THE EFFECT OF CORPORATE GOVERNANCE ON COMPLIANCE WITH INDIAN ACCOUNTING STANDARDS: AN EMPIRICAL ANALYSIS OF POST IFRS CONVERGENCE

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Abstract

This study explores the impact of corporate governance mechanisms (CGMs) of compliance with Indian Accounting Standards (Ind-AS). A sample of 70 firms listed on Bombay Stock Exchange (BSE) over a period of two years from 2016–2017 to 2017–2018 was used. The results revealed that board independence, size, expertise, size of the audit committee, expertise and independence exhibit a significant influence on compliance with Ind-AS. However, no significant effect was found regarding the board and audit committee diligence, foreign ownership and audit quality by Big-Four. The current study fills an existing gap in compliance of accounting standards and corporate governance literature in the context of the emergent market. It uses a methodology of comprehensive compliance index to evaluate the level of disclosure of Ind-AS that could generalize the results and benefit other listed firms. Finally, as a practical contribution, the present study brings useful insights and empirical evidence which are very beneficial and are of significant importance to investors, practitioners, academicians and policymakers. It is considered as one of the pioneering studies in this context and a battery for further research. The study recommends that more prominence should be given to compliance with Ind-AS and an overseeing body for compliance with Ind-AS should be created.

Keywords: Compliance with Ind-AS, Board Attributes, Audit Committee Characteristics, Audit Quality, Foreign Ownership

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1. INTRODUCTION

With the increasing demand for harmonization of financial reporting standards and the worldwide trend to adopt and implement International Financial Reporting Standards (IFRS) equivalent standards, it is important to analyze how different corporate governance (CG) factors influence the initial adoption and implementation of converged IFRS standards in emerging economies (Ebrahim & Fattah, 2015). The Indian context represents a vehicle to demonstrate an interesting aspect of the relationship between CG variables and disclosure with IFRS equivalent standards as India has recently converged its accounting standards with IFRS.

The old "Indian Accounting Standards" which were also called the "Indian GAAP" were proposed by Institute of Chartered Accountants of India (ICAI) to be converged with IFRS. ICAI aimed to converge its accounting standards to Ind-AS so that listed firms should mandatorily follow Ind-AS in preparing their financial statements starting from 1 April 2016 and thereafter ("Proposed roadmap", 2014). On 16 February 2015, the Ministry of Corporate Affairs (MCA) came with a notification that the Indian GAAP (thirty-five ASs) should converge with IFRS effective from 1 April 2015 (KPMG, 2015).

The Ind-AS were harmonized, named and numbered in such a way to correspond with IFRS. "The MCA released a roadmap requiring that companies with a net worth of Rs. 500 crores or more will have to mandatorily follow Ind-AS from 1 April 2016. Corporates having a net worth of less than Rs. 500 crores but are listed, or in the process of getting listed and companies with a net worth of Rs. 250 crores or more will have to follow the new norms from 1 April 2017" ("Roadmap drawn up", 2016).

There are many studies that have explored the relationship between CG and IFRS adoption or convergence of IFRS with local GAAP in other countries other than India (Bouchareb, Ajina, & Souid, 2014; Chen & Rezaee, 2012; Cormier, Houle, & Ledoux, 2013; Ebrahim & Fattah, 2015; Kao & Wei, 2014; Kent & Stewart, 2008; Houque, van Zijl, Dunstan, & Karim, 2012; Smaili & Labelle, 2016). But, there is a lack of studies in this regard in the Indian context particularly, after the conversion of Indian GAAP with IFRS (Almaqtari, Hashid, Shamim, Al-Hattami, & Aqlan, 2020d). Results from prior studies may not be applicable to the financial reporting environment of India. The Satyam scandal which is also known as India’s Enron has largely affected its economy. This came after the Golden Peacock award from a body of Indian directors for excellence in CG being awarded to Satyam. But it was turned into a corporate scandal affecting an India-based company in 2009 and was considered as India’s Enron.

More importantly, Satyam was the first company in India that adopted IFRS for its financial reporting in addition to the Indian GAAP. This is the reason that the CG code in India has taken place to protect investors and address the regulatory requirements for financial reporting. India has strong regulatory enforcement regarding disclosures and corporate governance mechanisms (CGMs) that might be different from other economies (Almaqtari et al., 2020a; Almaqtari, Shamim, Al-Hattami, & Aqlan, 2020b). These regulatory requirements may influence the initial compliance with the new converged IFRS standards, Ind-AS.

Accordingly, India represents a distinctive environment to address the issues of CG and its compliance with the new converged IFRS standards’ disclosure requirements.

The adoption of IFRS is justified by network economic theory, which claims that a trading partner in a geographical region may be a motivator for developing countries to adopt IFRS standards (Ramanna & Sletten, 2009). This is the situation in Europe, where tight contacts are shared and where IFRS was implemented in 2005 (Samaha & Khafif, 2016). According to Ramanna and Sletten (2016), some nations in certain geographical regions are influenced by their neighbours’ IFRS adoption and tend to mimic them. This is confirmed further by mimesic isomorphism, which refers to a nation’s proclivity to copy other nations (Pricope, 2016). In this regard, less developed countries may adopt IFRS in order to mimic developed countries (Pricope, 2015). The notions of “mimetic and normative” isomorphism have also been offered in the IFRS adoption literature. Mimetic isomorphism refers to the replication of what other institutions deem successful practices. On the other hand, “normative” isomorphism suggests that the institution adheres to what is widely regarded as “best practice,” such as IFRS and US GAAP (Bakr & Napier, 2020). Adoption of IFRS is also justified by signaling theory, which states that corporations tend to signal to investors by implementing more procedures and disclosing additional information (Barth, Landsman, & Lang, 2008). Hope, Jin, and Kang (2006) suggested in this context that governments “bind” to IFRS in order to meet the needs of investors. This is true in Saudi Arabia, where the Vision 2030 initiative was developed in order to attract foreign investment (Government of Saudi Arabia, 2016). Accordingly, the new accounting standards in India, Ind-AS, represent an interesting case for investigation. In this regard, the question that may arise is what the level of compliance with the new accounting standards is and what the role of corporate governance in the level of compliance with the new accounting standards in India after the adoption of IFRS is.

Hence, this research aims to study the influence of CG processes on compliance with Ind-AS in the context of the emerging market, India.
The current study upholds three-fold contributions. First, from a theoretical perspective, it fills an existing gap in compliance of accounting standards and CG literature focusing on listed companies on Bombay Stock Exchange (BSE). Second, the present study uses a methodology of comprehensive compliance index to evaluate the level of disclosure of Ind-AS that could generalize the results and benefit other listed firms. Further, this research seeks to examine the role and effect of CG on compliance with accounting standards. Finally, as a practical contribution, the present study brings useful insights and empirical evidence on the influence of CGMs on compliance with Ind-AS in India which are very beneficial and are of significant importance to investors, practitioners, academicians and policymakers.  

The rest of this study is organized as follows: Section 2 is devoted to the literature review and hypotheses development, Section 3 provides the research methodology, Sections 4 and 5 introduce results estimation and robustness analysis, Section 6 concludes the paper with limitations of the study and directions for future research, policy implications are also given in Section 6.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

According to IFRS (IFRS, 2021), 156 jurisdictions were implemented or committed to implement IFRS. However, some questions may arise in this context as to what extent that firms comply with the IFRS requirement (Glaum & Street, 2003). Earlier studies in the disclosure and compliance with IFRS focused on assessing the extent and level of compliance with IFRS. Alfaraih (2009) indicated that, in the absence of transparency, investors may depend on some other sources and incur costs in doing so. 

Different studies have used a compliance index as means of measuring compliance level with accounting standards (Al-Akra, Eddie, & Ali, 2010; Al-Shammarri, Brown, & Tarca, 2008; Alfaraih, 2009; Chalevas & Tzovas, 2010; Hodgdon, Tondkar, Adhikari, & Harless, 2009; Tsalavoutas, 2011; Yiadom & Asutuyo, 2014). Most disclosure studies used an item-based index to determine the level of compliance with IFRS. Different studies utilized compliance index to investigate the association between the level of disclosure and few firms' characteristics (Abdullah, Evans, Fraser, & Tsalavoutas, 2015; Alanezi, Alfaraih, Alrashaid, & Abolushei, 2012; Alfaraih, 2009; Demir & Bahadir, 2014; Eng & Mak, 2003; Glaum & Street, 2003; Juhan, 2017; Mollik & Bepari, 2012; Rajhi, 2014; Sellami & Fendri, 2017; Tsalavoutas, 2011).

But there are very few studies that utilized disclosure indices to assess the relationship between disclosure level and CGMs (Abdullah et al., 2015; Alanezi et al., 2012; Alfaraih, 2009; Eng & Mak, 2003; Mollik & Bepari, 2012; Rajhi, 2014; Sellami & Fendri, 2017; Tsalavoutas, 2011). Most of these studies were conducted in countries other than India. Accordingly, there is a lack of studies that investigate disclosure and compliance with the new IFRS converged standards, Ind-AS, in India especially after the convergence process.

Regarding the impact of CGMs on compliance with IFRS or IFRS equivalent standards, evidence from prior studies suggests that board characteristics may influence and have a role in disclosure and compliance with accounting standards. Samaha, Khilf, and Hussainey (2015) reported that there exists a relationship between corporate disclosure and CGMs. Juhan (2017) analyzed the relationship between the level of IFRS disclosures in Bahraini companies and their CG practices and concluded that the level of disclosures has a substantial relationship with the independence of the audit committee, independence of board, and CEO duality. Consistently, Eng and Mak (2003) studied different roles played by independent directors on voluntary disclosure of 158 firms listed companies in Singapore. Botti, Boubaker, Hamrouni, and Solonandrasana (2014) stated that efficient board oversight reduces the likelihood of managers withholding information and thereby enhances transparency policy. Al-Janadi, Rahman, and Omar (2013) advocated that CG attributes play a crucial role in financial reporting quality. Al-Hadi, Al-Yahyaee, Hussain, and Taylor (2019) suggested that there is a clear relationship between the level of the firm’s CG structure and its market risk disclosure. Similarly, Al-Maghzom, Hussainey, and Aly (2016) indicated that CGMs such as audit committee meetings, the board size, and external ownership are the key determining factors of voluntary risk disclosure practices. Further, Enache and Hussainey (2020) suggested that there is a substitutive effect between the level of voluntary disclosures and the governance mechanisms. However, Hassouna, Ouda, and Hussainey (2017) reported that effective CGMs are key determinants for transparency and disclosure practices.  

According to agency theory, the audit committee's role is assumed to be centered on supervising and monitoring financial reporting integrity, which enhances the overall value of the firm (Alzahrani, 2014). Hundal (2013) found that oversight functions are significantly influenced by the level of independence, expertise, and experience of audit committees. Further, Mollik and Bepari (2012) advocated that financial and accounting knowledge of audit committee members is linked positively to the IFRS compliance and disclosure for goodwill impairment. Similarly, Samaha et al. (2015) found that the audit committee has a significant positive impact on voluntary disclosure. Contradictory, Salehi and Shirazi (2016) found an insignificant association between other audit committee mechanisms and financial reporting quality except for audit committee independence which is found to be positively linked with financial reporting quality.  

In another quest of the effect of CG processes on the quality of financial reporting and disclosure practices, Alanezi et al. (2012) examined “the use of a dual-audit/joint-audit process and the level of compliance with IFRS in listed Kuwaiti financial institutions” (p. 109). The results of the study
indicated that the financial institutions audited by dual-auditors had higher IFRS compliance level than those audited by joint-auditors.

In the same quest, Mollik and Bepari (2012) examined “the effect of audit quality and audit committee members’ accounting and finance background on firm’s compliance with IFRS for goodwill impairment testing and disclosure” (p. 2). The results demonstrated a low level of compliance among the sampled firms audited by both Big-Four and non-Big-Four auditors. Further, the results indicated that there was a significant difference between the clients of Big-Four as compared to non-Big-Four auditors in terms of compliance levels. Regarding the firm size, different studies report that there is a substantial relationship between the firm’s size and the level of IFRS compliance. They indicate that firm size is a key determinant of disclosure levels (Alfaraih, 2009; Bova & Pereira, 2012; Guerreiro, Rodrigues, & Craig, 2008; Ho & Wong, 2001; Lopes & Rodrigues, 2007; Owusu-Ansah & Yeoh, 2005; Samaha et al., 2015).

It is witnessed from the above literature that there is a lack of empirical studies that investigate the impact of CG on compliance with Ind-AS. The majority of studies that assess this issue are conducted in countries other than India. The studies on CG and IFRS convergence in India are theoretical (Joshi, 2012). Further, taking the country-specific factors into consideration and with specific reference to the Indian road maps for converging with IFRS, more studies in CG and IFRS adoption are needed in the Indian context. Accordingly, the following subsections discuss the relationship between CGMs from one side and financial reporting quality, disclosure and compliance with IFRS or IFRS equivalent standards from the other.

2.1. Board size

There is considerable debate among CG researchers on board size. Vafeas (2000) and Bushman, Chen, Engel, and Smith (2004) advocated that large board size may offer better resources with relevant expertise and skills which can enhance the monitoring function of board members. Ba-Abbad and Wan-Hussin (2011) suggested that the level of compliance with IFRS disclosure is not related to the board size in the companies. However, Al-Akra et al. (2010), Hundal (2013) and Juhman (2017) argued that there is a substantial relationship between board size and the level of compliance with IFRS. In this regard, the following hypothesis is posited:

**H.1:** There is no significant impact of board size on compliance with Ind-AS of some Indian listed companies on BSE.

2.2. Board independence

Several empirical studies have been conducted on different streams and disciplines which show that board independence has a link with the integrity of the financial accounting process (Al-Abbas, 2009), leading to the enhancement of the possibility of offering more information to the external world (Akhhtaruddin, Hossain, Hossain, & Yao, 2009; Chobchuchien, Haron, & Ibrahim, 2008; Singh & van der Zahn, 2008) rise the level of voluntary disclosure incorporate annual reports (Arcay & Vazquez, 2005; Ho & Wong, 2001; Huafang & Jianguo, 2007; Patelli & Prencipe, 2007) negatively linked to financial statement fraud (O’Sullivan, 2000), and companies with a high percentage of independent board members encounter less prevalence of earnings management (Bedard, Chitourou, & Courteau, 2004; Benkel, Mather, & Ramsay, 2006; Davidson, Goodwin-Stewart, & Kent, 2005; Igbal & Strong, 2010; Klein, 2002; Niu, 2006; Peasnell, Pope, & Young, 2000; Xie, Davidson, & DaDalt, 2003).

Mangena and Pike (2005) indicated that independent board members are more receptive to investors and are more prone to implement compliance with disclosure requirements. Further, Forker (1992) stated that CGMs such as board independence are more likely to decrease the chances of withholding information and hence will in return give a better quality of firm disclosures. In this context, prior literature supports that higher board independence is linked with more comprehensive statutory and voluntary disclosure (Chen & Jaggi, 2000; Conyon, Mallin, & Sadler, 2002; Juhman, 2017; Nelson, Gallery, & Percy, 2010; Owusu-Ansah & Yeoh, 2005). They all argued that the higher proportion of non-executive directors on the board, the greater level of quality information disclosure and improved transparency. Further, they indicated that the level of fulfillment with IFRS disclosure is increased with the increase in the number of non-executive directors on the board. Based on the above discussions, the following hypothesis can be empirically examined:

**H.2:** There is no significant impact of board independence on compliance with Ind-AS of some Indian listed companies on BSE.

2.3. Board diligence

Several studies stress the importance of board meetings as a key determinant of board effectiveness. Vafeas (1999) stated that the number of board meetings held annually gives a metric for the amount of board involvement in the company. Further, Brick and Chidambaram (2010) also indicated that the regularity of board meetings positively impacts the performance of corporate. It is assumed that the company managers will refrain themselves to retain information when the number of annual board meetings is high since they are under pressure. Similarly, Shivdasani and Zenner (2004) suggested that the number of annual board meetings should meet firms’ requirements in terms of closely scrutinizing the managers’ actions. Abdullah et al. (2015) found a substantial
association between board meetings and mandatory disclosure levels and that it results in the more efficient performance of governance duties by the directors. Based on the above discussion, the following hypothesis can be framed:

**H₃:** There is no significant impact on board diligence on compliance with Ind-AS of some Indian listed companies on BSE.

### 2.4. Board expertise

Board members who attained a greater level of education are recognized as having a better grasp of financial issues than those who have not sought higher education. Board of directors’ (BOD) experience and expertise are crucial elements in confirming the efficacy of a board’s monitoring function (Rohaida, 2011). The expertise of directors in areas such as accounting and finance, consultancy and law helps in making decisions (Alzahrani, 2014). Besides, a financially literate board of directors can understand and resolve financial issues better (Rohaida, 2011). Further, Bedard et al. (2004) claimed that the experienced BODs are less likely to be related to earnings management. Xie et al. (2003) also found that earnings management is less likely to occur in companies that are run by BOD with corporate and financial backgrounds. Similarly, Agrawal and Chadha (2005) claimed that the probability of earnings restatement is lesser in companies with financially literate BOD. Abdullah, Mohamad, and Mokhtar (2011) indicated that board members having knowledge of accounting standards have good influence on the preparation of final reports. In the same context, Mangena and Pike (2005) advocate that as board members with accounting and finance expertise are more familiar with the accounting standard requirements and therefore, they can easily detect non-compliance or fraud in the accounts. They can always come with better advice to improve reporting and can monitor management accordingly. Abdullah et al. (2015) suggested that board expertise is negatively related to the mandatory disclosure levels. Based on the arguments of the above empirical prior studies, the testable hypothesis in this regard is as follows:

**H₄:** There is no significant impact of board expertise on compliance with Ind-AS of some Indian listed companies on BSE.

### 2.5. Audit committee size

Numerous studies found that there is a positive relationship between the size of the audit committee and the level of disclosure in the annual report of the companies (Al-Akra et al., 2010; Albitar, 2015; Barako, Hancock, & Izan, 2006). Similarly, Alanezi and Albuloushi (2011) concluded that there is a considerable positive association between the size of the audit committee and the level of compliance with IFRS. Contradictory, Kent and Stewart (2008) found a negative relationship between the size of the audit committee and the level of mandatory disclosure in Australian companies. Further, Abdullah et al. (2015) reported that in Malaysian companies the size of audit committee size is negatively associated with the level of disclosure more particularly in family firms. Thus, the following hypothesis is proposed:

**H₅:** There is no significant impact of audit committee size on compliance with Ind-AS of some Indian listed companies on BSE.

### 2.6. Audit committee independence

The significant influence of board independence on the level of compliance with IFRS is evidenced by Luhman (2017) who established a positive relation between the level of disclosure and independence of the audit committee. Further, Al-Akra et al. (2010) reported a significant positive association between the presence of an audit committee and the level of compliance with IFRS disclosure. Similarly, Carcello and Neal (2003) concluded that the independence of the audit committee was related to the level of financial disclosures by companies experiencing financial hardship. Furthermore, Klein (2002) stated that there is a significant and positive association between an effective monitoring function of an audit committee and the greater proportion of independent members of an audit committee, they are likely to exercise better monitoring and maintain its objectivity to resist management. Besides, Mangena and Pike (2005) argued that the responsiveness of independent audit committee members to investors is more likely to implement compliance with disclosure requirements. On the other side, Kent and Stewart (2008) found no link between the independence of the audit committee and the quality of corporate disclosure in Australian companies. Similarly, Ba-Abbad and Wan-Hussin (2011) reported that audit committee independence is not associated with the level of compliance of IFRS disclosure. Accordingly, the following hypothesis is posited:

**H₆:** There is no significant impact of audit committee independence on compliance with Ind-AS of some Indian listed companies on BSE.

### 2.7. Audit committee diligence

Abdullah et al. (2015) observed no significant link between the number of audit committee meetings and the level of compliance with the mandatory disclosures in Malaysian companies. Further, Salehi and Shirazi (2016) indicated that a number of audit committee meetings held during the financial year is negatively related to the quality of disclosure. Contradictory, Allegrini and Greco (2013) reported that the number of meetings of the audit committee has a positive and substantial association with the level of voluntary disclosures. Further, Bronson, Carcello, and Raghunandan (2006) indicated that there is a positive relationship between the number of audit committee meetings and the level of voluntary disclosure of internal control in management reports. Accordingly, the following hypothesis can be framed:

**H₇:** There is no significant impact of audit committee diligence on compliance with Ind-AS of some Indian listed companies on BSE.
2.8. Audit committee expertise

Mollvik and Bepari (2012) reported that there is a significant positive link between the level of compliance with IFRS for goodwill impairment testing and the financial expertise of audit committee members. Further, Mangena and Pike (2005) indicated that audit committee expertise improves the level of financial disclosure. In the same line, Song and Windram (2004) argued that there is a relationship between the financial expertise of audit committee members and compliance with financial reporting standards. Similarly, Salehi and Shirazi (2016) advocated that there is a significant and positive association between the quality of firm’s financial disclosure and the financial expertise of audit committee members; the financial expertise of audit committee members and the quality of the report. Based on these arguments; the following hypothesis is posited:

\[ H_8: \text{There is no significant impact of audit committee expertise on compliance with Ind-AS of some Indian listed companies on BSE.} \]

2.9. Foreign ownership

Several studies report that there is a major and positive link between foreign ownership and compliance with IFRS (Beneish, Miller, & Yohn, 2012; Bova & Pereira, 2012; Gordon, Loeb, & Zhu, 2012). Gordon et al. (2012) suggested that there is a significant positive association between IFRS adoption and inflow in the shape of foreign direct investment. Similarly, Beneish et al. (2012) reported that IFRS adoption has a considerably higher effect on foreign debt investment flows than on foreign equity. Further, Beneish et al. (2012) pointed out that both the level of foreign ownership and share turnover are positively and significantly associated with IFRS compliance. Accordingly, the following hypothesis is formulated:

\[ H_9: \text{There is no significant impact of foreign ownership on compliance with Ind-AS of some Indian listed companies on BSE.} \]

2.10. Audit quality

Street and Bryant (2000) discovered an important relationship between the auditing standards type and compliance with International Accounting Standards (IAS). Further Al-Akra et al. (2010), Demir and Bahadir (2014), Glaum and Street (2003), Hodgdon et al. (2009), Juhman (2017), Samaha et al. (2015), Street and Gray (2002), Tsalavoutas (2011), Verriest, Gaeremynck, and Thornton (2013) reported a robust relationship between the size of audit firm and the disclosure index especially, when it is a Big-Four firm. Similarly, numerous studies also support the audit quality, auditor type, larger audit firm has a positive influence on the level of disclosure (Al-Akra et al., 2010; Alfaraih, 2009; Glaum & Street, 2003; Hodgdon et al., 2009; Owusu-Ansah & Yeoh, 2005; Street & Gray, 2002; Tsalavoutas, 2011). Contradictory, Fekete, Matis, and Lukács (2008) state that the disclosure index is not influenced significantly by audit type. Also, Street and Gray (2002) provided evidence that the type of auditing standards indicated in the audit report is not significantly linked with audit type. Based on this discussion, the following hypothesis is framed:

\[ H_{10}: \text{There is no significant impact of audit quality on compliance with Ind-AS of some Indian listed companies on BSE.} \]

3. RESEARCH METHODOLOGY

3.1. Sample selection

The study sample includes some companies listed in BSE, except financial institutions, like insurance companies, mutual funds and banking companies and other financial companies which is consistent with other studies (Eng & Mak, 2003). The selection of the final study is based on the following criteria:

- The company should prepare its financial reports on the basis of Ind-AS.
- Availability of information regarding Ind-AS or CG for the study period.
- After considering the above criteria, companies with a higher net worth will be given priority.

As it is mentioned earlier that “the MCA released a roadmap requiring that companies with a net worth of Rs. 500 crores or more will have to mandatorily follow Ind-AS from 1 April 2016”. Further, “Corporates having a net worth of less than Rs. 250 crores but are listed, or in the process of getting listed and companies with a net worth of Rs. 250 crores or more will have to follow the new norms from 1 April 2017” (“Roadmap drawn up”, 2016). Accordingly, there are more than 200 firms that have a turnover of more than 500 crores. However, the criteria for the sampling of the present study left the sample with 70 firms. This is further due to the difficulty of data collection from the annual reports of the selected firms. The comprehensive compliance index that includes 459 items made it difficult to increase the sample.

A period of two financial years over a period from 2016-2017 up to 2017-2018 was targeted by this study as it is the most recent years in which companies have started shifting to Ind-AS.

3.2. Operational definitions and measurements of variables

The measurement of the variables used by this study explains the specific measures of each variable and proxy used to facilitate the data collection and statistical analysis.

3.2.1. Independent variables

There are four categories of independent variables which are included in this study. It includes effectiveness of the board of directors, effectiveness of the audit committee, foreign ownership, and quality of audit. The first two categories of these variables include different variables that require operational definition and measurement as shown in Table 1.
The preponderance of the researches on compliance of accounting standards in different jurisdictions are either build on a self-constructed index (Abdelsalam & Weetman, 2007; Alfaraih, 2009; Juhman, 2017; Mollik & Bepari, 2012), or a checklist disclosure index of a Big-Four auditing company (Glau & Street, 2003; Sucher & Alexander, 2002) or a survey of opinions (Uyar, Kılıç, & Gökcen, 2016). Accordingly, a self-constructed index is the most frequently used research methodology in investigating compliance with IFRS in the accounting literature. The studies vary in the number of compliance items included in the compliance index which were selected based on the number of IFRS or IAS (earlier studies before issuance of IFRS). Hence, a checklist that includes 450 items is used which comprises mandatory disclosure requirements by the selected firms at the end of the financial year 2018. The scoring checklist is constructed in a way that would allow the calculation of the compliance index for the selected sample.

For weighting the compliance index, a partial compliance (PC) approach was applied by Al-Shibah (2003) and Street and Gray (2002). PC approach indicates that the level of compliance for an individual firm is measured by calculating the extent of compliance for an individual accounting standard and then dividing this total by the number of standards applicable to each firm. This way of measurement gives equal weight to the standards (Al-Shibah, 2003). Thus,

\[ P_{C_j} = \frac{\sum_{i=1}^{N} X_{ij}}{R_j} \]  

(1)

\( P_{C_j} \) implies a company’s total compliance count and \( 0 \leq P_{C_j} \leq 1 \). \( X_{ij} \) implies the level of compliance with a specific accounting standard’s mandatory requirements. Following that, the sum of the obtained compliance scores (\( X \)) must be scaled by the total number of applicable standards for the specific company \( j \), i.e. \( R_j \). The compliance index checklist is independently reviewed by different experts as follows:

- The constructed compliance index is mainly adopted from “IASB 2017 and the Deloitte (Big-Four) checklist that summarizes the recognition, measurement, presentation and disclosure requirements set out in IFRSs in issue as of 30 April 2017” (“IFRS compliance, presentation and disclosure”, 2017). Further, some other items were also adopted from prior studies (Alfaraih, 2009; Tsalavoutas, 2011).
- A comparison of the constructed compliance index with other compliance indexes that consulted with some experts (practicing auditors) is considered.
- The constructed compliance index is validated with previously available researches on

### Table 1. Summary of operational definition of the variables

| Variable                  | Acronym | Evidence                                                                                                                                                                                                 | Description                                                                                                                                                                                                 | Data source               |
|---------------------------|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Size                      | BSIZE   | Almaqtari et al. (2021a), Almaqtari, Hashed, and Shamim (2020c), Hashed and Almaqtari (2021)                                                                                                                  | No. of the members in the board of directors                                                                                                                                                           | Annual reports           |
| Independence              | BIND    | Al-Janadi, Rahman, and Alazzzani (2016), Al-Janadi et al. (2012), Alfaraih et al. (2012), Alfaraih et al. (2012), Alfaraih et al. (2012), Farhan, Alhomidi, Almaqtari, and Tabash (2019), Farhan, Tabash, Almaqtari, and Yahya (2020), Ghabayen (2012), Hashed and Almaqtari (2021) | No. of independent board members Total No. of board of directors                                                                                                                                 | Annual reports           |
| Diligence                 | BDEL    | Almaqtari et al. (2021a), Al-Janadi et al. (2020c), Hashed and Almaqtari (2021), Vafeas (1999)                                                                                                                 | No. of meetings attended by all BOD/Total No. of meetings held during the year                                                                                                                                 | Annual reports           |
| Expertise                 | BEXP    | Agrawal and Chaddha (2005), Alfaraih et al. (2021a), Alfaraih et al. (2020c), Hashed and Almaqtari (2021), Xie et al. (2003)                                                                                   | No. of board with financial expertise in accounting, finance and management domains/Total No. of BOD                                                                                                                                 | Annual reports           |
| Size                      | ACSIZE  | Almaqtari et al. (2021a), Alfaraih et al. (2020c), Hashed and Almaqtari (2021), Yang and Krishnan (2005)                                                                                                 | "No. of independent audit committee members/Total No. of members in the audit committee                                                                                                                                 | Annual reports           |
| Independence              | ACIND   | Al-Janadi et al. (2016), Alfaraih et al. (2021a), Alfaraih et al. (2020c), Hashed and Almaqtari (2021)                                                                                                    | No. of meetings attended by all audit committee members/Total No. of meetings held during the financial year                                                                                                                                 | Annual reports           |
| Diligence                 | ACDEL   | Alfaraih et al. (2021a), Alfaraih et al. (2020c), Hashed and Almaqtari (2021)                                                                                                                              | No. of board with financial and managerial expertise in accounting finance and management domains/Total No. of BOD                                                                                                                                 | Annual reports           |
| Expertise                 | ACEXP   | Adelopo (2010), Alfaraih et al. (2021a), Alfaraih et al. (2020c), Hashed and Almaqtari (2021)                                                                                                               | % of shares held by foreigners                                                                                                                                                                                                                                      | Annual reports           |
| Foreign ownership         | FOWN    | Al-Ghamdi and Rhodes (2015), Alfaraih et al. (2021a), Alfaraih et al. (2020c), Aroun, Hossain, and Muttakin (2014), Fallahat and Dickens (2012), Hashed and Almaqtari (2021) | 1 if a firm audited by a Big-Four or 0 otherwise                                                                                                                                                                                                                     | Annual reports           |
| Audit quality             | Big-Four| Al-Janadi et al. (2016), Alfaraih et al. (2021a), Alfaraih et al. (2020c), Gordon et al. (2012), Hashed and Almaqtari (2021), Hussainey and Aljifri (2012)                                                | % of shares held by foreigners                                                                                                                                                                                                                                      | Annual reports           |

### 3.2.2. Dependent variable

The preponderance of the researches on compliance of accounting standards in different jurisdictions are either build on a self-constructed index (Abdelsalam & Weetman, 2007; Alfaraih, 2009; Juhman, 2017; Mollik & Bepari, 2012), or a checklist disclosure index of a Big-Four auditing company (Glau & Street, 2003; Sucher & Alexander, 2002) or a survey of opinions (Uyar, Kılıç, & Gökcen, 2016). Accordingly, a self-constructed index is the most frequently used research methodology in investigating compliance with IFRS in the accounting literature. The studies vary in the number of compliance items included in the compliance index which were selected based on the number of IFRS or IAS (earlier studies before issuance of IFRS). Hence, a checklist that includes 450 items is used which comprises mandatory disclosure requirements by the selected firms at the end of the financial year 2018. The scoring checklist is constructed in a way that would allow the calculation of the compliance index for the selected sample.

For weighting the compliance index, a partial compliance (PC) approach was applied by Al-Shibah (2003) and Street and Gray (2002). PC approach indicates that the level of compliance for an individual firm is measured by calculating the extent of compliance for an individual accounting standard and then dividing this total by the number of standards applicable to each firm. This way of measurement gives equal weight to the standards (Al-Shibah, 2003). Thus,

\[ P_{C_j} = \frac{\sum_{i=1}^{N} X_{ij}}{R_j} \]  

(1)

\( P_{C_j} \) implies a company’s total compliance count and \( 0 \leq P_{C_j} \leq 1 \). \( X_{ij} \) implies the level of compliance with a specific accounting standard’s mandatory requirements. Following that, the sum of the obtained compliance scores (\( X \)) must be scaled by the total number of applicable standards for the specific company \( j \), i.e. \( R_j \). The compliance index checklist is independently reviewed by different experts as follows:

- The constructed compliance index is mainly adopted from “IASB 2017 and the Deloitte (Big-Four) checklist that summarizes the recognition, measurement, presentation and disclosure requirements set out in IFRSs in issue as of 30 April 2017” (“IFRS compliance, presentation and disclosure”, 2017). Further, some other items were also adopted from prior studies (Alfaraih, 2009; Tsalavoutas, 2011).
- A comparison of the constructed compliance index with other compliance indexes that consulted with some experts (practicing auditors) is considered.
- The constructed compliance index is validated with previously available researches on
IFRS mandatory disclosure and compliance. Wallace, Naser, and Mora (1994) stress that the inclusion of any standard in the compliance index could be guided by the focus of the prior research. After doing so, the final compliance index checklist includes 459 mandatory items from 36 standards. Overall, the Research model of the present study includes four corporate governance mechanisms which are board attributes, audit committee characteristics, foreign ownership, and audit quality. The selection of these variables is on the basis of prior studies (see Table 1) as well as on the background of agency and signalling theories. We advocate that boards have strong incentives to eliminate agency issues and decrease information asymmetry between management and shareholders by increasing voluntary disclosure. Further, the research model includes external auditing represented by audit quality variable that is measured as a dummy variable of 1 for Big-Four audit firms and 0 otherwise. We argue that a firm audited by a Big-Four is to a large extent motivated by management’s desire to “signal” better quality of reported information, which is consistent with signalling theory. Alanezi et al. (2012) indicate that prior financial reporting research has employed the capital need theory, agency theory, and signalling theory to propose possible incentives for firms to make financial reporting disclosure and to explain variations in the level of financial reporting disclosure between firms.

Table 2. Compliance index of IFRS and Ind-AS

| Standard | Number of items | panel A: IASs/IFRS included in the compliance index | panel B: IASs/IFRS excluded from the compliance index |
|----------|----------------|-------------------------------------------------|-------------------------------------------------|
| By expert | Final index | (Alfaraih, 2009) | (Tsalavoutas, 2011) | (“IFRS compliance”, 2017) | | |
| IFRS1 First-time adoption of IFRS | 14 | 30 | 17 | 14 |
| IFRS2 Share-based payment | 12 | 12 | 13 | 10 | 12 |
| IFRS3 Business combinations | 16 | 20 | 2 | 11 | 12 |
| IFRS4 Insurance contracts | 11 | 15 | 13 | 11 |
| IFRS5 Non-current assets held for sale and discontinued operations | 14 | 10 | 2 | 9 | 14 |
| IFRS6 Exploration for and evaluation of mineral resources | 3 | 7 | 6 | 3 |
| IFRS7 Financial instruments: Disclosures (entity has not yet adopted IFRS 9) | 57 | 19 | 11 |
| IFRS 8 Operating segments | 3 | 4 | 7 |
| IFRS 10 Consolidated financial statements | 1 | 3 | 1 |
| IFRS 11 Joint arrangements | 6 | 5 | 3 |
| IFRS 12 Disclosure of interests in other entities | 9 | 4 | 21 |
| IFRS 13 Fair value measurement | 2 | 4 | 3 |
| IFRS 14 Regulatory deferral accounts (effective 1 January 2016) | 18 | 8 | 6 |
| IAS 1 Presentation of financial statements | 45 | 72 | 120 | 52 | 45 |
| IAS 2 Inventories | 8 | 8 | 9 | 9 | 8 |
| IAS 7 Statement of cash flows | 14 | 10 | 22 | 18 | 14 |
| IAS 8 Accounting policies, changes in accounting estimates and errors | 15 | 16 | 6 | 11 | 16 |
| IAS 10 Events after the reporting period | 6 | 4 | 4 | 7 | 6 |
| IAS 11 Construction contracts | 8 | 8 | 9 | 11 | 8 |
| IAS 12 Income taxes | 11 | 19 | 15 | 11 |
| IAS 16 Property, plant and equipment | 15 | 15 | 2 | 22 | 15 |
| IAS 17 Leases | 21 | 15 | 7 | 27 | 21 |
| IAS 18 Revenue | 7 | 3 | 2 | 9 | 7 |
| IAS 19 Employee benefits | 23 | 5 | 8 | 23 |
| IAS 20 Accounting for government grants and disclosure of government assistance | 3 | 2 | 6 | 5 |
| IAS 21 The Effects of changes in foreign exchange rates | 6 | 8 | 3 | 9 | 8 |
| IAS 23 Borrowing costs | 3 | 3 | 2 | 3 | 8 |
| IAS 24 Related party disclosures | 9 | 17 | 14 | 14 | 21 |
| IAS 27 Separate financial statements | 11 | 11 | 3 | 16 | 11 |
| IAS 28 Investments in associates and joint ventures | 15 | 13 | 2 | 19 | 15 |
| IAS 32 Financial instruments: Presentation | 35 | 31 | 5 | 21 | 35 |
| IAS 33 Earnings per share | 9 | 7 | 3 | 11 | 9 |
| IAS 36 Impairment of assets | 14 | 39 | 2 | 17 | 14 |
| IAS 37 Provisions, contingent liabilities and contingent assets | 13 | 15 | 3 | 11 | 13 |
| IAS 38 Intangible assets | 14 | 14 | 15 | 19 | 14 |
| IAS 40 Investment property (entity has not yet adopted IFRS 16 leases) | 14 | 21 | 7 | 15 | 14 |
| Total | 459 | | | | |
The present study applies the inter-rater reliability method to validate the research instrument and for more reliability of the used instrument. This test can be used in the case of a small sample size and if the data is and is clear in content analysis (Krippendorff, 1980). For estimating the “inter-rater reliability”, the coefficient of “Krippendorff’s alpha” has been used. The value of “Krippendorff’s alpha” is coming 0.82 which is greater than the criterion value (0.70). This implies the reliability of the constructed compliance index and the scoring approach.
3.2.2. Controlling variable (firm size)

In this research, firm size (AS) is measured as the natural logarithm of total assets. This is consistent with Al-Matari (2014), Arouri et al. (2014), Fallatah and Dickins (2012).

3.3. Research design

This model explains the impact of CGMs on compliance with Ind-AS. Figure 1 presents the research framework of the study.

Figure 1. Research framework

3.4. Models specification

The study uses the following models to investigate the effect of CG on compliance with Ind-AS. Following is the description of these models:

\[
\text{CompInd. AS}_it = \beta_0 + \beta_1 \text{BSIZE}_it + \beta_2 \text{BIND}_it + \\
\beta_3 \text{BDEL}_it + \beta_4 \text{BEXP}_it + \beta_5 \text{ACSIZE}_it + \\
\beta_6 \text{ACIND}_it + \beta_7 \text{ACDELI}_it + \beta_8 \text{ACEXPI}_it + \\
\beta_9 \text{FOW}_it + \beta_{10} \text{BIG} - \text{Four}_{it} + \beta_{11} \text{AS}_it + \epsilon_{it}
\] (2)

where, \(\text{CompInd. AS}_it\) is an index of compliance with Ind-AS, all other variables are defined in Table 1 above.

4. EMPIRICAL ANALYSIS

4.1. Descriptive statistics

With regard to board attributes, the findings in Table 4 demonstrate that board size (BSIZE) ranges between a minimum of 6 and 21 members with an average value of 11 members. This implies that the minimum board size is 6 members with a maximum of 21 and a mean value of 11 members (see Figure 2).

Figure 2. Board and audit committee size

Figure 3. Board independence, diligence and expertise
The results also indicate that BIND has a minimum percentage of 14% with a maximum of 83%, a mean of 52% and standard deviation (S.D.) of 0.14 which suggests that some companies have at least 14% of the board members of the listed companies are independent members with a maximum of 83% and an average of 52%. Further, BDEL shows that some companies have frequent meetings and attendance of their board members which is indicated by a maximum of 100% attendance. Similarly, board members in some other companies have a minimum percentage of about 72% attendance of the meetings conducted. However, the average attendance of board members is 88%. In terms of board financial expertise, it has a minimum of 60%. This indicates that at least 60% of the board members are financially literate with a maximum of 95% and an average of 60% (see Figure 3).

Regarding audit committee characteristics, the results show that ACSIZE has a minimum of 3 members, a maximum of 6 members and an average number of audit committee members of 4 members (see Figure 4). Further, the average of ACIND is 80% with a maximum of 100% and a minimum of 67% of audit committee members are independent members (see Figure 2). In the same context, ACDEL shows that the minimum percentage of attendance of audit committee members is 87%. However, the maximum percentage of audit committee members’ attendance is 100% with an average of 96%. Similarly, ACEXP has a maximum of 100% with a mean of 73% and a minimum of 25% being financially literate members in the audit committee in the fields of accounting, finance, CG and other related areas. Concerning foreign ownership, the results reveal that foreign owners owned up to 81% of the share in some companies, the minimum percentage of foreign shares is 0.02% in some other listed firms. However, the average percentage of foreign ownership is 34%. In the same line, the results provide descriptive statistics for the variable of audit quality. The results reveal that 34% of the sampled companies are audited by Big-Four companies. Table 4 also shows that the lowest score of compliance with Ind-AS is 67% and the highest score is 96% with a mean of 80% and S.D. of 0.06. This indicates that companies comply with 67% to 96% of Ind-AS requirements. However, the results indicate that overall compliance with Ind-AS is 80%.

4.2. Bivariate correlations matrix

Table 5 presents Pearson correlation matrix for the variables used. The results depict that there are positive and negative relationships between dependent and independent variables. Pearson correlation shows that Ind-AS has a highly significant positive correlation with BIND, ACIND, ACDEL and AS at the level of 1% (p-value < 0.01). Further, the results show that there is a positive correlation at the level of 10% (p-value < 0.10) between Ind-AS compliance level and FOWN. A negative correlation is also observed between Ind-AS and both BSIZE and BEXP but it was not significant.

4.3. Regression results estimation and hypotheses testing

After meeting the assumptions of the multiple regression model, ordinary least squares (OLS) model is used to examine the impact of CGMs on compliance with Ind-AS. Table 6 provides OLS estimation results. The results show that CGMs and firm size contribute about 67% of the variability of compliance with Ind-AS (as explained by adjusted R-squared 0.67). The significance level indicates that the model has the statistically significant predictive capability.
and Juhman (2017) who claim that directors’ impact on compliance with Ind AS is significantly influenced by BSIZE. The results signify that BSIZE has no significant effect on compliance with Ind-AS at any level of significance (p-value > 0.10). The insignificant effect of BSIZE on compliance with Ind-AS is coherent with Uyar et al. (2016) who recommended that BSIZE has no connection with the compliance level of IFRS. However, this is not in line with Al-Akra et al. (2010) and Juhman (2017) who claim that directors’ impact disclosures and BSIZE are significantly related to the compliance level of IFRS disclosure.

Concerning the impact of BIND on compliance with Ind-AS, the results reveal a statistically significant impact of BIND on compliance with Ind-AS. BIND has a statistically significant impact on compliance with Ind-AS at the level of 1% significance level (p-value = 0.00 < 0.01). These results are consistent with Mangena and Pike (2005) who suggested that the proportion of independent members of the board have a significant relationship with investor’s demand for disclosure. They advocated that independent members enhance the level of compliance.

The results also suggest that board diligence has no relationship or impact on compliance with
Ind-AS. It can be interpreted that the percentage of meetings attended by the total number of meetings held in the sampled companies is not associated with compliance with Ind-AS which may require the proposals and agenda of Ind-AS related issues that were discussed and passed in the meetings held rather than the absolute number of meetings. Thus, it can be concluded that there is no significant impact of board diligence measured by meetings and attendance on compliance with Ind-AS. These results contradict with Abdullah et al. (2015) who found a significant relationship between both the level of disclosures and frequent board meetings. Furthermore, the results are inconsistent with the argument of Ebrahim (2007) who argues that the frequency of board meetings might be the measure of board activity, which enhances the effectiveness of the board of directors.

In terms of board expertise (BEXP), the results show that compliance with Ind-AS is significantly influenced by BEXP at the level of 10% (p-value = 0.08 < 0.10). This could be attributed to that board members possess good knowledge of accounting standards, financial statement preparation and comply with the majority requirements of Ind-AS. The results are consistent with Abdullah et al. (2015), Enache and Hussainey (2020), and Samaha et al. (2015) who indicate that board expertise has a significant effect on the level of disclosures. This is consistent with Abdullah et al. (2011) who indicated that there is a significant relationship between board members' financial expertise in accounting standards and the preparation of financial statements. Abdullah et al. (2015) indicate that board expertise has a significant relationship with the levels of mandatory disclosure. However, the results contradict Mangena and Pike (2005) who argued that boards with financial expertise in the field of accounting should be familiar with the requirements accounting standards.

Table 6 show that AC SIZE has a significant effect on compliance with Ind-AS. The results reveal statistically significant impact at the level of 5% (p-value = 0.01 < 0.05). Consistently, Al-Akra et al. (2010), Albitar (2015), Barako et al. (2006), and Menon and Williams (1994) concluded that there is a positive relationship between audit committee size and disclosure level. These results contradict Kent and Stewart (2008) who found that the extent of mandatory disclosure is significantly and negatively associated with audit committee size in Australia. With concern to AC IND, the results reveal that AC IND has a statistically significant impact on compliance with Ind-AS. AC IND has a statistically significant effect on compliance with Ind-AS at the level of 1% in case of (p-value = 0.00 < 0.01). The significant effect of BIND on compliance with Ind-AS could be attributed to the percentage of independent members in the audit committee which has a minimum of 67% in some companies which act to be more responsive to investors and therefore they are more likely to enforce compliance with disclosure requirements. This is consistent with Juhman (2017) who reported a significant positive relationship between disclosures index and audit committee independence. However, the findings contradict Kent and Stewart (2008) who found no relationship between independent members in the audit committee and the level of disclosures in the Australian firms.

Similar to board diligence, audit committee diligence (ACDEL) has no evidence to show any significant impact on compliance with Ind-AS at any level of significance, 1% 5% and 10% (p-value > 0.10). This indicates that there is no association between audit committee and the percentage of meetings attended by the total number of meetings held in the sampled companies, which may require the proposals and agenda of Ind-AS related issues that were discussed and passed in the meetings held by the audit committee rather than the absolute number of meetings. The insignificant results of the impact of audit committee meetings on compliance with Ind-AS is consistent with Abdullah et al. (2015) who found no significant relationship between the level of compliance with mandatory disclosures and the number of audit committee meetings in Malaysia. Contradictory, Allegrini and Greco (2013) reported that voluntary disclosure level is positively and significantly associated with the number of audit committee meetings.

Audit committee expertise (AC EXP) shows statistical evidence of the impact of AC EXP at the level of 1% (p-value = 0.00 < 0.01). This indicates that AC EXP has a statistically significant impact on compliance with Ind-AS. A similar conclusion of the effect of audit committee expertise in prior literature is also found. Mollik and Bepari (2012) reported that audit committee expertise is positively linked with IFRS compliance for goodwill impairment. However, Kent and Stewart (2008) reported a negative association between the financial expertise of audit committee members and the levels of mandatory disclosures.

With regard to foreign ownership, the results in Table 6 report that compliance with Ind-AS is insignificantly influenced by the level of foreign ownership (FOWN) at any level of significance, 1%, 5%, and 10%. This is inconsistent with El-Gazzar, Finn, and Jacob (1999) who advocated that there is a significant relationship between firms' customer recognition, decreasing the political costs of doing business abroad and attract foreign capital from one hand and firm's intention for higher compliance with IFRS. However, Alanezi et al. (2012) concluded that ownership concentration has no significant relationship with the level of compliance with IFRS.

The results reveal an insignificant effect at any level of significance, 1%, 5% and 10% (p-value > 0.10) of Big-Four compliance with Ind-AS. As India was following its local GAAP and shifted to Ind-AS which are equivalent to IFRS, companies may continue with their local auditors rather than shifting to Big-Four. It could be also due to that India has its own accounting standards that are equivalent to IFRS so companies do not differentiate between local auditors and Big-Four in terms of audit quality. This contradicts Street and Bryant (2000) who concluded that there is a significant association between the level of compliance with IAS and the type of auditing standards referred to in the audit report. However, Fekete et al. (2008) reported that there is a significant effect of auditor type. Besides, Street and Gray (2002) provided evidence of no relationship between the type of auditing standards
referred to in the audit report and compliance with IAS.

As far as total assets of a firm are concerned, firm size measured by the total assets (AS) shows that there is no significant effect on compliance with Ind-AS (p-value > 0.01, 0.05 and 0.10). This means that firm size does not matter in compliance with Ind-AS. Different studies found that corporate size is a crucial determinant of disclosure levels which has a significant association with greater IFRS compliance (Alfaraih, 2009).

5. ROBUSTNESS ANALYSIS

Table 7 estimates the robust regression analysis. The results demonstrate that robust regression estimation is similar to the outcomes of OLS regression analysis provided in Table 6. The results also show that there are no deviations in coefficient estimates of robust regression from the coefficient estimates of OLS regression. Both coefficient estimates are not inflated or deflated from each other. Further, the values of the standard error indicate similar values for both robust regression and OLS regression. This indicates a sound estimation of the results.

Table 7. Robustness regression results

| Variable    | Coefficient  | Std. error | z-statistic |
|-------------|--------------|------------|-------------|
| C           | 0.28***      | 0.06       | 4.87        |
| BDELP       | -0.04        | 0.05       | -0.78       |
| BEXP        | 0.07**       | 0.03       | 2.55        |
| BIND        | 0.21***      | 0.02       | 9.48        |
| BSIZEP      | 0.00         | 0.00       | 0.24        |
| ACSIZEP     | 0.01***      | 0.00       | 3.05        |
| ACINDP      | 0.20**       | 0.03       | 6.66        |
| ACEXPP      | 0.11**       | 0.04       | 3.22        |
| ACDELP      | 0.01         | 0.01       | 0.91        |
| Big-Four    | -0.01        | 0.00       | -1.55       |
| FOWNP       | 0.00         | 0.00       | 0.45        |

R-squared     | 0.370
Adj. R-squared | 0.333
Prob (R-squared stat.) | 0.000

Notes: BSIZE is board size, BIND is board independence, BDELP is board diligence, BEXP is board expertise, ACSIZE is audit committee size, ACIND is audit committee independence, ACDELP is audit committee diligence, ACEXPP is audit committee expertise, FOWN is foreign ownership, Big-Four is audit quality and AS is the firm size (million US$).

*** and ** denote statistical significance at the level of 1% and 5% respectively.

6. CONCLUSION

This study investigated the effect of CGMs on compliance with Ind-AS. A sample of 70 firms listed on Bombay Stock Exchange over a period from 2016–2017 to 2017–2018 was used. CGMs — effectiveness of board (independence, size, diligence, and expertise), the effectiveness of audit committee (independence, size, diligence, and expertise), foreign ownership and audit quality — were considered as independent variables while the firm size was the controlling variable. Both CGMs and firm size were regressed on compliance with ASs.

The results revealed that board size, board independence, board expertise, audit committee size, audit committee independence, and audit committee expertise have a significant effect on compliance with Ind-AS.

However, no significant impact was found for board diligence audit committee diligence, foreign ownership and audit quality by Big-Four. The findings of this study have considerable implications for academicians, practitioners, regulators, policymakers, managers, investors and analysts. More importance should be given to the level of compliance with Ind-AS and a supervision body for compliance with Ind-AS should be formed.

The present study is limited to non-financial companies as the accounting standards for financial institutions are different. Further, the present study is limited to top listed companies in BSE in terms of net worth. Finally, future research could examine this issue comprehensively by adding other mechanisms of CG or utilizing other tools of analysis. Including the impact of different categories of ownership structure and some other controlling variables like leverage, year and firm’s age is another possible stream for future research. Further, a comparative study between private and public sectors, firms from different industries, firms from different clusters and firms from different countries can be investigated by future studies.

The results of the present study could be essential for the academic and research communities, basically with the lack of formal studies addressing the issues of the impact of CGMs on compliance with accounting standards and the quality of financial reporting. Therefore, the results of the current study provide academicians and research communities with substantial information about CGMs and IFRS convergence in India. This study alerts academic institutions, professional bodies and universities to improve the accounting curriculum. The results of this study also could be of potential interest to the academic and research communities about the importance of training and education in accounting standards and CG.

The results from this study could enlighten universities and professional accounting and auditing bodies about their role. They should encourage students and experts to actively contribute their expertise to the journey towards IFRS compliance and financial reporting quality. The results also provide a signal to universities and professional accounting and auditing bodies that more effort is effectively and consistently required in IFRS education. Incorporation of IFRS contents into the accounting curriculum of university education and the courses of ICAI is inadequate to provide knowledge for the future generation in India.

A possible practical implication that can be derived from the findings of the present study is that regulators and policymakers should build a time plan for removing combinable and contradiction of the pre-existing laws, rules, and regulations that contradict IFRS which may pertain to the corporate governance system. Regulatory and policymakers may work for increasing coherence in the regulatory system and align with all the concerned authorities to work together for effective IFRS implementation, compliance and higher financial reporting quality. Further,
regulators and policymakers may create a huge awareness capacity-building program among investors, professionals and companies and they may sponsor continuous academic activity to enhance IFRS education. Furthermore, rigorous enforcement of standards should be made. The institutions are responsible for ensuring India-LAS need to realize that, as a result of the growing globalization of financial markets, their enforcement efforts often protect both domestic and international investors. Accordingly, regulators and policymakers could focus on CG regulations and make India-LAS issues as apart from these regulations.

This study is very important for those companies which have their stock listed in other countries. There are about 11 Indian companies listed abroad in the NYSE and NASDAQ. These companies either have to follow US GAAP or IFRS in these stock markets. Besides, India-LAS is a must for these companies in their home country, India. So, it is very costly for these companies to prepare two dual sets of accounts. Moreover, this study contributes to academic knowledge in a distinctive aspect of CG and accounting standards. Besides, this research introduces the uniqueness of India in dealing with IFRS and the role of CG in this regard.

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