive impact of foreign ownership on voluntary IFRS application, is supported. This finding is supported by studies by Iuliano and Matonti (2012) and Sato and Takeda (2017), suggesting that companies with foreign ownership are more likely to adopt IFRS voluntarily. Additionally, foreign shareholders may find IFRS more familiar and comfortable than local accounting standards (Covrig et al., 2007). Similarly, the state ownership variable (SO) is statistically significant at the 10% level, suggesting that higher state ownership rates are linked to increased voluntary IFRS adoption by listed enterprises in Vietnam. Hence, hypothesis H8, positing a positive impact of state ownership on voluntary IFRS application, is also supported. These findings can be attributed to the readiness of state-owned enterprises in Vietnam to adhere to the IFRS application roadmap established by government regulations and the State Capital Management Committee.

Table 3 shows that the growth rate variable (GROWTH) is not statistically significant at the 10% level, indicating no effect on the voluntary adoption of IFRS by listed enterprises in Vietnam. Therefore, hypothesis H1 is rejected. Companies with rapid revenue growth often have simple operations and find existing accounting standards sufficient, making IFRS adoption's benefits not worth the costs and complexities. Additionally, rapidly growing companies may avoid risks associated with transitioning to new standards (Hail et al., 2009), prioritizing stability over adopting IFRS. The financial leverage variable (LEV) is not statistically significant at the 10% level, indicating no impact on the voluntary adoption of IFRS by listed enterprises in Vietnam. Thus, hypothesis H3 is rejected. This finding aligns with Pichler et al. (2018). Although financial leverage affects relationships with creditors and investors, these relationships are not solely determined by accounting standards (Jermias, 2008). Companies prioritize transparency and consistency regardless of the standards used. Additionally, the costs of adopting IFRS, including training and system upgrades (Sharma et al., 2017), are weighed against benefits beyond financial leverage, such as global operations and regulatory requirements. Therefore, financial leverage does not influence the voluntary adoption of IFRS. Moreover, the variable indicating a company is audited by a BIG4 firm (BIG4) is not statistically significant at the 10% level, showing no effect on the voluntary adoption of IFRS by listed enterprises in Vietnam. Therefore, hypothesis H6 is rejected. This finding aligns with Iuliano and Matonti (2012). The reasons are as follows: IFRS adoption is primarily a decision about financial reporting standards (Kumar, 2015), while auditors ensure compliance with chosen standards (Farghaly and Hegazy, 2021). Thus, the audit firm's choice is generally independent of the accounting standards selected. Additionally, voluntary IFRS adoption depends on stakeholder expectations, not just the audit firm. Lastly, although auditors ensure financial reporting accuracy, choosing a BIG4 firm may not drive IFRS adoption.

Table 3. Results of logistic regression.

Variables	Voluntary adoption of IFRS	
	(1)	**(2)**
$SIZE_{i,t}$	2.496^{***} (5.47)	2.493^{***} (5.25)
$LEV_{i,t}$	0.004 (0.41)	0.004 (0.39)
$INT_{i,t}$	4.75^{***} (6.30)	4.75^{***} (6.22)
$GROWTH_{i,t}$	−0.001 (−0.37)	−0.001 (−0.33)
$ROA_{i,t}$	0.14^{***} (4.89)	0.14^{***} (4.64)
$BIG4_{i,t}$	−0.316 (−0.64)	−0.316 (−0.65)
$FOO_{i,t}$	0.096^{***} (5.41)	0.096^{***} (4.29)
$SO_{i,t}$	0.025^{***} (2.79)	0.025^{***} (2.86)
Constant	-26.81^{***} (−6.16)	-26.81^{***} (−6.57)
Number of obs.	2208	2208
Number of groups	552	552
Year-fixed	Yes	Yes
Industry-fixed	Yes	Yes
Log likelihood	−479.188	−479.188
Wald chi2	76.70	89.85
Prob > chi2	0.000	0.000

Note: Significance levels of 10%, 5%, and 1% are denoted by *, **, and ***, respectively. T-statistics are reported in parentheses. IFRS: Voluntary IFRS application; SO: State ownership; SIZE: Firm size; LEV: Leverage; INT: Internationalization; GROWTH: Firm growth; ROA: Business efficiency; BIG4: BIG4 audit; FOO: Foreign ownership. Source: Author's calculation.

5. Conclusion

This study investigates the factors influencing voluntary adoption of IFRS. Analyzing data from 552 publicly listed companies on the Ho Chi Minh Stock Exchange and Ha Noi Stock Exchange between 2019 and 2022, the study examines a positive relationship between firm size, leverage, internationalization, corporate efficiency, state ownership, foreign ownership, and voluntary IFRS adoption.

This study confirms that larger enterprises are more likely to voluntarily prepare for IFRS adoption. Additionally, companies with greater foreign investment and higher efficiency are more inclined to engage in these voluntary activities. Therefore, policymakers should create mechanisms to support and encourage businesses without foreign investments or with lower efficiency to enhance their voluntary IFRS preparation efforts. Moreover, this study finds that both state ownership and foreign ownership positively correlate with voluntary IFRS preparation activities. Thus, businesses with low foreign ownership are less likely to prepare for IFRS voluntarily. To address this, policy-making agencies should implement measures to encourage and support voluntary IFRS adoption, especially for listed enterprises with low foreign ownership. This approach is crucial for increasing the likelihood of businesses adopting IFRS voluntarily. For state-owned enterprises, the State Capital Management Committee should guide and ensure IFRS preparation activities align with the Ministry of Finance's roadmap.

While this research has yielded significant findings, it also has limitations. Firstly, the study spans from 2019 to 2022, during which economic and regulatory conditions may have fluctuated, potentially impacting the results. Notably, the severe consequences of the Covid-19 pandemic in 2020 and 2021 affected Vietnam's economy and businesses. Future studies should consider annual economic changes to gain a clearer understanding of these effects. Secondly, the data on voluntary IFRS adoption were collected through surveys, which may be subject to respondent bias and dependent on participants' understanding and willingness to provide accurate information. Future research should explore alternative methods to measure voluntary IFRS adoption as Vietnam progresses towards broader IFRS application.

Conflict of interest: The author declares no conflict of interest.

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