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Regulatory Notes

'Does accounting regulation matter?': An experience of international financial reporting standards implementation in an emerging country

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ABSTRACT

The study investigates the balance between accounting regulation and political influences in the implementation of International Financial Reporting Standards (IFRS) in an emerging country. Forty-three interviews were conducted, from 2010 to 2013. Additionally, enforcement documents from 1998 to 2013 in relation to IFRS were evaluated. The study reveals that lack of accounting regulatory framework and political influences are hindering the effective implementation of IFRS. Most importantly, regarding the balance between accounting regulation and political influences, a high level of political influences is adding more apprehension to the implementation of IFRS. The study contributes to the policymaking agenda of the IFRS implementation literature. The findings are relevant to other emerging economies. In particular, local and international policy makers should rethink the path of the global implementation of IFRS.

1. Introduction

> "…accounting is a big house that has accommodated many political regimes during the several hundred years of its existence without losing its identity…the politics of accounting unquestionably played an important role" (Ordelheide, 2004, p. 270).

Prior studies have provided a scattered picture of the influences of accounting regulatory frameworks and politics in financial reporting practices in both developed and emerging economies (see Al-Akra, Eddie, & Ali, 2010; Alexander & Archer, 2000; Alexander & Servalli, 2010; Alexander & Micallef, 2011; Ali & Ahmed, 2007; Ali, Ahmed, & Henry, 2006; Ball, 2006; Ball, Kothari, & Robin, 2000; Belkaoui, 1983, 1996, 2004; Beresford, 2001; Boross, Clarkson, Fraser, & Weetman, 1995; Cohen & Hamman, 2003; Colbert & Murray, 2003; Cortese & Irvine, 2010; Dalton, Buchheit, Oler, & Zhou, 2013; Ernstberger, Stich, & Vogler, 2010; Ezzamel, Xiao, & Pan, 2007; Hail, Leuz, & Wysocki, 2010; Hasan, Karim, & Quayes, 2008; Hitz, Ernstberger, & Stich, 2012; Huerta, Petrides, & Braun, 2013; Karim, 1996; Legoria, 2000; McKinnon, 1984; Muniandy & Ali, 2012; Pajunen, 2013; Persons, 1999; Poudel, Hellmann, & Perera, 2014; Previts & Merino, 1998; Rodrigues, Schmidt, & Santos, 2012; Saudagaran & Diga, 1997; Walker & Robinson, 1993; Whittington, 2005; Wilmott, Puxty, Robson, Cooper, & Lowe, 1992; Xiao, Weetman, & Sun, 2004; Zeff, 2007; Zülch & Hoffmann, 2010).

With the pace of highly globalized markets, there is an underlying need for improved corporate transparency and disclosure. International Financial Reporting Standards (IFRS) are highly sophisticated standards which have been adopted in more than 130 countries. To foster the integrity of financial reporting, the adoption and effective implementation of IFRS is required to ensure transparency (Poudel et al., 2014). The implementation of IFRS has been vastly researched in developed countries. However, only a limited number of studies have been conducted on the adoption of

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IFRS, let alone the implementation of IFRS, in emerging countries. This study focuses on the IFRS implementation experience of an emerging country: Bangladesh. Akhtaruddin (2005) investigated the extent of mandatory disclosure by 94 listed companies in Bangladesh and reported that companies did not disclose adequately according to the mandatory disclosure requirements. He found that on average, companies disclosed only 43.53% of required information and concluded that 'prevailing regulations are ineffective monitors of disclosure compliance by companies'. Ali et al. (2006) called for further research on the harmonization of accounting practices in South Asia (Bangladesh, India and Pakistan) regarding compliance with IFRS. Later, Ali and Ahmed (2007) argued that the 'accounting professional bodies within each country have adopted IASs as the basis of national accounting standards, mostly driven external investments need and the policies pursued the governments in recent years within the region'. Hasan et al. (2008) investigated the effectiveness of changes in the regulatory environment in Bangladesh on the quality of compliance with mandatory disclosure requirements. They argued that a significant improvement in the quality of compliance was apparent during the more regulated period in Bangladesh. In addition to ineffective regulation, Bangladesh has gathered unwanted international attention regarding widespread corruption, having been ranked as the most corrupt country in the world by Transparency International. Bangladesh also ranked top for the fifth year in a row in the corruption perception index (http://news.bbc.co.uk/2/hi/south_asia/4353334.stm).

To address the research question, this study employs mixed methodology (interviews and documentary analysis). Thirty-nine interviews were conducted from 2009 to 2013 and enforcement related documents from 1998 to 2013 were evaluated. This period was chosen because IFRS was mandatory in Bangladesh since 1998. This study aims to contribute to the literature in the field and to policymaking.

The paper is structured as follows: Section 2 gives a review of the literature on accounting regulation and political influences. Section 3 describes the research methods (interviews and documentary analysis) utilized by the study. Section 4 reports the findings and discussion of the study and Section 5 offers the conclusions and limitations of the paper.

2. Review of literature

The prior research focuses on different dimensions of accounting regulation. From a historical point of view, researchers like Miranti (1986), Previts and Merino (1998), and Walker and Robinson (1993) have shown that the state in Anglo-American countries (excluding the UK) has had a longstanding involvement with the development of accounting rules. State agencies have helped to create a demand for general financial management services, particularly within regulated firms (Persons, 1999). But, this political involvement raises questions around the existence of a transparent regulatory process (Zeff, 2007). Most studies have confirmed the usefulness of accounting regulatory frameworks. Some of them employ a legal system dichotomy (code law versus common law) to examine the association of legal systems with financial disclosure (Ball et al., 2000; Jaggi & Low, 2000; Naciri & Hoarau, 2001). Wilmott et al. (1992) examined four capitalist countries (Sweden, the UK, the USA and Germany) and found that accounting regulation in those countries has been shaped by the disciplinary effects of hierarchical control (social order organized through bureaucratic agencies). In a Hungarian study, Boross et al. (1995) concluded that while the impact of the move to the market economy has been a visible factor both in the drafting of the law and in the perceptions of the likely users of the financial statements, the influence of state regulation still remains. Alexander and Archer (2000, p. 555) argue that *"The future of accounting standard setting at the national level may be in question"*. The inevitably political nature of standard setting has been considered over many years by researchers across various jurisdictions.

The political nature of accounting standards setting has long been recognized (Fogarty, 1992; Moonitz, 1974), and there has been a continued debate on the subject. Over the years, the accounting profession has sought to control the regulatory process in order to maintain its authority within the traditional boundaries of its discipline, while other interested parties and professions have seen opportunities to expand their spheres of influence (Perry & Nölke, 2006). In China, Ezzamel et al. (2007) analyzed the relationship between political–economic factors and accounting standards setting during the transition from a state controlled economy under Mao to a 'socialistic market economy' under Deng and found that in both eras, accounting has been construed as a malleable object shaped by the force of the dominant political discourse. On the EU experience, Whittington (2005) observed that *"President Chirac of France wrote a much publicized letter to President Prodi of the EU expressing anxiety that the IASB standards were not sensitive enough to European interests and that, in particular, volatility resulting from application of the standards would be damaging to the European economy"* (p. 143). Zülch and Hoffmann (2010) illustrated evidence of the linkages between parliamentarians and interest groups in the course of accounting standard setting in Germany. Hail et al. (2010, p. 575) argued that *"The implementation and enforcement aspects of global accounting convergence are largely missing from the IFRS debate, which we view as a serious shortcoming"*. Alexander & Micallef (2011, p. 19) also argued that *"a clear regulatory framework is needed to act as a central source of reference of the accounting principles requiring adherence to, and for a system of enforcement of, those principles. Consequently, greater specification and precision is required when amending an existing regulatory framework"*.

Al-Akra et al. (2010) investigated the influence of accounting disclosure regulation, governance reforms and ownership changes resulting from privatization, on the mandatory disclosure compliance of 80 listed companies in Jordan. They found that governance reforms through the mandate of audit committees were a significant determinant of compliance with mandatory disclosure requirements in a developing country like Jordan. They therefore called for further research into the regulatory environment in developing countries. Researchers like Wagenhofer (2011), Leuz (2010), Rahman (2000), Rodrigues et al. (2012), Dalton et al. (2013), and Pajunen (2013) have all argued that more regulation increases reporting quality. Wagenhofer (2011, p. 230) argued that regulators should delegate standards setting to an independent standards board. The standard setters then receive more weight of public trust than political trust. Ernstberger et al. (2010) reported that regulatory reforms in enforcement have increased the degree of enforcement in Germany. Similarly, Hitz et al. (2012, p. 276) found that the two-tier enforcement systems (Die Deutsche Prüfstelle für Rechnungslegung [DPR] and Bundesanstalt für Finanzdienstleistungsaufsicht [BaFin]) in place in the country have been working closely toward stronger enforcement in Germany since 2005.

In terms of political influences, prior studies have suggested that politics are negatively associated with the development of accounting systems and accounting change. McKinnon (1984, p. 318) set out several factors deemed to contribute to the intensification of government involvement in accounting in Japan: first, that the administration of corporate financial disclosure under the SEC Law is the direct responsibility of the Ministry of Finance; second, that accounting standards in Japan are formulated by the Business Accounting Deliberation Council (BADC), but standards are issued and enforced as Ministry of Finance ordinances; and third, that the Ministry of Finance, through its administration of the CPA Law, controls registration and deregistration and oversees the activities of the Japanese Institute of Certified Public Accountants (JICPA). Consequently, 'blame' for perceived 'crises' of inadequate financial disclosure at both national and international levels in Japan is channeled directly to the Ministry of Finance. In contrast, in most Anglo-American nations the blame is typically spread more broadly across the accounting profession and independent or quasi-governmental regulatory authorities. Xiao et al. (2004, p. 214) argued that *"Chinese people have political sensitivity regarding foreign accounting theory and practice"*, while Belkaoui (1983, p. 211) suggested that *"The role of governments in developing accounting principles and providing legal authority is assumed to result in a higher reliability of financial disclosures in the developing countries"*.

Prior studies have also examined the interactions between companies, business interest groups and legislators as participants in a political market. It has been found that the participants in the lobbying process are viewed as actors motivated by self-interest in situations where they intend to legislate on issues which may be beneficial to them (Cohen & Hamman, 2003; Cortese & Irvine, 2010). For example, Sutton (1984) produced earlier evidence from the USA in which the CEO of Cisco, John Chambers, had met with the SEC Chairman, Arthur Levitt, about accounting for business combinations and "*made it plain that if Levitt went ahead with his plans, he would have to contend with the substantial lobbying weight of Cisco and every other tech company*" (Beresford, 2001, p. 79). Ball (2006) argued that "*Despite increased globalization, most political and economic influences on financial reporting practice remain local…[a] toothless body of international enforcement agencies [is] currently in place*" (p. 15).

To conclude this review, the prior literature provides contradictory views of the influences of accounting regulatory frameworks and politics. Some researchers have suggested that politics and the accounting regulatory framework are impeding IFRS implementation (due to the legal origins of the country, common-law/code-law divergence, and the differences between democratic and undemocratic governments), while on the contrary others have agreed that politics have little or no influence. Some researchers even make strong calls for stronger political influences in developing countries. In terms of political lobbying, most researchers agree that the participants in the lobbying process and the relevant levels of political connectivity should be viewed as grounded in self-interest and that, therefore, political independence or freedom (i.e. discursive democracy) is essential to reduce lobbying. There has been relatively little research into the relationship between accounting regulation and political influence in relation to IFRS implementation in developing countries. The following question therefore still remains to be answered: ***To what extent are accounting regulations and political influences supportive or unhelpful in the implementation of IFRS in emerging countries?***

3. Research methodology

According to Parker and Roffey (1997, p. 223), *"Interview methodology has been considered the most appropriate means of policy making researching dimensions of accounting and finance"*.

Accordingly, the present study used a non-random stratified sampling method (Gibbs, 2008) with a purposive selection of interviewees (Creswell, 2007). This study conducted a total of 43 interviews, with 27 interviews in the first round and 16 in the second round. The reason for carrying out two separate rounds of interviews was to cover both the military era and the democratic era in Bangladesh. It is assumed that the interviewees will reflect different views under different political regimes. Interviewees were selected from four groups: Policy makers, Preparers and Professionals, Users, and Academics and Researchers (see Table 1). Table 1 shows the Company of the Interviewee and Interviewee Code. The code represents I1 to I7 (Policy makers), I8 to I19 (Preparers and Professionals), I20 to I25 (Users) and I26 to I27 (Academics and Researchers). Each interview lasted approximately 70 to 90 minutes. All of the interviewees have been involved in IFRS in Bangladesh and are therefore able to provide worthwhile information about IFRS implementation in Bangladesh. The selection bias was reduced through the interviewees' knowledge and experiences regarding accounting practices and IFRS knowledge.

In addition to the interviews, the study evaluated IFRS-related enforcement documents dated from 1998 to 2013 which contain definitions of accounting and auditing related violations. A small number of violations are related to IFRS. The enforcement documents were collected from the website of Securities & Exchange Commission of Bangladesh (http://www.secbd.org/). Some information and notices were missing on the website. These missing notices were hand-collected from the SEC office in Dhaka, Bangladesh. A total of 1647 documents were evaluated in this study, following the methodology of Feroz, Park, and Pastena (1991), Campbell and Parker (1992), Rollins and Bremser (1997), Chen, Firth, Gao, and Rui (2005) and Files (2012).

Table 1
Interviewees of the study (code and organization).

Code	Organization of the interviewee
I1	ICAB (The Institute of Chartered Accountants of Bangladesh)
I2	ICAB (The Institute of Chartered Accountants of Bangladesh)
I3	ICMAB (The Institute of Cost & Management Accountants of Bangladesh)
I4	SEC (The Securities & Exchange Commission of Bangladesh)
I5	World Bank Representative in Bangladesh
I6	The Central Bank of Bangladesh
I7	Ministry of Finance, Bangladesh
I8	Big 4 Firm, Bangladesh
I9	Company listed in the Dhaka Stock Exchange (DSE), Bangladesh
I10	Big 4 Audit Firm, Bangladesh
I11	Local Audit Firm, Bangladesh
I12	Bank listed in the Dhaka Stock Exchange (DSE), Bangladesh
I13	Company listed in the Dhaka Stock Exchange (DSE), Bangladesh
I14	Bank listed in the Dhaka Stock Exchange (DSE), Bangladesh
I15	Local Audit Firm, Bangladesh
I16	Local Audit Firm, Bangladesh
I17	MNC (Multinational company), Bangladesh
I18	Company listed in the Dhaka Stock Exchange (DSE), Bangladesh
I19	Big 4 Audit Firm, Bangladesh
I20	Bank listed in the Dhaka Stock Exchange (DSE), Bangladesh
I21	Stock Broker, Bangladesh
I22	Central Depository Bangladesh Limited (CDBL) participatory, Bangladesh
I23	Bank listed in the Dhaka Stock Exchange (DSE), Bangladesh
I24	Credit Rating Agency of Bangladesh (CRAB)
I25	Bank listed in the Dhaka Stock Exchange (DSE), Bangladesh
I26	Private University, Bangladesh
I27	Public University, Bangladesh

Note: Code: I = Interviewee. Twenty-seven interviewees were in the first round and 16 were in the second round.

4. Findings and discussion

In this section, the interview findings and documentary analyses are presented. Interviewees' perceptions regarding accounting regulation and political influences are compared. This approach requires making judgments about the interviewees' primary opinions about a topic if he/she expresses positive/negative/no comment, allowing the author to detect any relationship between the four groups of interviewees' perceptions of IFRS implementation.

4.1. Accounting regulation

In terms of accounting regulation, each of the interviewees was asked two questions. Q1: How would you describe the accounting regulation in relation to investor protection, accounting standard setting and enforcement issues in Bangladesh? Q2: Who really regulates accounting issues in Bangladesh?

With regard to IFRS compliance in Bangladesh two institutions, namely the Institute of Chartered Accountants of Bangladesh (ICAB) and the Cost and Management Accountants of Bangladesh (ICMAB), are responsible. The IAS and IFRS are referred to as BASs and BFRSs in Bangladesh. The ICAB has adopted 29 IASs and 12 IFRS. One of the IFRS is still pending consideration (see Table 2). The Securities and Exchange Commission (SEC) made these IASs and IFRS mandatory for all listed companies in Bangladesh from 1998.

All the interviewees agreed that the pre-condition of successful IFRS implementation is having an effective accounting regulatory framework in place in Bangladesh. Table 3 shows that 93% of the interviewees provided negative sentiments regarding the current regulatory framework of Bangladesh. Only 7% of the interviewees believed that the current regulatory framework is effective. This finding is similar to the study by Akhtaruddin (2005) who also reported ineffective regulation in Bangladesh.

Some specific issues were noted by the interviewees regarding the existing regulatory framework. Firstly, inconsistency was observed between the local regulations (Companies Act 1994, SEC Ordinances, Bangladesh Bank – Central Banks Requirements) and IFRS. The Companies Act 1994 has not been updated regarding IFRS since 1994, and contradictions therefore exist between the local laws and the requirements of IFRS. One account preparer expressed the following view:

> "*Well, I would say it's not very satisfactory because there is lack of consistency between the Companies Act 1994 and IFRS. This inconsistency has not yet been resolved by the ICAB or the SEC for the last 13 years*" (I12).

Another interviewee from a policy making group explained:

> "*There are some contradictory issues between the BRPD Circular No.14 and IFRS 7.... if the company follows BRPD Circular No. 14, the true profit (held for maturity) of the company will not be shown*" (I5).

Secondly, the regulators in Bangladesh are not involving stakeholders in setting accounting standards. Some interviewees said that they found the current non-participatory approach 'frustrating'. Unlike the findings of prior studies on developing countries' professional bodies' engagement with stakeholders, the ICAB is responsible for accounting standard setting in Bangladesh but does not engage stakeholders in the setting of standards. This is because the ICAB is directly linked with the Ministry of Finance and their decisions are political and based on closed-door policy making rather than being engagement-based. One account preparer commented that:

> "*Nobody knows what the standard setting committee is. It is awful that this committee has not produced any consultation paper(s) on any standards as yet*" (AP12).

Thirdly, multiple regulators exist regarding IFRS implementation in Bangladesh. The SEC, DSE, NBR, Bangladesh Bank and ICAB all require IFRS implementation from their own perspective. The following quotation summarizes this issue:

> "*There are multiple regulators*... [hence] *if we follow IFRS then Bangladesh Bank, the SEC and the NBR (National Board of Revenue, Bangladesh) will create many problems*" (I23).

Finally, the lack of enforcement of the current regulations is a notable factor affecting the ineffective implementation of IFRS in Bangladesh. Prior research

Table 2
Mandatory Adoption Status of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRS) by the Institute of Chartered Accountants of Bangladesh (ICAB) (as of 1 January 2013).

IASs/ BAS and IFRS/BFRS No.	BAS and BFRS title	BAS and BFRS effective date
BAS 1	Presentation of Financial Statements	On or after 1 Jan 2010
BAS 2	Inventories	On or after 1 January 2007
BAS 7	Statement of Cash Flows	On or after 1 January 1999
BAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	On or after 1 January 2007
BAS 10	Events after the Reporting Period	On or after 1 January 1999
BAS 11	Construction Contracts	On or after 1 January 1999
BAS 12	Income Taxes	On or after 1 January 1999
BAS 16	Property, Plant & Equipment	On or after 1 January 2007
BAS 17	Leases	On or after 1 January 2007
BAS 18	Revenue	On or after 1 January 2007
BAS 19	Employee Benefits	On or after 1 January 2013
BAS 20	Accounting of Government Grants and Disclosure of Government Assistance	On or after 1 January 1999
BAS 21	The Effects of Changes in Foreign Exchange Rates	On or after 1 January 2007
BAS 23	Borrowing Costs	On or after 1 January 2010
BAS 24	Related Party Disclosures	On or after 1 January 2007
BAS 26	Accounting and Reporting by Retirement Benefit Plans	On or after 1 January 2007
BAS 27	Separate Financial Statements	On or after 1 January 2013
BAS 28	Investments in Associates and Joint Ventures	On or after 1 January 2013
BAS 29	Financial Reporting in Hyperinflationary Economics	On or after 1 January 2015
BAS 31	Interest in Joint Ventures	On or after 1 January 2007
BAS 32	Financial Instruments: Presentation	On or after 1 January 2010
BAS 33	Earnings per Share	On or after 1 January 2007
BAS 34	Interim Financial Reporting	On or after 1 January 1999
BAS 36	Impairment of Assets	On or after 1 January 2005
BAS 37	Provisions, Contingent Liabilities and Contingent Assets	On or after 1 January 2007
BAS 38	Intangible Assets	On or after 1 January 2005
BAS 39	Financial Instruments: Recognition and Measurement	On or after 1 January 2010
BAS 40	Investment Property	On or after 1 January 2007
BAS 41	Agriculture	On or after 1 January 2007
BFRS 1	First-time adoption of International financial Reporting Standards	1 January 2009
BFRS 2	Share-based Payment	1 January 2007
BFRS 3	Business Combinations	1 January 2010
BFRS 4	Insurance Contracts	1 January 2010
BFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2007
BFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
BFRS 7	Financial Instruments: Disclosures	1 January 2010
BFRS 8	Operating Segments	1 January 2010
BFRS 9	Financial Instruments	NA (Not yet adopted but under review process)
BFRS 10	Consolidated Financial Statements	1 January 2013
BFRS 11	Joint Arrangements	1 January 2013
BFRS 12	Disclosure of Interests in other Entities	1 January 2013
BFRS 13	Fair Value Measurement	1 January 2013

Note: International Financial Reporting Standards (IFRS) adopted by the ICAB as Bangladesh Financial Reporting Standards (BFRSs) and International Accounting Standards (IASs) as Bangladesh Accounting Standards (BASs). All of these BFRSs are updated based on IFRS 2012. (Source: http://www.icab.org.bd/index.php?option=com_content&view=article&id=82&Itemid=116, Accessed: 12 June 2014.)

Table 3
Perceptions of interviewees on Accounting Regulation and Politics.

Panel A: Accounting regulation	Accounting regulation
Effective regulation (a)	7%
Ineffective regulation (b)	93%
No comment (c)	0%
Total (a + b + c)	100%
Panel B: Politics	**Politics**
No political influences	3%
Political influences	50%
No comment	47%
Total (a + b + c)	100%

Note: Interviewees commented on Accounting Regulation and Politics.

strongly calls for stringent enforcement required for accounting development (Dalton et al., 2013; Files, 2012). Further, the lack of regulation regarding penalties may encourage companies to decide not to comply with the SEC regulation (or at least, nothing exists to discourage them from doing so). For instance, penalty amounts for violating regulations (in particular, the Companies Act 1994 and the SEC Act 1993) and even for providing false information in statements are not more than Tk. 200 (equivalent to less than US$ 2.56) [Bangladesh local currency is Taka (Tk.), US$ 1 = Tk. 78.10 in 2013, source: http://data.worldbank.org/indicator/PA.NUS.FCRF]. A lack of effective penalty criteria calls into question the SEC's role regarding tightening enforcement mechanisms in Bangladesh. In Bangladesh, the continual political lobbying around, and government intervention in the SEC are impeding the operation of a stringent enforcement process. Colbert and Murray (2003) pointed out that various groups will attempt to influence the regulatory process to promote their self-interest, and that politicians respond most favorably to those groups who can assist them in their party or personal aims. This finding is contradictory to that of Belkaoui (1983, 1996) who proposed that the government is in a prime position to enforce accounting regulation effectively. The following three interviewee comments represent the current scenario of a lack of genuine enforcement:

> "*The regulation and accounting standards are there but there is no enforcement. ….* My question is: *What benefit do they [the monitoring bodies] gain from not enforcing the rules*?" (I21). [A User]

> "*ICAB is trying to regulate but I don't know to what extent the SEC is contributing. So, the SEC is fully responsible for this controversy around regulatory aspects*" (I2). [A Policy maker]

> "*The enforcement issue is indeed frustrating*" (I27). [An academic and Researcher]

4.2. Political influences

In terms of political influences, the interviewees were asked three questions. Q1: Is there any high or low level of political pressure (e.g. government intervention, donor agencies' pressure, and political lobbying) to implement or not to implement IFRS in Bangladesh? Q2: What is your recommendation to reduce political influences in a country like Bangladesh? Q3: What are the competing factors in the ineffective implementation of IFRS in Bangladesh?

It was found that 50% of interviewees agreed that political influence is holding back IFRS implementation. Only 3% believed that there was no political influence in relation to IFRS implementation in Bangladesh. This small minority argued that politicians are not interested in accounting issues. Forty-seven percent provided 'no comments' on politics. This is most probably because they are scared to talk about political subjects (see Table 3).

Four issues were raised by the interviewees. Firstly, there was the idea that the democratic government is reluctant to implement IFRS regulation. One policy maker opined that:

> *"I really appreciate the initiative that the military-backed government took in producing the Financial Reporting Ordinance of 2008, but it has not been effectively enacted because of the present democratic government*" (I6).

Another interviewee from the user group expressed the view that:

> "*In practice, the government provides very little (or no) support to the corporate sector to strengthen audit and quality assurance projects*" (I21).

Secondly, the view that political connections lead to the corruption of donor agencies' funding was expressed. Muniandy and Ali (2012) reported that until the Asian financial crisis of 1997, Malaysian firms were predominantly politically connected and that led to corruption. One interviewee said that:

> *"The ICAB received a grant totaling US$200,000 from the World Bank to facilitate the adoption process; however, this process is much more political than the establishment of legitimacy*" (I26).

Interestingly, one interviewee blamed the World Bank and opined:

> *"There's no implementation guideline from the World Bank"* (I9).

Thirdly, corruption is deeply rooted in Bangladesh; the country has been rated as one of the most corrupt countries in the world five times in succession (2001 to 2005) according to Transparency International (source: http://news.bbc.co.uk/2/hi/south_asia/4353334.stm). In the corporate sector, corruption is not exceptional either. One account preparer argued that:

> "*We follow IFRS to satisfy only the SEC and the tax authority, and not shareholders. You know, only 10% of companies provide actual information. The rest of them are heavily politically connected and they can easily satisfy the SEC and the tax authority*" (I12).

Two following interviewees provided their opinions in this regard:

> *"In 2009, in the cash flow statement Janata Bank provided Tk. 15 billion interest received and in their income statement Tk. 14.8 billion as interest income. How can they recover 105%? It is shocking that the SEC did not take any appropriate action against this bank. You see [that] where we live regarding IFRS implementation"* (I2).

> *"The ICAB is like a clubhouse in which the ICAB is very reluctant to take action against their club members"* (I4).

A comparison of the interviewees' background characteristics, such as their work experience and qualifications, helps to establish whether their backgrounds are related to or influence their attitudes. However, there is relatively little opportunity to obtain cell sizes sufficiently large for a chi-square test and therefore the present analysis concentrates on descriptions of the extent and cause of obstacles to IFRS implementation. It was observed that there was no significant relation between the background and opinions of the interviewees.

The documentary analysis from 1998 to 2013 showed that companies have repeatedly violated accounting regulations. Fig. 1 shows that C Ltd did so four times, L Ltd. five times, J Ltd. six times, and N Ltd. seven times over the 15 year period. However, the regulatory body was inactive as it failed to take any action against any of them. This is probably due to political lobbying between the regulators and the violators. Again, it is observed that the relative failure of the democratic government may well be due to the partisan political landscape and the tendency to politicize every sector when a new government comes to power. For example, the normal practice of appointing the SEC chairman is that the chairman has political ties to the government (detailed information is available on request from the author). This state of affairs may slow down the implementation of IFRS in Bangladesh or similar countries.

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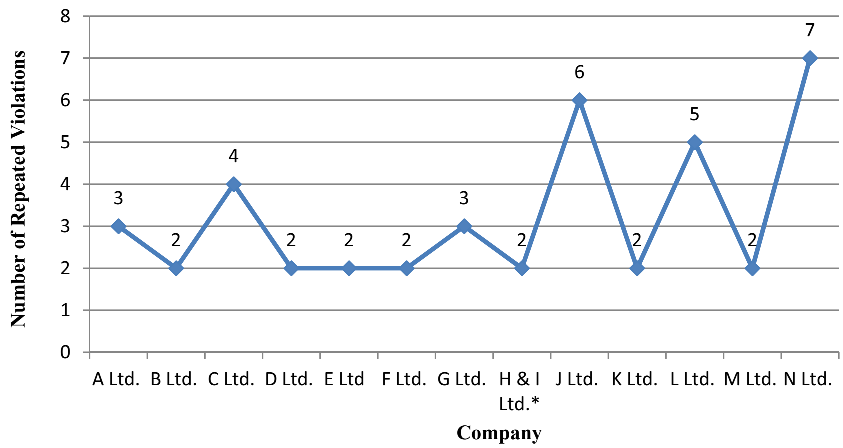

Fig. 1. Repeated violations by Companies over a period from 1998 to 2013. Note: H & I are two companies under a group with the same directors. Company names have been anonymized.

5. Conclusions, policy making issues and limitations

This study contributes to the literature on the IFRS implementation experiences of emerging economies. Most importantly, the study finds that a high level of political influence adds more apprehension to the effective implementation of IFRS. The findings reveal that the accounting regulatory framework and political influences are both hindering the effective implementation of IFRS in Bangladesh. Most notably, with regard to accounting regulation, some issues were found such as inconsistencies between the local regulations and IFRS, stakeholders' non-participation in the accounting standards-setting process, multiple regulators, and a lack of enforcement. With respect to political influences, the issues included democratic government's unwillingness to pass an IFRS Act, the corruption involved in donor agencies' funding, corruption in the corporate sector and repeated violations of practices without penalty. The military-backed government was more effective than the democratic government in taking action against companies identified as being corrupt. It is found that companies often escaped penalties because of their political connections with the government. The findings also reveal that accountants and auditors need training to apply highly sophisticated and voluminous global standards such as the IFRS (Huerta et al., 2013). Lack of technical capacity poses a significant barrier to effective implementation of IFRS. The state institutions and professional bodies in Bangladesh are blaming each other regarding the lack of progress in the IFRS implementation process. This could be because 'the blame game' is aimed at attempting to remove power and responsibility from other institutions in order to facilitate legitimacy and increase the scope of government bureaucracy.

Some policy-making issues can be drawn from this study which can be generalized to other developing countries which are also facing problems in IFRS implementation:

- The Companies Act 1994 of Bangladesh should be updated in line with IFRS.
- The current inconsistency between the accounting regulatory framework and IFRS should be resolved by the regulatory bodies.
- Stakeholders' participation is essential in the standard setting process.
- Stringent enforcement criteria should be introduced by the SEC.
- The donor agencies' funding should be used for purposive issues and political processes should be avoided.
- Corruption in the corporate sector should be reduced (with a view to eliminating it).
- An Independent Regulatory Body should be introduced.
- Training on IFRS by the ICAB is required for local accountants.
- Appointment of the SEC chairman should follow an independent process, not be done by the government.

The study has some limitations: Firstly, conducting interviews in a developing country is time consuming; secondly, some interviewees canceled their interview without prior notice; thirdly, some Bengali words cannot be accurately translated into English; fourthly, some interviewees only answered 'Yes/No/No comment'; and finally, some enforcement notices are not readable and the SEC did not provide the full details of those notices. Nevertheless, two rounds of interview data were available to be used for the generalization of the findings of this study.

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