IFRS adoption challenges in developing economies: an Indian perspective

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Abstract

Purpose – This study aims to examine the perceptions of accounting practitioners and users about implementation challenges with International Financial Reporting Standards (IFRSs) at the pre-implementation stage. Under institutional pressures, India conveyed its decision to implement IFRS beginning 1 April 2016, despite initial reluctance to adopt IFRS. It specifically explores the responses of accounting professionals (preparers) and the banking industry professionals (users) in India to challenges in IFRS implementation, rather than more widely researched dimensions of IFRS implementation such as reasons for adoption, experience effects and diversity in practice.

Design/methodology/approach – A quantitative research approach was adopted, using a questionnaire survey that provided 192 responses from accounting practitioners and banking professionals working in India.

Findings – The findings convey IFRS implementation preparedness perceptions of participants with respect to education, training and information technology (IT) infrastructure. Respondents acknowledged the efforts and capability of the accounting body, the Institute of Chartered Accountants of India, but expressed reservations about training, cost, interpretation, IT infrastructure and staffing. The accounting practitioners and the users have similar perspectives on the subject of awareness and preparedness challenges of IFRS implementation.

Practical implications – The study heightens awareness of the challenges facing jurisdictions who express initial reluctance, although they ultimately decide to adopt IFRS on account of institutional pressures. The analysis suggests that the International Accounting Standards Board should increase focus on implementation issues, in addition to updating and making IFRSs.

Originality/value – The study is distinct from the studies in abundance on the creation of accounting standards, implementation benefits and their implication in a specific geography.

Keywords India, Challenges, IASB, Convergence, IFRS adoption

Paper type Research paper

1. Introduction

It has been more than a decade since the International Accounting Standards Board (IASB) initiated successful efforts for global implementation of its International Financial Reporting Standards (IFRSs) in 2001. A recent jurisdiction-wide report from the IASB confirms the public commitment by the majority of jurisdictions to move towards IFRS (IASB, 2016). However, many of these jurisdictions respond to IFRS adoption as a result of intuitional pressure (Phan *et al.*, 2016; Sharma *et al.*, 2016; Zaman Mir and Shiraz Rahaman, 2005). Research interest in IFRS has moved from adoption towards the challenges with implementation. Such issues have also drawn interest from stakeholders such as report preparers, accounting practitioners, professional accounting bodies, report users and accounting researchers. The research focus on the issue of IFRS

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has changed from IFRS issuance processes and global spread of IFRS to understanding IFRS' implementation experiences and challenges (Ahmed *et al.*, 2013; Barth *et al.*, 2012; Brüggemann *et al.*, 2013; Joshi *et al.*, 2016; Rezaee *et al.*, 2010; Yip and Young, 2012). The outcome of such efforts may also influence the adoption decision of yet-to-join jurisdictions and those in transition.

The IASB's (2002) principal objectives are outlined in its "Preface to IFRS". These objectives can be grouped into two parts:

(1) to create high-quality, understandable accounting standards; and

(2) to get them accepted and applicable globally.

During the present phase of global IFRS adoption, with the majority of nations consented to IFRS adoption, it is the second limb of the IASB objectives that needs attention, as recent implementations observed the challenges similar to the one faced by early adopters a decade ago (Jermakowicz and Gornik-Tomaszewski, 2006; Jones and Higgins, 2006; Weaver and Woods, 2015; and Ocheni, 2015). The task of implementing IFRS is further complicated by IFRS continually evolving, and not yet being finalised in many jurisdictions. This challenge lessens the opportunity of a smooth transition to full compliance (Joshi *et al.*, 2008). The perceived obstacles and challenges of IFRS implementation by stakeholders have also created barriers for IFRS convergence with domestic accounting standards. Weaver and Woods (2015) expressed a similar view when they observed that although different dimensions on the subject of global accounting harmonisation have been addressed in the literature, implementation challenges such as the cost of implementation, awareness, training and information technology also need attention. The past decade saw sporadic efforts to identify the challenges of implementation of IFRS with respect to communication, translation and interpretation of standards from the IASB, and to understand the challenges faced by users and practitioners, with respect to education, staffing, cost, training and IT infrastructure (Jermakowicz and Gornik-Tomaszewski, 2006; Jones and Higgins, 2006; Weaver and Woods, 2015; and Ocheni, 2015).

Emerging economies with a comparatively less developed accounting and regulatory framework have adopted IFRS on account of institutional pressures (Ball, 2006; Jones and Finley, 2011). Many such jurisdictions have shown initial reluctance to adopt on account of the challenges to implementation (ICAI, 2014). Such challenges have been addressed with gradual convergence or delayed with one-step adoption (Phan *et al.*, 2016; Sharma *et al.*, 2016). India has adopted a process of gradual convergence with IFRS. The present research will help understand whether the challenges in transition experienced during the single-step adoption of IFRS are avoided in a process of gradual adoption. A comprehensive study on the perceptions of both report preparers and users in the pre-adoption phase is needed to investigate the level of preparedness to adopt IFRS and the challenges faced by the accounting bodies to execute the IFRS implementation process.

India is the most recent participant in the IFRS adoption chain when the Ministry of Corporate Affairs (MCA) announced its roadmap for adoption of the Indian Accounting Standards (Ind-AS) from the financial year 2016-2017. This research is motivated to explore the issues and challenges faced by the accounting bodies and members of the accounting profession in India in implementing the IFRS-based accounting standards. This timely study aims to explore the perceptions of stakeholders during the pre-adoption phase regarding their awareness of and preparedness for the challenges of convergence with Ind-AS. To this end, the study explores the following research questions:

RQ1. What is the assessment of accounting practitioners and banking professionals of the Institute of Chartered Accountants of India's (ICAI) preparedness for converging with the IFRS?

RQ2. What are the major implementation challenges for the proposed convergence with the IFRS in India?

RQ3. Do accounting practitioners and banking professionals have similar perspectives on the subject of preparedness and challenges of IFRS implementation? Is there a difference in perspectives based on demographic characteristics such as gender, experience, professional qualifications and employment ownership?

Available research gauges the perceptions of the stakeholders targeting the users of financial reports (Morris *et al.*, 2013; Jones and Higgins, 2006; Jermakowicz and Gornik-Tomaszewski, 2006; Pawsey, 2010). The present study explores the perceptions of accounting practitioners such as report preparers and the banking professionals as primary users of the accounting reports. The banking industry is the most important segment of the Indian economy, and it will face major banking-specific and generic challenges during the convergence of IFRS (Chakrabarty, 2011). It represents both the users' and preparers' perspective, for example, as a user, it deploys its funds from customers, investments and financial instruments based on accounting reports developed from accounting standards. As a preparer, it accounts for transactions regarding non-performing loans, hedge accounting valuation, regulatory compliance and taxation (Firoz *et al.*, 2011; Ray, 2012). Indian banking also considers several accounting and business challenges, such as the accounting standards on loan/investment impairment; the requisite practice of fair value for more financial instruments; derivatives and hedge accounting; and the de-recognition of financial assets and consolidation of entities (Chakrabarty, 2011; Ray, 2012; Firoz *et al.*, 2011; Gebhardt and Novotny-Farkas, 2011). We believe that as users of financial disclosure information, the banking industry will be the most important sector to provide their opinion on the convergence to the IFRS in India.

The study makes several contributions to knowledge. First, this study highlights implementation challenges such as training, cost and awareness that have not received due attention or have been overshadowed by other dimensions on the subject of global IFRS implementation, especially in the context of fast-developing economies and jurisdictions that have agreed to participate in IASB global initiative of IFRS implementation. Second, the study also aims to understand the extent of awareness of such challenges among both practitioners and users. Third, the findings of the study will help guide accounting bodies and regulators in transit towards IFRS convergence or adoption with a view to minimise difficulties during transition. This is also of significance for the IASB, in its objective of successful and seamless global implementation of IFRS. Finally, this study will make a significant contribution to the global IFRS literature by adding perspectives from an emerging economy reluctant to adopt IFRS in the recent years.

The paper is organised as follows. The next section provides a brief background on IFRS implementation status in India and the world. Section 3 discusses the available literature on IFRS in the context of the current study and develops the research questions. Section 4 presents the research methodology, and Section 5 outlines the findings. The final section provides a discussion of the findings, followed by a conclusion discussing the various challenges during the transition to Ind-AS.

2. The present status of global IFRS implementation

The worldwide effort to harmonise accounting standards over the past five decades began with the formation of the International Accounting Standards Committee (IASC) in 1973 in London. This private-sector initiative was founded and funded as per an agreement between the accountancy bodies of several countries. Between 1973 and 2000, the IASC developed a comprehensive list of accounting standards and interpretations, a conceptual framework and other guidance (Pacter, 2014). In 2001, overseen by the new IFRS Foundation, the full-time, better financed IASB replaced the IASC in its role of formulating and implementing international accounting standards; all 41 standards issued by the IASC were adopted by 2001 (Pacter, 2014). These standards were amended and updated according to industry and accounting needs and renamed IFRS. The first success was seen in January 2005, when the then 25 members of the European Union (EU) simultaneously adopted the IFRS. This provided the European members with a ready-made high-quality set of accounting standards which, by and large, replaced the existing 25 conflicting national accounting standards (Hoogendoorn, 2006; Jeanjean and Stolowy, 2008; Mackintosh, 2014). Further support for IASBs came with the announcement of the adoption of IFRS by Australia, New Zealand, Hong Kong and South Africa, providing momentum for the IASB initiative of a worldwide adoption of IFRS (Pacter, 2014). In contrast to the single-step adoption of IFRS by these jurisdictions, there are also jurisdictions that have opted for a gradual integration of IFRS. India is one such example and initiated the process of gradual alignment with international accounting standards (Ahmed and Ali, 2015).

IASB claims to have a public commitment from 130 countries to its initiative of global implementation of a single set of accounting standards. Of these, 116 countries require IFRS for all or most of their domestic, publicly accountable entities, whereas the remaining 14 countries allow or require IFRS for the publicly listed entities in their jurisdictions (IASB, 2016). Sharma *et al.* (2016) observed that India agreed to adopt IFRS on account of coercive pressure arising out of capital and technological resource dependency from the outside world.

The neo-institutional theory (NIT) has been used in various studies (Barbu and Baker, 2009; Guerreiro *et al.*, 2012; Heidhues *et al.*, 2012; Judge *et al.*, 2010; Wild and van Staden, 2013; Yeow and Mahzan, 2013; Zaman Mir and Shiraz Rahaman, 2005) to examine the rise and widespread adoption of the IFRS as a national accounting standard. NIT explains how the structures come into existence in the social space and act as a point of reference, or prescription, for social behaviour for various participants or stakeholders. It explores how agreements, norms and routines come together, cease to exist or decline. It studies the transition towards consensus and conformity, as well as conflicts and struggles that stakeholders experience before stability is attained (Scott, 2004). Studies aimed at examining the reasons of IFRS adoption by emerging and developing economies have identified capital and other resource dependencies as the reason for IFRS adoption (Sharma *et al.*, 2016; Yeow and Mahzan, 2013; Zaman Mir and Shiraz Rahaman, 2005).

The adoption of IFRS from such a large cohort of countries is seen as a great achievement considering these jurisdictions are characterised by a diverse range of country-specific attributes (Ball, 2006; Bhattacharyya, 2012). The cultural, legal, regulatory and political intricacies influence their choice of single-step adoption or gradual convergence to IFRS (Dhankar and Gupta, 2014; Upton, 2010). Many of these jurisdictions replaced their well-practiced accounting standards with IFRS for distinct reasons, although a few were initially hesitant (Delvaille *et al.*, 2005; Irvine, 2008; Judge *et al.*, 2010; Lasmin, 2011; Pacter, 2014).

India implemented a policy of gradual convergence to IFRS, in the process resolving several local issues and absorbing the implications of convergence until financial reporting under Indian accounting standards mirrored reporting prepared under the IFRS (ICAI, 2016). Resource dependency and continuous interaction with the outside world was observed as the reason for IFRS adoption in India. At present, the accounting standards applicable in India (i.e. Indian Generally Accepted Accounting Standards or Ind GAAP) are aligned with US GAAP, with the major difference being the conceptual approach to IFRS. Although IFRS is principle-based, US GAAP is rules-based (Braun *et al.*, 2015). There are other specific issues (e.g. technical, multi-layered legislative and institutional frameworks for accounting and auditing and banking) and generic issues to be resolved. The solutions to these issues require timely coordination between various aspects of the Indian legislative and institutional framework for accounting and auditing (Firoz *et al.*, 2011; RBI, 2011). In 2007, the ICAI began the process of developing a complete set of accounting standards that converge with IFRS, called the Ind-AS. While formulating these accounting standards, due consideration is given to the corresponding IFRS, with efforts to integrate them to the greatest possible extent, in light of conditions and practices prevailing in India (IASB, 2016).

The MCA in India, the nodal ministry for implementation of "Ind-AS converged with IFRS", announced the roadmap for the implementation of Ind-AS starting on 1 April 2011. However, this date was deferred in view of the pending resolution of several issues regarding taxation, the accounting regulatory framework, banking, awareness, training and implementation cost of the Ind-AS (Dhankar and Gupta, 2014; Firoz *et al.*, 2011; RBI, 2011). Finally MCA, via a press release dated 6 January 2015, announced its roadmap for adoption of the Ind-AS from the financial year 2016-2017 (MCA, 2015). This was followed by the announcement of a roadmap drawn up for the implementation of Ind-AS for banking companies, insurance companies and non-banking finance companies via a press release on 18 January 2016 (MCA, 2015, 2016). The roadmap for adoption of Ind-AS has a phased approach based on the net worth of a company and other factors such as listings on exchanges within and outside India (MCA, 2015, 2016).

3. Literature review

The development and implementation of global accounting standards initiated by the IASB have gained widespread support from numerous national accounting bodies and international organisations. The literature on global implementation of IFRS highlighted the reasons for IFRS adoption, experience effects, diversity in practice and implementation challenges (Barth *et al.*, 2012; Cascino and Gassen, 2014; Jeanjean and Stolowy, 2008; Jones and Finley, 2011; Lang *et al.*, 2010; Schleicher *et al.*, 2010; Shil *et al.*, 2009). As mentioned above, the factors that make implementation are unknown, also highlighted by Weaver and Woods (2015) when they observed that although a range of dimensions on the subject of global accounting harmonisation is covered in the existing literature, implementation challenges such as the cost of implementation, awareness, training and IT also need attention. Ocheni (2015) observed that stakeholders, including preparers, users and others, are faced with challenges during implementation such as training of employees, realignment of processes as well for future in regard to various changes in curriculum to align the graduates' capabilities with changes in accounting practices. Jermakowicz (2004) observed challenges on the lack of guidance during the implementation of IFRS for Belgian publicly traded companies exposing the risk of multiples interpretations during the initial IFRS reporting.

The available literature presents mixed results on the benefits experienced with IFRS adoption, but there is a consensus on challenges experienced during implementation (Artikis *et al.*, 2010; Ball, 2006; Jones and Higgins, 2006). Jones and Higgins (2006) in their study of perceptions of account preparers with divergent demographic respondents from among Australia's top 200 corporations reported doubts by Australian firms on the benefits of IFRS implementation, but the respondents expressed unanimous views about the cost of implementation. Zeff (2007) identified practical implementation challenges experienced by regulators, preparers and report users in regard to training and other technicalities. Artikis *et al.* (2010) documented challenges experienced during IFRS implementation in Greece with respect to costs of training and information system alteration. Jermakowicz and Gornik-Tomaszewski (2006) conducted a survey-based study in 2005 aimed at understanding the preparatory efforts by companies trading in the EU towards the adoption of IFRS. This was the first group of countries to adopt IFRS; thus, they had no past experience of implementation on which they could draw. Jurisdictions that opted for single-step IFRS adoption reported the IFRS implementation process as costly, complex and burdensome for EU-listed companies (Jermakowicz and Gornik-Tomaszewski, 2006). Ionas *et al.* (2007), in their questionnaire-based study, observed that training, alterations to information systems and implementation consultancy-related costs were a matter of concern for finance directors of listed Romanian companies. Similarly, Weaver and Woods (2015) documented perceptions of professionals with IFRS implementation experience, identifying challenges such as training and the capturing of data which took precedence over specific IFRS implications. Training future accountants has been observed to be a major challenge during and after implementation of IFRS (Heidhues and Patel, 2008).

In India, the deferral in implementing the Ind-AS from 1 April 2011, the National Advisory Committee on Accounting Standards (NACAS) cited reasons such as the pending resolution of several taxation and regulatory issues, and implementation challenges in regard to awareness, training and cost of implementation (Dhankar and Gupta, 2014). The NACAS is the accounting advisory body to the Central Government on formulation and implementation of accounting policy and accounting standards for adoption by companies. In India, the major emphasis of aligning its practiced accounting standards with the rest of the world has gained momentum since 1991 as part of an initiative to liberalise the Indian economy, aimed at attracting foreign participation in technology, businesses and investment (Perumpral *et al.*, 2009). As the USA was the major source of such resources, India aligned its accounting standards with the US GAAP to meet the precondition of transparency in financial reporting by foreign investors (Riahi-Belkaoui, 1994). Successful alignment of Ind GAAP with US GAAP encouraged essential foreign participation in Indian business, besides providing ICAI with experience and the reputation for bringing such changes in regard to accounting standards, governance, training and regulatory frameworks (Marston and Robson, 1997; Perumpral *et al.*, 2009; Shil *et al.*, 2009).

MCA's announcement of the roadmap for implementation of Ind-AS starting 1 April 2016 conveyed the Indian Government's commitment to adopting Ind-AS, but also brings forth discussion on the implementation challenges for various stakeholders. Issues such as awareness, training, cost, interpretation, IT infrastructure and staffing have been unanimously perceived as challenges for banking and other industries with some demographic differences during the implementation process in the context of India (Adhana, 2015; Dhankar *et al.*, 2015; Dhankar and Gupta, 2014; Kumar and Atwal, 2014; Mishra and Aggarwal, 2014). Such observations on challenges during the implementation process for Ind-AS were gleaned from the available literature in the context of other jurisdictions.

4. Research methodology

The literature provides evidence that in explanatory and descriptive research on IFRS and other subjects, a questionnaire survey approach is the most suitable to explore the perceptions of participants on various aspects of change in organisational practice and environment (Buckingham and Saunders, 2004; Foo, 2008; Jermakowicz, 2004; Joshi *et al.*, 2008; Kanakriyah, 2013; Morris *et al.*, 2013; Sykianakis *et al.*, 2011). The same methodology has been used in this study. It is also suitable for obtaining large sample sizes over large geographical areas (Foo, 2008; Jermakowicz, 2004; Joshi *et al.*, 2008; Morris *et al.*, 2013; Naoum *et al.*, 2011).

The questionnaire was constructed on two sections. The first section gathers demographic information on respondents, and the second section incorporates statements to answer identified research questions. Two sets of statements in the questionnaire were used to gauge respondents' perceptions of awareness and preparedness for convergence to IFRS. The first eight statements relate to *RQ1* and are thus intended to determine whether participants were aware of the challenges involved in convergence with the IFRS and their assessment of the ICAI's preparedness for the process. Additional six questions addressed *RQ2* relating to major implementation challenges in the proposed convergence with IFRS in India. For the six statements relating*RQ2*, the same Likert-scale format was used, but the statements were put to the respondent in the reverse order (i.e. the responses 5 [strongly disagree] and 4 [disagree] convey agreement to the statement, whereas 1 [strongly agree] and 2 [agree] convey reservation about the statement, with 3 being the neutral opinion).

Accounting practitioners and banking professionals were asked to discuss their perceptions of awareness and preparedness challenges of IFRS implementation. Accounting practitioners were approached because they are the primary participants in the IFRS implementation process and are affected by various initiatives of the jurisdictional accounting body. The available literature on the subject examines the perceptions of the users of financial reporting and rarely approaches the financial statement preparers (Jermakowicz and Gornik-Tomaszewski, 2006; Jones and Higgins, 2006; Morris *et al.*, 2013; Pawsey, 2008). It was argued that approaching both practitioners and users in the pre-adoption phase would provide a balanced approach to the study. In the case of India, the chartered accountants (CAs) are members of ICAI. This membership is provided after successful completion of examinations and training prescribed by the accounting body. Also, members participate in various training initiatives of the accounting body and receive regular communications on various developments in the profession. ICAI has initiated an awareness training programme besides making Ind-AS a part of its curriculum. Banking industry professionals provide a combination of internal/primary users (i.e. employees, management and owners) and external/secondary users (i.e. creditors and investors) (Firoz *et al.*, 2011; Ray, 2012). Further, the banking industry is perceived to be facing major banking-specific and generic challenges during pre- and post-implementation processes of IFRS (RBI, 2011; Fox *et al.*, 2013).

The self-administered survey was distributed to respondents by hand delivery, post or through e-mail. The names and addresses of the bank officials were obtained from bank websites. The list of the CAs was obtained from the head office of the ICAI, and their names and addresses were collected from the members' directory of the ICAI. Stratified random sampling has been used for the purpose of this research. The questionnaires were sent to a randomly selected group of accounting practitioners from different parts of the country to ensure a balanced opinion. Banking professionals working in main or regional offices were contacted for the purpose of the study. Appropriate precautions were taken to ensure respondents' anonymity and confidentiality. The survey was conducted between December 2013 and February 2014, with 500 identified prospective respondents being approached (250 accounting practitioners and 250 banking professionals). Questionnaires were returned by 218 respondents; 26 were excluded because of incompleteness. The remaining 192 usable questionnaires were from 79 banking professionals (31.6 per cent response rate) and 113 accounting practitioners (45.2 per cent response rate). Table I provides an overview of the demographic profile of the participants. Of the 192 respondents, 41.15 per cent were banking professionals, 71.35 per cent were senior managers or above, 63.00 per cent were qualified CAs and 51.04 per cent had more than 15 years of experience in banks. The demographic profile of the respondents assures cross-sectional representation not limited to senior executives such as CFO or board members but also from the others in the management cadre of both accounting professionals and bankers.

Data were compiled and analysed using IBM SPSS Version 20. Descriptive findings similar to Innes (1990) and Thorne *et al.* (2014) have been used to answer the first two research questions. For *RQ3* (Do accounting practitioners and banking professionals have similar perspectives on the subject of awareness and preparedness challenges of IFRS implementation?), independent sample *t*-tests and Levene's tests for equality of variances were used. Similar tests were used to examine the variance among responses to statements/questions by the various classifications identified in the demographic part of the questionnaire, such as gender, experience and qualifications (Joshi *et al.*, 2008 and 2016). To

Respondent categories	No. of respondents	(%)
Respondents	Total = 192	
Bank professional	79	41.15
Accounting practitioners	113	58.85
Gender	Total = 192	
Male	154	80.21
Female	38	19.79
Age	Total = 192	
Less than 30 years	57	29.69
Between 30 and 40 years	44	22.92
Between 40 and 50 years	65	33.85
Above 50 years	26	13.54
Experience	Total = 192	
Less than 15 years	94	48.96
More than 15 years	98	51.04
Professional qualifications	Total = 192	
CA	121	63.02
Non-CA	71	36.98
Employment ownership	Total = 192	
Non corporate entity (NCE)	85	44.27
Corporate entity (CE)	107	55.73
Affiliation: bank Professional	Total = 192	
Big four	13	6.77
Not big four	179	93.23
Affiliation: accounting practitioners	Total = 113	
Big four	13.00	11.50
Not big four	100.00	88.50
Position level in organisation	Total = 192	
Senior	137	71.35
Middle	55	28.65

Table I. Descriptive statistics of the demographic data understand whether accounting practitioners and banking professionals have similar perspectives on the subject of awareness and preparedness challenges in IFRS implementation, a one-way analysis of variance comparison of the means of these two samples was conducted to make inferences about the population means.

5. Analysis and results

Descriptive analyses were used to illustrate the demographic profiles of respondents and to investigate their responses to the statements in the questionnaire. The study explores the awareness and views of the participants in IFRS implementation (i.e. preparers and users) regarding implementation challenges and efforts by the prime accounting body in India. To compare the mean responses of accounting professionals and banking professionals, independent *t*-tests were conducted. Two-sample *t*-statistics and *p*-values were used to assess the statistical significance of differences in sample means. Table II provides respondents' perceptions of ICAI's challenges and preparedness for the IFRS convergence process. Tables III and IV provide descriptive statistics and *t*-test results for the analysis of accounting practitioner and banking professionals' perspectives on research issues. Table V illustrates the significance of differences in participants' perspectives based on demographic characteristics such as gender, experience, professional qualifications and employment ownership. Appendix Table provides Likert Scare responses in relation to ICAI's preparedness and implementation challenges in IFRS convergence process.

Respondents' perceptions of preparedness of the Indian banking and financial services sectors were measured via Statement 1.1; 49.5 per cent of respondents agreed about the preparedness of their respective sectors for convergence to IFRS with no significant differences between the mean responses of bank professionals and accounting practitioners. Respondents expressed satisfaction with the efforts made by ICAI towards the implementation process, through their positive responses to Statements 1.2-1.7. Only 35.0 per cent of respondents perceived that information disseminated by print and other media after the adoption of the IFRS in their sector was sufficient, with a mean response of 3.12; there was no significant difference between the mean responses of bank professionals and accounting practitioners.

Serial no.	Statements	Mean	*N*	Agreement (%)
1.1	Indian banking and financial services sector is prepared for convergence to IFRS related to the banking and financial services industry	2.67	184	49.5
1.2	Print and other media provides adequate information after the adoption of IFRSs in our corporate sector	3.12	184	36.4
1.3	We are satisfied with ICAI's efforts on training for members	2.90	184	41.9
1.4	ICAI journals and publications have sufficient focus on the adoption of IFRS	2.64	184	54.4
1.5	ICAI website has material on the adoption of IFRS and "fair value" issues	2.63	185	52.9
1.6	ICAI has taken adequate measures to facilitate transition in regard to roadmap, planning and regulations	2.8	187	44.4
1.7	We are satisfied about the extent of financial education (ICAI, ICWAI, university, vocational institutions, etc.) in our country	2.51	184	51.1
1.8	Recent experience of upgrading to IND GAAP, aligned to US GAAP makes it easier for India to adopt IFRS	2.42	185	56.8

Table II. Mean level of agreement: challenges and ICAI's preparedness in IFRS convergence process

Statement	Respondent	N	Mean	SD	Standard error mean
1.1	Banker	75	2.63	0.927	0.107
	Accountant	109	2.71	0.936	0.090
1.2	Banker	76	3.05	1.274	0.146
	Accountant	108	3.17	1.286	0.124
1.3	Banker	75	3.13	1.155	0.133
	Accountant	109	2.74	0.976	0.093
1.4	Banker	73	2.99	1.208	0.141
	Accountant	111	2.41	0.803	0.076
1.5	Banker	74	2.85	1.213	0.141
	Accountant	111	2.49	0.773	0.073
1.6	Banker	75	3.03	1.150	0.133
	Accountant	112	2.64	0.899	0.085
1.7	Banker	73	2.71	0.950	0.111
	Accountant	111	2.37	0.738	0.070
1.8	Banker	74	2.61	0.991	0.115
	Accountant	111	2.29	0.706	0.067

Table III.
Mean agreement on challenges and ICAI's preparedness: banking professionals and accounting practitioners

Serial no.		Levene's test for equality of variances F	Significance	t	df	Significance	Mean difference	SE difference
1.1	Equal variances assumed	0.028	0.867	−0.570	182	0.569	−0.080	0.140
	Equal variances not assumed			−0.571	160.24	0.569	−0.080	0.140
1.2	Equal variances assumed	0.309	0.579	−0.594	182	0.553	−0.114	0.192
	Equal variances not assumed			−0.595	162.52	0.552	−0.114	0.192
1.3	Equal variances assumed	1.57	0.212	2.472	182	0.014*	0.390	0.158
	Equal variances not assumed			2.397	141.21	0.018	0.390	0.163
1.4	Equal variances assumed	17.2	0.000**	3.860	182	0.000	0.572	0.148
	Equal variances not assumed			3.561	113.68	0.001**	0.572	0.161
1.5	Equal variances assumed	25.7	0.000**	2.500	183	0.013	0.365	0.146
	Equal variances not assumed			2.296	112.42	0.024*	0.365	0.159
1.6	Equal variances assumed	1.63	0.202	2.554	185	0.011**	0.384	0.150
	Equal variances not assumed			2.434	132.16	0.016	0.384	0.158
1.7	Equal variances assumed	4.62	0.033**	2.748	182	0.007	0.343	0.125
	Equal variances not assumed			2.610	127.333	0.010*	0.343	0.131
1.8	Equal variances assumed	12.5	0.001**	2.564	183	0.011	0.320	0.125
	Equal variances not assumed			2.401	121.516	0.018*	0.320	0.133

Notes: *Significant at the 0.05 level; **significant at the 0.01 level; sig. – significance in two-tailed *t*-test

Table IV.
Significance of differences in respondent's perspective: challenges of IFRS convergence and ICAI's preparedness

Serial no.	Statements	Mean	N	Agreement with hypothesis
2.1	Various stakeholders, including regulators, preparers and users, of financial statements and auditors continue to encounter practical implementation challenges	2.22	180	69.5
2.2	As a result of harmonisation with IFRSs, we have severe problems with technical and professional staffing issues for medium and small companies	2.52	181	59.6
2.3	Transition process to IFRS is costly, complex and burdensome	2.54	185	44.8
2.4	Cost of staff training, the provision of consulting services, the adjustment of information systems and computer software alteration are the concern areas	2.05	182	80.2
2.5	Implementation process is facing problems of interpretation, language and terminology in regard to IFRS	2.34	180	67.2
2.6	Cost of conversion to IFRS is a matter of concern	2.11	187	69.5

Table V.
Mean level of agreement: major challenges of the proposed convergence

Approximately 42 per cent of respondents were satisfied with the level of training that ICAI provided for its members in relation to Ind-AS. Female respondents agreed more strongly than male respondents ($t = 3.251$, $p < 0.05$), and were more appreciative of the efforts of ICAI regarding training initiatives. Respondents with ≤15 years of experience agreed more with the statement than did respondents with >15 years of experience ($t = 2.394$, $p < 0.05$); respondents with less than 15 years of experience included recent graduates, who had studied Ind-AS in the ICAI curriculum. Overall satisfaction with financial education such as that provided by ICAI, universities and other accounting professional and vocational institutions in India is reflected through the mean response of 2.51, as agreed by 51.1 per cent of the total respondents. CA-qualified respondents seem to be more in agreement with the financial education efforts of ICAI and other institutions ($t = 2.716$, $p < 0.01$) than non-CA-educated respondents. Female respondents agreed more with the statement than male respondents ($t = 2.364$, $p < 0.01$). Respondents with ≤15 years of experience agreed more with the statement than respondents with >15 years of experience ($t = 2.029$, $p < 0.05$). Journals and other publications from ICAI provide information on various developments in the accounting profession. Moreover, 54 per cent of respondents agreed that ICAI facilitates awareness of adoption of IFRS and education on Ind-AS, as its journals and publications have a sufficient focus on the adoption of IFRS. CA-educated respondents seemed to be more aware of journals and publications about IFRS ($t = 3.568$, $p < 0.01$) than non-CA-educated accountants. Respondents with ≤15 years of experience agreed more with the IFRS adoption focus in ICAI journals and publications than did respondents with >15 years of experience ($t = 2.861$, $p < 0.05$). Respondents employed in non-corporate entities agreed more strongly with this statement than those from corporate entities ($t = 2.454$, $p < 0.05$). Female respondents agreed more strongly than male respondents ($t = 2.136$ $p < 0.05$). Availability of material on the adoption of IFRS and "fair value" issues on the ICAI website was perceived as satisfactory, with 53.0 per cent of respondents agreeing with accessibility via the ICAI website. CA-qualified respondents seemed to be more aware than non-CA-qualified accountants of IFRS-related information on the internet ($t = 2.350$, $p < 0.05$). Female respondents showed a higher level of awareness of IFRS adoption-related material on the ICAI website than male respondents ($t = 2.240$, $p < 0.05$). Respondents with ≤15 years of experience agreed more with the availability of materials than those who had >15 years of experience ($t = 2.827$, $p < 0.05$).

Both accounting and banking professionals were consistent with the efforts of the ICAI in facilitating a smooth transition to Ind-AS, with the mean agreement of 2.8 about the provision of knowledge on the roadmap, planning and regulations of the convergence process. CA-qualified respondents seemed to be more aware of the ICAI initiative on transition ($t = 2.382$, $p < 0.05$) than non-CA-qualified respondents. Recent graduates were more aware of such a facilitation role of ICAI in IFRS convergence progression. Female respondents agreed more strongly than male respondents with the statement about the ICAI's role in facilitating a smooth transition ($t = 2.2080$, $p < 0.05$). Further, respondents with ≤15 years of experience showed a higher level of appreciation of ICAI enabling endeavours in relation to its roadmap, planning and regulation of the convergence process than respondents with >15 years of experience ($t = 2.631$, $p < 0.01$). Around 57 per cent of the survey participants believed that India has advantages in adopting IFRS because of its past experience in upgrading its accounting standards to align with the US GAAP. CA-qualified respondents seemed to be more in agreement with the statement that the recent experience of upgrading to Ind GAAP and aligning to US GAAP makes it easier for India to adopt IFRS ($t = 2.190$, $p < 0.05$). Accounting professionals and banking professionals differ significantly in their mean response to Statements 1.3-1.8, with surveyed banking professionals having a higher mean response, showing that participants from the banking industry are more confident of ICAI's preparedness in IFRS convergence process than are accounting practitioners (Table IV). The ICAI needs to engage more with accounting practitioners and apprise them of its initiatives and progress in the IFRS convergence process.

Statements 2.1-2.6, shown in Table VI, aimed at understanding the perspective of respondents with respect to various challenges faced during Ind-AS implementation to address *RQ2*. Statement 2.1 (see Table VI) suggests that 70 per cent of the respondents conveyed overall concern about the practical implementation challenges faced during the transition to Ind-AS. Only 10 per cent of respondents confirmed that they do not experience such challenges. Bank professionals had a significantly different ($t = 2.837$ and $p < 0.01$) perspective from accounting practitioners, expressing a greater level of concern with practical implementation challenges faced by various stakeholders such as regulators, preparers, users of financial statements and auditors (Tables VII and VIII). CA-qualified respondents showed more concern than professionals with other educational backgrounds regarding the implementation challenges of convergence ($t = 2.510$, $p < 0.05$). As the Ind-AS

Statements	Respondent	*N*	Mean	SD
2.1	Banker	72	2.49	0.934
	Accountant	108	2.05	1.071
2.2	Banker	72	2.44	1.112
	Accountant	109	2.58	1.342
2.3	Banker	75	2.57	1.129
	Accountant	110	2.52	0.906
2.4	Banker	71	2.14	0.961
	Accountant	111	1.99	0.869
2.5	Banker	70	2.34	1.153
	Accountant	110	2.35	1.009
2.6	Banker	76	2.13	1.075
	Accountant	111	2.10	0.943

Table VI. Major challenges of the proposed convergence: mean agreement among banking professionals and accounting practitioners

Serial no.	Levene's test for equality of variances	F	Significance	t	df	Significance	Mean difference	SE difference
2.1	Equal variances assumed	0.151	0.698	2.837	178	0.005**	0.440	0.155
	Equal variances not assumed			2.916	165.576	0.004	0.440	0.151
2.2	Equal variances assumed	4.160	0.043*	−0.700	179	0.485	−0.134	0.191
	Equal variances not assumed			−0.727	169.953	0.468	−0.134	0.184
2.3	Equal variances assumed	4.916	0.028*	0.367	183	0.714	0.055	0.150
	Equal variances not assumed			0.353	135.496	0.725	0.055	0.156
2.4	Equal variances assumed	7.845	0.006**	1.089	180	0.278	0.150	0.138
	Equal variances not assumed			1.065	138.294	0.289	0.150	0.141
2.5	Equal variances assumed	1.226	0.270	−0.016	178	0.987	−0.003	0.163
	Equal variances not assumed			−0.015	132.620	0.988	−0.003	0.168
2.6	Equal variances assumed	1.673	0.197	0.218	185	0.827	0.032	0.149
	Equal variances not assumed			0.213	147.066	0.832	0.032	0.152

Notes: Sig. – significance; *significant at the 0.05 level; **significant at the 0.01 level

Table VII. Significance of differences in respondent's perspective: major challenges of the proposed convergence

adoption process is yet to begin, such a response suggests that CA-qualified respondents are more aware of implementation challenges because of their participation in various forums and seminars on IFRS adoption organised by ICAI. Female respondents were more concerned about implementation challenges ($t = 2.931$, $p < 0.01$).

Around two-thirds of the survey respondents were anxious about technical and professional staffing issues faced by medium and small companies as a result of harmonisation with IFRS. However, fewer than 20 per cent of the survey respondents did not agree that there were problems for medium and small companies during the IFRS implementation process. Respondents employed in non-corporate entities agreed more strongly that such issues existed than those from corporate entities ($t = 2.355$, $p < 0.05$). Around 45 per cent of the survey respondents expressed concern that transition to IFRS is costly, complex and burdensome, with a mean response of 2.54. In contrast, less than 15 per cent of the survey respondents did not find transition towards IFRS to be costly, complex and burdensome, with a mean response of 2.54. Respondents employed by non-corporate entities agreed more strongly with this statement than respondents from corporate entities ($t = 2.601$, $p < 0.05$). Statement 2.4 related to concerns about the costs of staff training, provision of consulting services and adjustments to information systems and computer software. Moreover, 80 per cent of participants confirmed that this was a challenge and less than 8 per cent conveyed that they were not concerned with such costs of transition. Respondents employed by non-corporate entities were more apprehensive about these issues than respondents from corporate entities ($t = 2.352$, $p < 0.05$).

More than two-thirds of the respondents acknowledged that stakeholders participating in the Ind-AS implementation process are facing problems of interpretation, language and terminology with regard to IFRS; thus, they suggested the need for further attention from ICAI to simplify the proposed convergence process. Less than 17 per cent of the respondents did not find interpretation, language and terminology with respect to IFRS implementation to be a problem. Also, 69.5 per cent of respondents agreed that they were concerned with the

Table VIII. Significance of differences in participant's perspectives: demographic characteristics

	Gender			Professional qualification			Experience			Employment ownership		
Statements	Male	Female	Significance	CA	Non-CA	Significance	15 years or less	More than 15 years	Significance	NCE	CE	Significance
1.1	2.730	2.460	0.117	2.680	2.660	0.893	2.660	2.690	0.794	2.650	2.700	0.743
1.2	3.200	2.810	0.101	3.180	3.030	0.451	3.020	3.210	0.320	3.210	3.000	0.262
1.3	3.030	2.410	0.001**	2.770	3.120	0.035*	2.710	3.090	0.018*	2.990	2.790	0.213
1.4	2.720	2.320	0.034*	2.430	3.010	0**	2.430	2.850	0.005**	2.800	2.450	0.018*
1.5	2.710	2.310	0.026*	2.490	2.880	0.01*	2.430	2.830	0.005**	2.700	2.550	0.332
1.6	2.870	2.490	0.039*	2.660	3.030	0.018*	2.600	2.990	0.009**	2.830	2.760	0.675
1.7	2.580	2.220	0.019*	2.380	2.730	0.007**	2.380	2.630	0.044*	2.560	2.430	0.297
1.8	2.480	2.140	0.028*	2.310	2.610	0.017*	2.270	2.560	0.020*	2.490	2.330	0.187
2.1	2.330	1.780	0.004**	2.080	2.480	0.013*	2.090	2.360	0.085	2.340	2.070	0.083
2.2	2.500	2.620	0.600	2.510	2.550	0.817	2.530	2.520	0.928	2.720	2.280	0.020*
2.0.3	2.600	2.300	0.098	2.460	2.690	0.135	2.530	2.550	0.862	2.710	2.340	0.012*
2.4	2.080	1.920	0.328	2.000	2.140	0.313	2.010	2.090	0.563	2.190	1.880	0.020*
2.5	2.410	2.080	0.091	2.320	2.390	0.698	2.370	2.320	0.780	2.420	2.260	0.310
2.6	2.200	1.760	0.015*	2.090	2.150	0.719	2.180	2.040	0.329	2.210	1.990	0.124

Notes: *Significant at the 0.05 level; **significant at the 0.01 level; sig. – significance in two-tailed *t*-test overall cost of conversion to IFRS; female respondents showed more concern in this regard ($t = 3.048$, $p < 0.01$). Less than 9 per cent of respondents did not find the overall cost of conversion to IFRS to be a matter of concern. There was no significant difference in the viewpoints of the banking professionals and accounting practitioners on Statements 2.2-2.6 regarding various implementation challenges such as technical and professional staffing issues, the transition process and related costs, language and terminology issues and cost of conversion and complexity (Tables VII and VIII).

For all statements, it was noted that CA-qualified respondents were more aware of implementation challenges than were non-CA-qualified accountants. This may be the outcome of various training and awareness programmes initiated by ICAI for its members. This also highlights the need for organising training and creating awareness on IFRS subjects for non-CA-qualified accounting professionals. Further, there is a consensus with respect to IFRS implementation challenges such as awareness, training, cost, interpretation, IT infrastructure and staffing.

6. Discussion, implications and conclusions

A detailed review of the available literature on the subject provided ample evidence of research in the context of developed countries, but comparatively very little evidence in relation to developing countries. Further, there is a lack of research in general in the context of India. The scope of this research was identified because of the minimal prior research on the implementation challenges faced by the participants, more in the context of developing economies, particularly in the pre-adoption period. The literature available in the context of India and other emerging economies is primarily an outcome of inferences drawn from the existing literature on different geographies and is contextualised in regard to India based on the expertise and experience of researchers using qualitative methods (Firoz *et al.*, 2011; Jain, 2011; Rathod, 2006; Ray, 2012). Rudra and Bhattacharjee (2011) used quantitative methods with secondary data to understand the possible effects of IFRS implementation on financial reports of either an individual company (Ray, 2012) or group of banks (Firoz *et al.*, 2011) and companies (Rudra and Bhattacharjee, 2011). The experience of implementation and benefits, as well as reasons for adoption, will vary between countries depending on their accounting and regulatory frameworks, background and other variables (Bhattacharyya, 2012). Hence, a country-specific study was required to understand the influence of local factors. The need for research becomes more obvious in view of the growing influence of emerging economies in the world economy. These economies experience comparative less developed regulatory and financial intuitional framework. This research gap in the IFRS adoption and convergence domain became a primary motivation and provided a strong justification for this exploratory study on the large and growing economy of India to make a significant contribution to the existing IFRS research literature.

IFRS is expected to adapt to the defining format of Indian accounting systems in the next few years. It entails the insertion of new methods, rules, terms and valuation instruments in the business grammar of Indian enterprises. To ensure a smooth transition down the line, field responses need to be appropriately gathered, analysed and assimilated into current research.

This paper puts an exclusive focus on two categories of professionals accounting practitioners and bankers. Both groups of respondents agree on the value and long-term utility of the harmonisation of accounting standards across the globe. At the same time, both groups expect a significant number of challenges during the transition process, although younger and more highly qualified accounting professionals have been more receptive to IFRS adoption than older and less qualified ones. Female professionals show a higher degree of readiness than males. As India has a large number of companies, particularly in the software sector, that have been using

US GAAP standards for more than a decade, a segment of the accounting community does have a broader international perspective, but this is not evenly spread across all. With respect to areas of concern, there were common issues such as the cost of transition, interpretation, IT infrastructure and staffing. The observation regarding training and awareness challenges reflects those of previous empirical studies that have highlighted various implementation challenges in relation to awareness, training, cost, interpretation, IT infrastructure and staffing (Ballas *et al.*, 2010; Ionas *et al.*, 2007; Jermakowicz and Gornik-Tomaszewski, 2006; Jones and Higgins, 2006; Zeff, 2007). Among them, Ballas *et al.* (2010) and Jones and Higgins (2006) have shown the same concerns in their studies of Greece, Australia and the EU. Zeff (2007), reviewing worldwide IFRS implementation, also highlighted the importance of training for regulators. Special efforts are required from the accounting bodies on training and awareness of the proposed changes among the present and the future work force. This also requires the attention of IASB to attain smooth global adoption of IFRS.

There was a mixed response to the training and awareness programs conducted by ICAI, but responses were not dismissive of the effort. Although this research is representative of a significant research domain implying pre-adoption challenges before IFRS implementation, it does not cover the full ground; its scope would have been enhanced by including professionals from critically important sectors such as real estate, insurance, infrastructure, software, pharmaceuticals or financial regulatory agencies. The results could be used as a benchmark in the analysis of these sectors. In addition, issues of interpretation of IFRS provisions could be understood more fully with respect to taxation matters, debt measurement and the status of some matters beyond reconciliation with IFRS. This preparedness among the accounting profession is of significance as many accountants work for businesses abroad during their employment with business processing offices. However, this is only a beginning. IFRS must undertake a long journey in the Indian sub-continental space before it becomes fully mainstream. Until then, all potential areas of friction may need a focused study to resolve them and lay out a sustainable roadmap for universal accounting grammar. As an implementation timetable beginning 1 April 2016 has only recently been recommended; further efforts from ICAI on training and awareness may be undertaken in the future. The next step for ICAI must be a training initiative beyond the inclusion of the subject in its curriculum and an awareness campaign beyond its members. The ICAI has been found to be competent enough in this regard in the past during upgrading of the Ind-AS to Ind GAAP to align with the US GAAP.

The study is subject to the limitations of a survey-based research and is conducted only in one jurisdiction that has recently announced implementation of IFRS-based accounting standards. The sample is limited to banking sector executives and accounting practitioners from India, and it may not be a representative sample. The results of the study may be impacted by usual limitations of survey-based research, such as the design of the survey instrument and the personal biases of the respondents. However, we believe that India is a fast-growing economy and represents a large number of accounting professionals. Although the survey results highlight the responses from only one geography and from specific group of selected respondents, the findings of the study shall guide accounting practitioners, regulatory bodies and professional accounting bodies in relation to challenges faced by the jurisdictions that have recently initiated the process of IFRS adoption or convergence. For example, countries such as India and China have a history of initial reluctance before they have announced convergence to IFRS on account of institutional pressures. The findings of this study suggest that the IASB should now focus on the implementation of IFRSs, besides updating/making IFRSs, with a view to minimise difficulties faced by implementation participants.

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Appendix

Statements	Participant response	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
1.1	Frequency	11	80	57	30	6	184
	(%)	6	43.5	31	16.3	3.3	100
1.2	Frequency	19	48	44	38	35	184
	(%)	10.3	26.1	23.9	20.7	19	100
1.3	Frequency	11	66	52	40	15	184
	(%)	6	35.9	28.3	21.7	8.2	100
1.4	Frequency	16	84	42	34	8	184
	(%)	8.7	45.7	22.8	18.5	4.3	100
1.5	Frequency	16	82	47	34	6	185
	(%)	8.6	44.3	25.4	18.4	3.2	100
1.6	Frequency	14	69	54	41	9	187
	(%)	7.5	36.9	28.9	21.9	4.8	100
1.7	Frequency	19	75	69	20	1	184
	(%)	10.3	40.8	37.5	10.9	0.5	100
1.8	Frequency	22	83	63	15	2	185
	(%)	11.9	44.9	34.1	8.1	1.1	100
2.1	Frequency	43	82	37	8	10	180
	(%)	23.9	45.6	20.6	4.4	5.6	100
2.2	Frequency	37	71	37	13	23	181
	(%)	20.4	39.2	20.4	7.2	12.7	100
2.3	Frequency	33	50	76	21	5	185
	(%)	17.8	27	41.1	11.4	2.7	100
2.4	Frequency	46	100	22	9	5	182
	(%)	25.3	54.9	12.1	4.9	2.7	100
2.5	Frequency	35	86	29	22	8	180
	(%)	19.4	47.8	16.1	12.2	4.4	100
2.6	Frequency	57	73	41	11	5	187
	(%)	30.5	39	21.9	5.9	2.7	100

Table AI. Participants' responses: ICAI's preparedness and implementation challenges in IFRS convergence process

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