

THE IMPACT OF IFRS ADOPTION ON CORPORATE TRANSPARENCY AND INVESTOR CONFIDENCE

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Abstract: This study aims to understand how the adoption of International Financial Reporting Standards (IFRS) impacts corporate transparency and investor trust. The primary focus is to identify the relationship between global financial reporting standards implemented through IFRS and the improvement in financial reporting quality as well as investors' perceptions of companies. The methodology used is a literature review, with data collected from scholarly articles, official documents, and other credible sources. Articles were selected based on their relevance and credibility, particularly from nationally accredited journals, published between 2019 and 2024. The analysis explores key findings in the literature related to the effects of IFRS adoption on financial reporting and its influence on investor trust. The findings reveal that IFRS adoption significantly enhances corporate transparency. These global reporting standards provide a clearer and more comparable framework, enabling investors to better assess corporate performance. Additionally, investor trust increases as they gain greater confidence in the reliability of financial information presented. However, the study also highlights challenges such as implementation costs and the adaptation to local accounting cultures. This research offers valuable insights for companies, regulators, and other stakeholders in understanding the benefits and challenges of IFRS adoption and provides directions for further studies in this field.

Keywords: IFRS adoption, corporate transparency, investor trust, financial reporting.

Introduction

Corporate transparency and investor confidence are fundamental elements in ensuring the stability and efficiency of global financial markets. In the era of globalization, increasingly complex and cross-border business activities require harmonization in financial reporting to support more accurate decision-making by stakeholders. In this context, International Financial Reporting Standards (IFRS) have become global standards adopted by many countries in an effort to improve transparency and quality of financial reporting.

Corporate transparency is the ability of a company to provide accurate, relevant and reliable information to stakeholders, including investors, creditors, regulators and the public at large. In a competitive economic environment, transparency is a key factor in attracting capital from the global market (Hao et al, 2023). Transparent information allows investors to better assess a company's performance, understand the associated risks and make more informed investment decisions. However, in practice, corporate transparency faces various challenges, such as differences in financial reporting standards across countries, manipulation of financial statements, and the influence of local culture and regulations on financial reporting. This creates the need to adopt internationally uniform reporting standards, such as IFRS, to address these issues.

The adoption of International Financial Reporting Standards (IFRS) has become a central topic in the global accounting world, with more countries starting to shift from local accounting

standards to these international standards. The process of adopting IFRS began in the early 2000s, and since then, many countries have committed to implementing it, including countries in Europe, Asia, and even some developing countries. The main objectives of adopting IFRS are to improve the quality of financial reporting, enable better comparability across countries, and provide more transparent and reliable information to stakeholders, especially investors.

IFRS is also designed to provide a financial reporting framework that can be applied consistently across jurisdictions. This standard emphasizes fair value accounting principles, relevance, and understandability, allowing financial statements to be more transparent and comparable globally. To date, more than 140 countries have adopted IFRS, either in full or in part, including countries with large economies such as the European Union, Australia, and Canada. The adoption of IFRS aims to overcome the obstacles caused by differences in national accounting standards, which often make it difficult for international investors to understand the financial statements of companies in different countries. With IFRS, companies are expected to be able to present more accurate, relevant, and comparable financial information, thereby increasing the efficiency of the global capital market.

Investor trust is one of the main determinants of the sustainability of financial markets. This trust is rooted in the belief that the information presented by the company is honest, accurate, and not manipulated. Investors who believe in the integrity of a company's financial statements tend to be more willing to invest, even in volatile market conditions. However, cases of financial manipulation and accounting scandals that have occurred in the past, such as Enron, WorldCom, and others, have damaged investor trust in financial statements. This strengthens the urgency to adopt more transparent reporting standards, such as IFRS, which can increase investor trust through the presentation of clearer and more reliable information.

Many studies have shown that IFRS adoption significantly improves corporate transparency. By using uniform standards, companies can present financial statements that are more consistent and internationally comparable. This increased transparency in turn improves investors' perceptions of a company's integrity and performance, thereby increasing their confidence in investing. However, while the benefits of IFRS adoption are widely recognized, implementation is not always smooth. Differences in accounting culture, financial infrastructure, and market maturity levels across countries are often major challenges. In addition, high implementation costs and the need to train the workforce are also barriers for many companies, especially in developing countries.

Adopting IFRS requires a significant investment in both time and resources. Companies need to change their accounting systems, train accounting staff, and often work with external consultants to ensure compliance with the new standards. IFRS are based on principles that often differ from local accounting standards. Countries with a strict rules-based approach to accounting may struggle to transition to the principles-based approach adopted by IFRS. Countries with less developed financial infrastructure may struggle to implement IFRS effectively. This includes limitations in technology, human resources, and regulatory support. In addition, IFRS are considered more complex than some local accounting standards. Small and medium-sized enterprises (SMEs) often face challenges in understanding and implementing these standards, requiring additional support from regulators.

Despite the challenges, the benefits of adopting IFRS are far greater. For companies, IFRS helps to increase their appeal to global investors by providing more transparent and reliable financial reporting. For investors, IFRS provides more relevant and comparable information, making it easier for them to make better investment decisions. In addition, for regulators and policymakers, IFRS adoption helps to enhance the integration of global financial markets. With

uniform reporting standards, the risk of information asymmetry can be minimized, thereby increasing overall market efficiency.

Research conducted by Musa, A. (2019) shows that companies that adopt IFRS have higher financial reporting quality compared to companies that use local accounting standards. Similar findings were also reported by Opare et al. (2021), which showed that IFRS adoption increases market liquidity and reduces the cost of capital. On the other hand, research by Ball (2016) highlights that the benefits of IFRS often depend on the quality of implementation at the local level. Without strong regulatory support and adequate supervision, the benefits of IFRS may not be fully realized.

The adoption of IFRS has a significant impact on corporate transparency and investor confidence (Morshed, A., 2024). Despite the challenges in its implementation, the benefits gained, such as improved financial reporting quality, reduced information asymmetry, and increased investor confidence, make IFRS an important standard in integrating global financial markets. However, further research is needed to explore how the challenges of IFRS implementation can be overcome, especially in developing countries. In addition, studies on how IFRS affects specific industry sectors can also provide deeper insights for stakeholders.

Literature Review

Investor confidence is greatly influenced by their perception of the reliability and transparency of financial reports. Adoption of International Financial Reporting Standards (IFRS) is considered as one of the important steps to increase this trust. Research by Habib et al. (2008) shows that companies that adopt IFRS experience increased market liquidity and decreased cost of capital, indicating increased investor confidence. In addition, Musa, A. (2019) noted that uniform reporting standards such as IFRS provide more clarity for investors in understanding the financial performance of companies across countries. This is especially important for foreign investors who often face challenges in understanding financial reports with different national standards. Furthermore, research by Morshed, A. (2024) shows that increased financial transparency through IFRS helps investors in evaluating risks more accurately, thereby driving better investment decisions.

Corporate transparency is a key element of good corporate governance, which includes providing clear, honest, and timely information to stakeholders. The adoption of IFRS has a significant impact on increasing corporate transparency. Musa, A. (2019) stated that companies that adopt IFRS show increased disclosure of financial information, thereby minimizing information asymmetry between management and investors. In addition, Morshed, A. (2024) emphasized that international standards such as IFRS reduce variations in accounting practices across countries, thereby increasing the credibility of financial statements. Another study by Nurunnabi, M. (2021) showed that the transparency benefits of IFRS are more pronounced in countries with strong governance environments. In the context of developing countries, a study by Morshed, A. (2024) showed that the adoption of IFRS helps these countries to improve their competitiveness in attracting foreign investment, although there are still obstacles in terms of local implementation and understanding of these standards.

International Financial Reporting Standards (IFRS) are international accounting standards designed to guide the preparation of transparent, relevant, and comparable financial statements worldwide. According to research by Musa, A. (2019), the adoption of IFRS improves the quality of financial statements by reducing the level of accounting manipulation and increasing the relevance of financial information. An empirical study conducted by Oppong, C., & Aga, M. (2019) revealed that the adoption of IFRS in European Union countries has resulted in increased transparency and strengthened relationships with investors. The study

also found that companies with IFRS adoption are more likely to attract foreign investment compared to companies using local standards. However, the positive impact of IFRS adoption is not always evenly distributed. Research by Nurunnabi, M. (2021) shows that the benefits of IFRS adoption depend heavily on the quality of implementation and supervision in each country. In some developing countries, IFRS adoption sometimes faces challenges in terms of limited accounting infrastructure and human resources. In addition, research by Durguti, E., & Arifi, E. A. (2021) highlights that IFRS adoption requires significant costs, both in terms of staff training and in adjusting the company's financial system, which can be a constraint for small companies.

Overall, the literature suggests that IFRS adoption has a significant impact on corporate transparency and investor confidence. Despite the challenges in its implementation, the standards provide a more consistent and credible framework for companies to operate in the global market. Thus, a deeper understanding of the factors that influence the success of IFRS adoption across contexts is essential to maximize the benefits it offers.

Method

Literature review is the method used in this study by collecting various sources in the form of scientific article documents. In this collection process, the application assistance is used, namely Publish or Perish 8 with the choice of Google Scholar as the source of the selected article. The keywords used are *IFRS Adoption*, *Corporate Transparency*, *Investor Trust*, *Financial Reporting* with a time span starting from 2019 to 2025. The criteria taken are from several accredited national and international journal institutions. From the search results, a selection of journals can be made, consisting of various journals, both national and international journals.

According to Ridwan et al (2021), literature studies have an important role as a tool for researchers to solve the problems they face. The main purpose of this study is to understand what previous researchers have done related to the topic being discussed. In addition to preventing repetition of research, literature studies also enrich insights into the topics raised through a logical framework of thought. By reviewing previous research, researchers can put forward strong arguments for their hypotheses while emphasizing the importance of the research to be conducted.

The data obtained by collecting into one source of literature by dividing it into a table with 5 components, namely the title of the study, the name of the author, the method, the results of the study and the source of the scientific article. From this table, several selected journal samples were collected from the journal population obtained using the Publish or Perish 8 application. The population obtained from the search results with the keywords *IFRS Adoption*, *Corporate Transparency*, *Investor Trust*, *Financial Reporting* with a time span starting from 2019 to 2025 amounted to 200 scientific articles, with samples taken that have relevance to this scientific article, there are 5 scientific articles.

Result and Discussion

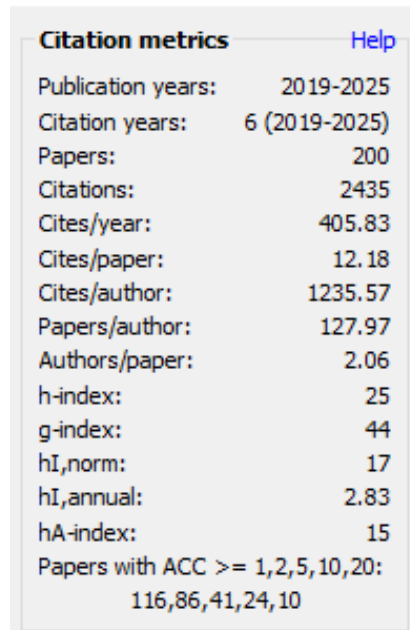


Figure 1: Metrix *IFRS Adoption, Corporate Transparency, Investor Trust, Financial Reporting* Publish or Perish

The results of the study with tracking and searching in the Publish or Perish 8 application with the keywords *IFRS Adoption, Corporate Transparency, Investor Trust, Financial Reporting* with a range of 2019-2025 obtained the results of 200 scientific articles. From these results, the researcher took samples that were relevant and in line with the discussion in this article totaling 5 scientific articles. The following are the results of the journal analysis collected into the following table:

Table 1: Literature Review

No	Title	Name	Results	Source
1	The Effect of International Financial Reporting Standards (IFRS) Adoption on Financial Reporting Comparability	Onah, Kelvin Amobi & Edeh, Ijeoma Thelma (2024)	Regression analysis indicates that IFRS adoption enhances transparency, consistency, and reliability in financial reporting, facilitating cross-border investments and efficient capital allocation. However, challenges such	International Journal of Advanced Finance and Accounting

			as implementation costs, transition complexity, and variations in enforcement mechanisms and cultural factors across countries remain.	
2	Desktop Review of Ifrs Compliance, Disclosure and Relevance of Financial Statements as Perceived by Investors with Regards to their Decision Making	Wadesango, N. (2021)	This research shows that despite some dissatisfaction with financial statements, investors still consider them a useful and relevant source of information for decision-making. Therefore, companies need to maintain the credibility and reliability of their financial statements and ensure quality disclosures. Compliance with IFRS and transparent information presentation are crucial to enable investors to make informed decisions based on the available data.	<i>Acta Universitatis Danubius. (Economica)</i>
3	Evaluating the Effectiveness of Mandatory IFRS Adoption in	Muhammad Awais Bhatti1*, Fakhriddin Isayev (2023)	The results show that the adoption of IFRS enhances	<i>Economic Squares ,</i>

	Enhancing Transparency and Governance in Saudi Arabia		financial reporting transparency, particularly for entities following international accounting standards. However, a negative correlation was found between the governance index and IFRS adoption, indicating that companies with stronger governance structures tend to be less likely to adopt IFRS. Larger firms are more inclined to adopt IFRS, while less profitable entities may choose to adopt IFRS to improve their governance practices. Additionally, a company's growth positively influences the likelihood of IFRS adoption.	
4	The IFRS Effect on Investment Data in Japan	Hudson, J. M (2019)	the result of this research aims to demonstrate that the implementation of International Financial Reporting	<i>Sanken Research Journal</i>

			Standards (IFRS) by Japanese companies can influence financial ratios commonly used to assess Foreign Direct Investment (FDI) opportunities. The study seeks to establish statistical correlations between the adoption of IFRS and changes in key financial indicators that drive capital investment. The findings of this research are expected to encourage wider adoption of IFRS in Japan, ultimately increasing its impact at the national level and attracting more FDI inflows.	
	Impact of international financial reporting standards adoption on the perception of investors to invest in small-to-medium enterprises adopting	Hoti, A., & Krasniqi, L. (2022)	The research reveals that investors are more inclined to invest in companies that follow IFRS due to the higher levels of transparency and accountability. Adopting IFRS	International Journal of System Assurance Engineering and Management

	transparency in disclosure policies		improves investors' perceptions of SMEs, as this standard allows for better policy disclosures and enhances the reputation of these companies. The study also highlights how IFRS adoption helps change investor perceptions by providing more transparent financial reporting, which in turn boosts trust and attracts more investment.	
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The adoption of International Financial Reporting Standards (IFRS) has a significant impact on financial reporting transparency and investor confidence, which is very important for the development of the Indonesian capital market which is increasingly open to foreign investment. IFRS aims to create financial reporting standards that are transparent, consistent, and internationally comparable, which in turn can strengthen investor confidence in making investment decisions. As Indonesia moves to adopt IFRS, there is evidence to suggest that these standards can play an important role in increasing corporate transparency and attracting more investment.

Corporate transparency refers to the extent to which companies are open in presenting their financial and operational conditions to stakeholders, including investors, regulators, and the public. The adoption of IFRS plays a significant role in increasing this transparency, as it provides a uniform and comparable financial reporting framework across companies in different countries.

Research by Onah and Edeh, (2024) shows that the implementation of IFRS increases the transparency of financial reports by ensuring that reports presented by companies are more consistent, reliable, and easily comparable between companies in different countries. In the context of Indonesia, where capital markets are increasingly integrated with global markets, this greater transparency provides significant benefits for domestic and foreign investors who want to compare the performance of companies in Indonesia with other companies around the world.

Bhatti and Isayev's (2023) research also shows that the implementation of IFRS increases the transparency of financial reports, especially for companies that follow international standards, as is the case in large countries including Indonesia that implement IFRS in certain sectors. Wadesango (2021) emphasized that although investors sometimes feel not completely

satisfied with the information available in financial reports, they still consider reports that comply with IFRS to be more credible and reliable. This shows that the implementation of IFRS in Indonesia will be very helpful in creating reports that are more transparent and clearly accessible to investors.

The implementation of IFRS ensures that companies in Indonesia present more accurate and transparent reports. This is important to attract investment, as investors tend to have more confidence in data that they can compare to global standards.

Investor confidence is highly dependent on the quality and transparency of financial data presented by the company. With IFRS, the financial statements presented are more reliable and consistent, which reduces uncertainty and risk perception for investors.

Hoti and Krasniqi's (2022) research revealed that investors are more interested in investing in companies that follow IFRS, especially in the Small and Medium Enterprises (SME) sector. In Indonesia, this is very relevant considering the large number of SMEs operating in the market, which often find it difficult to gain access to investment. By following IFRS, SMEs can increase transparency and build investor trust, which in turn expands their access to financial resources.

Hudson (2019) shows that the implementation of IFRS can increase the attractiveness of investment in Japan, which also applies to Indonesia, especially in terms of attracting foreign direct investment (FDI). Indonesian companies that adopt IFRS can more easily attract the attention of international investors, who are looking for clear and standardized financial data. Onah and Edeh (2024) emphasize that the transparency obtained from the implementation of IFRS facilitates more efficient capital allocation and cross-border investment. In the context of Indonesia, which is a developing country with an open economy, the implementation of IFRS can help increase Indonesia's access to the global investment market, strengthening investor confidence in the Indonesian capital market.

Investor confidence is a key factor in driving economic growth and increasing investment flows in Indonesia. With IFRS, investors will feel safer because they have access to more transparent, reliable and consistent data.

Although IFRS adoption can improve financial reporting transparency, its impact on corporate governance is not always immediate. Some studies suggest that companies with stronger governance structures may not feel the need to adopt IFRS, as they already have robust reporting systems that are in line with international standards.

Bhatti and Isayev's (2023) research shows that companies with stronger governance structures in Saudi Arabia tend to be more reluctant to adopt IFRS. In Indonesia, this can be seen in large companies that already have reporting policies that comply with international standards. However, for small and medium-sized companies that have weaker governance, the implementation of IFRS can provide a stronger framework for improving the quality of financial reports and their attractiveness to investors.

Good corporate governance is essential to ensure that IFRS implementation is carried out effectively and that the benefits of the resulting transparency can be fully enjoyed by stakeholders.

Despite the many benefits that can be gained from the adoption of IFRS, challenges in the implementation process remain. In Indonesia, companies, especially smaller ones, face major challenges related to the cost of implementation, the difficulty of transition, and differences in the enforcement mechanisms of IFRS standards in different countries. Research by Onah and Edeh (2024) acknowledged that although the adoption of IFRS brings greater transparency, the cost and complexity of implementation remain major obstacles. In Indonesia, small and medium-sized companies often struggle to allocate sufficient resources for this

transition, given the costs of training, updating accounting systems, and overhauling internal structures required to comply with the new standards.

While these challenges are real, Indonesia can take steps to mitigate these barriers, such as providing support and training for small companies and ensuring that IFRS enforcement policies are properly implemented across sectors,

Conclusion

From the discussion on the impact of IFRS implementation on corporate transparency and investor confidence, it can be concluded that the implementation of International Financial Reporting Standards (IFRS) plays a very important role in increasing the transparency of corporate financial reports and building investor confidence. Through the implementation of uniform and internationally comparable financial reporting standards, IFRS helps companies present more accurate, reliable, and consistent information, which in turn strengthens corporate transparency.

The transparency resulting from the adoption of IFRS gives investors confidence that the data they receive is credible and reliable, thereby increasing investor confidence. Investors are more likely to invest in companies that adopt IFRS because they can easily compare financial statements across companies and minimize the uncertainty associated with unclear or inconsistent information. This broadens a company's access to domestic and foreign investment, which is critical to a company's growth and competitiveness in the global marketplace.

However, the implementation of IFRS also faces challenges, especially in terms of implementation costs and transition difficulties, especially for small and medium-sized companies. Nevertheless, the long-term benefits of increasing transparency and investor confidence are significant and can have a positive impact on the development of the capital market in Indonesia. Overall, the implementation of IFRS not only improves the quality of financial reports, but also plays an important role in strengthening investor confidence in the market, which ultimately supports more stable economic growth and integration with the global market.

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