

Article History

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Abstract

Factors Influencing the Adoption of Nepal Financial Reporting Standards in Nepal

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This study investigates factors influencing the adoption of Nepal Financial Reporting Standards (NFRS) from the perspective of accountants and auditors in various sectors such as manufacturing, banking, services, and audit firms within Kathmandu Valley. By using a descriptive and causal-comparative research design, this study aims to evaluate the impact of government policy, company size, international environment, education level and initial cost of adoption on NFRS. A structured questionnaire utilizing a five-point Likert scale was used to gather primary data from a purposively selected sample of 400 respondents. Statistical analyses, including descriptive statistics, correlation, and multivariate regression analyses were conducted using Microsoft Excel and SPSS.

The findings reveal that government policy, company size, education level, and the initial cost of adoption have a significant positive influence on the adoption of NFRS. Although the international environment also showed a positive correlation, this was not statistically significant. The study concludes that enhancing these four factors is crucial for promoting NFRS adoption in Nepal, recommending improvements in government policies, and education, and reducing adoption costs. Additionally, larger firms are encouraged to lead in NFRS implementation, fostering better financial reporting practices nationwide. The study's implications are valuable for policymakers, educators, and accounting professionals in Nepal.

A COLLECTIVE OF professional accountancy organizations in the South Synthesis, Characterization, and Structural

Keywords

NFRS adoption

Government policy

Company size

Education level

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Elucidation of a Novel (E)-1-(1-Phenyl-1H-pyrazol-4-yl)-N-(1-(p-tolyl)-1H-pyrazol-5-yl) methanimine: A Comprehensive Spectroscopic Study Asian Association for Regional Cooperation area (SAARC), aims to enhance, uphold, and advance the accountancy field within the region (Ali et al., 2019). It is anticipated that financial reporting practices should see enhancements following the implementation of the complete set of International Financial Reporting Standards by the year 2021 in the area. Al-Nasrawi and Thabit (2020) indicate that local environmental factors can influence a country's decision to adopt the most suitable IAS/IFRS implementation approach. The statistical analysis findings demonstrate a strong consensus among participants regarding the impact of local environmental factors on IAS/IFRS adoption. Nguyen et al. (2021) observed that the adoption of International Financial Reporting Standards (IFRS) has profoundly changed accounting practices by highlighting the importance of adaptive structuration theory, wherein the perceived constraints of the system and IT support are vital for the successful utilization of accounting information systems and the overall effectiveness of accounting processes. Hung (2022) emphasizes the significance of uniform terminology in the business industry by adopting International Accounting Standards (IAS/IFRS). These standards aim to enhance transparency, clarity, and comparability in global financial reporting, which assists analysts, managers, and investors in making informed decisions. Despite the challenges, the continuing conversation about adopting IAS/IFRS raises inquiries about what motivates or hinders companies in various nations from embracing these standards.

Nepalese accounting system has evolved significantly over time and has been shaped by various political regimes and crises. The autocratic Rana rule proved a substantial obstacle to developing a transparent and efficient accounting and regulatory framework. The Nepal Financial Reporting Standards (NFRS) were established by the Nepal Accounting Standards Board (NASB). Under the guidance of the Institute of Chartered Accountants of Nepal (ICAN), alignment with International Financial Reporting Standards is ensured. Since 2007, public sector accounting standards have also been developed based on the International Public Sector Accounting Standards (IPSAS). Adopting IFRS involves collaborating with the International Accounting Standards Board (IASB) to formulate compatible standards, which may result in specific variances. Establishing the Accounting Standards Board in 2003 has significantly enhanced the local accounting framework, ensuring consistency and reliability in financial reporting practices.

The Nepal Accounting Standards Board (NASB) develops accounting standards for private and public sectors. NASB adheres to IPSAS to enhance the quality of financial reporting. Introduced in 2013 and implemented by the ICAN, the Nepal Financial Reporting Standards are designed to align with international practices. U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards are key frameworks for accounting practices and financial reporting. These guidelines promote transparency and improve access to investment opportunities. Moreover, McEnroe & Sullivan (2011) found that many stakeholders, including individual investors and small businesses, resist transitioning from local accounting standards to IFRS, perceiving no clear benefits. Challenges such as funding, governance, and consistent application of IFRS further complicate the adoption

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zol-4-yl)-N-(1-(p-tolyl)-1H-pyrazol-5-yl)methanimine: A Comprehensive Spectroscopic Studyprocess, especially in jurisdictions with weak institutional frameworks.

Karn (2024) observed that the cultural perspectives on accounting and financial reporting in Nepal hinder the swift adoption of the NFRS. There is frequently a hesitation to change because of entrenched practices and misunderstanding of the advantages of embracing international standards. In order to ease the acceptance of NFRS, significant reforms are required in the regulatory framework, educational institutions, and professional training programs.

Nepal is working to improve the credibility of its financial reporting by tackling the challenges related to implementing NFRS. This study aims to assist in exploring factors that may affect the adoption of NFRS. To do so, this study uses the adoption of NFRS as a dependent variable and examines the influence of several independent variables such as government policy, company size, international environment, educational level and initial cost. An effective government policy can provide a robust legal framework and resources to facilitate the adoption of NFRS. Larger companies have greater resources to tackle any challenges during NFRS implementation. Interconnected global markets facilitate more international trade requiring participating companies to adopt similar standards. Qualified financial professionals understand the complexities related to NFRS implementation. And low initial cost to implement NFRS speeds up the adoption. Thus, this study hypothesizes that independent variables have a positive relationship with the adoption of NFRS.

Review of Literature

Conceptual Review

Pacter (2015) describes an accounting standard as a collection of regulations, guidelines, and principles that are widely acknowledged and established by a recognized accounting organization or a governmental entity, which clarifies how to recognize, process, and disclose financial transactions to supply financial information necessary for crafting financial statements and annual reports.

Nepal's financial reporting framework, guided by the Nepal Chartered Accountants Act of 1997 and developed by the Accounting Standards Board (ASB), aligns the Nepal Accounting Standards (NASS) with International Financial Reporting Standards (IFRSs) while adapting them to the local context. The ICAN monitors compliance among its members, ensuring the quality and consistency of financial reporting in the country. Since its establishment in 2003, Nepal Accounting Standards Board (NASB) has developed the Nepal Accounting Standards (NAS), many of which align with equivalent IFRS. These standards became effective for financial statements issued on or after July 17, 2008. In 2013, the ASB introduced the NFRS, a comprehensive framework based on IFRS, except IAS 29.

NAS 1, which outlines the presentation of financial statements, requires entities to declare compliance with NFRS instead of IFRS. This highlights a distinctive feature of the Nepalese accounting framework. In September 2013, ICAN issued a notification detailing the transition dates for various entities while encouraging them to adopt the new standards early.

The transition to NFRS began in 2014-2015, initially focusing on multinational and state-owned manufacturing companies. By 2016-2017, the regulations expanded to include financial institutions, insurance companies and corporations with borrowings over Rs. 500 million and qualifying small and medium-sized enterprises (SMEs). All entities were required to implement NFRS 9 regarding financial instruments starting July 16, 2015, to align Nepal's financial reporting with international standards. This structured and phased approach to implementing NFRS aims to improve the transparency, consistency, and comparability of financial statements across Nepal. By providing more accurate and internationally comparable financial information, investors, regulators, and other stakeholders benefit. Thabit and Abbas (2017) indicate that IAS/IFRS comprises a collection of widely acknowledged accounting principles that organizations utilize to create their financial statements and reports. These significant financial information sources are released annually and assist stakeholders in comprehending the company's financial performance and effectively overseeing its resources.

Empirical Review

Shima and Yang (2012) examined the data from 73 countries from 2000 to 2007, categorizing them into three categories: disallowed, allowed or required, and mandatory for adopting IAS/IFRS. Their quantitative study indicated that apart from tax and inflation that negatively impacted adoption, other factors such as political and economic ties, reliance on foreign debt, and legal systems positively affected the implementation of IAS/IFRS. This demonstrates that accounting practices are influenced by diverse national contexts, with the choice of accounting standards arising from the interaction of micro-environmental and macro-environmental factors. Odia and Ogiedu (2013) identified public awareness, legal and regulatory support, and lack of resources such as knowledge and staff training as challenges to adopting IFRS. Poudel et al. (2014) examined the challenges faced by Nepal in adopting IFRS. The study emphasizes that external influences from donor organizations, including the Asian Development Bank and the International Monetary Fund, frequently precede local requirements. Notable barriers to implementing IFRS within Nepal's accounting framework include a shortage of qualified accountants and the prevalent corruption and fraud issues, which significantly impede progress.

Thabit and Al-Nasrawi (2016) defined accounting standards as business rules that guide accountants to explain problems and identify probable solutions based on accounting theory. Al-Nasrawi and Thabit (2020) employed a 28-item questionnaire to examine the impact of environmental factors adopting the International Accounting System (IAS) and IFRS in Iraq. The study found that local contextual elements significantly shaped the implementation of IAS/IFRS methods. TA et al. (2021) analyzed factors influencing the adoption of IFRS among companies listed on the Ho Chi Minh Stock Exchange in Vietnam. They found that audit quality, firm size, foreign investment, financial institution category and return on equity positively impacted adoption, while total debt-to-equity ratio had a negative effect. The authors recommended that Vietnamese regulators focus on the positive factors to enhance IFRS implementation and offered guidance for other countries in similar adoption stages. Gonçalves et al. (2022) studied the implementation of IFRS for SMEs in Brazil by surveying 426 accountants and firms. They identified inconsistencies and misunderstandings as significant barriers to implementation but noted that better information could alleviate these issues.

The researchers recommended enhancing educational programs to boost accountants' confidence in adopting IFRS for SMEs, contributing to the discussion on the standard's effectiveness. Hung (2022) identified key factors affecting global IFRS adoption, including organizational traits, regulatory conditions, and economic contexts. The study calls for more research on underexplored factors in IFRS implementation and emphasizes the significance of standardized financial reporting for improving transparency and comparability in financial statements globally. Susilowati and Sugiri (2022) explored how institutional factors, such as national accounting standards and corporate governance, affect accounting information quality in Asian countries after adopting IFRS. Their research significantly influenced earnings management practices, though the effects on accruals quality and value relevance varied. Le et al. (2022) conducted a study on integrating IFRS in accounting and auditing programs in Vietnam, surveying 208 lecturers from 30 institutions using PLS-SEM software. The research highlighted eight key factors impacting IFRS implementation, particularly the critical role of training programs and teaching methods while revealing that institutions' financial capability does not significantly influence this process.

Nguyen et al. (2023) surveyed 350 enterprises to identify factors influencing the voluntary adoption of IFRS. Key motivations for adoption included regulatory compliance, accountant qualifications, and perceived IFRS benefits, while challenges involved tax pressures and psychological barriers. These insights are significant for policymakers and business leaders as Vietnam targets full IFRS adoption by 2025. Vidanage et al. (2023) studied the challenges professional accountants face in Sri Lanka regarding IFRS adoption and how these challenges vary based on demographic factors like gender, experience, and education. The research used a quantitative method with a Likert scale questionnaire, surveying 200 accountants. The study identified significant obstacles to IFRS implementation and offered insights for policymakers to help address these barriers.

Alessa (2024) studied the impact of IPSAS on resource allocation efficiency in developing countries using an econometric model across 64 nations from 2005 to 2021. The findings revealed a positive correlation between IPSAS adoption and improved resource allocation efficiency, particularly in countries with lower bureaucratic quality. The research highlights IPSAS as a key tool for enhancing resource optimization and attracting international investors like the World Bank. Tran and Tran (2024) found that factors such as steady growth, economic scale, financial capacity, and positive managerial perceptions significantly influence the adoption of IFRS. The study emphasizes the necessity of a proactive managerial approach, along with strategies to improve financial resources and expand business scales and stresses the role of management agencies in raising awareness and providing policy support for smoother IFRS implementation. Moloi and Obeid (2024) investigated South African accountants' perceptions regarding the factors affecting the adoption of artificial intelligence (AI) in financial reporting, utilizing the diffusion of innovation theory, the technology-organization-environment (TOE) framework, and institutional theory. A quantitative survey of accountants from South Africa's four IFAC-recognized bodies revealed that accountants believe organizational, technological, and environmental factors all play significant roles in AI adoption. The research highlights the complexity of AI integration in the accounting profession within South Africa.

Alkhuzai et al. (2024) studied the voluntary adoption of accounting standards by 100 SMEs in Jordan. They found that adopting these standards improves organizational structure and enhances the credibility of financial reporting. However, external demand for quality financial information did not significantly impact adoption rates, possibly due to the absence of government mandates. Benhayoun and Zejjari (2024) explored the adoption of IFRS among SMEs in Morocco, focusing on a sample of twelve accounting professionals to uncover key influences on this process. Their findings emphasize the significance of both firm-specific and individual factors and the impact of implementation methods and industry sectors on SMEs' readiness to adopt IFRS. Ajiboye (2024) examined the effects of adopting IPSAS on Nigeria's quality of public sector accounting information. The study involved 110 accountants and found that IPSAS implementation significantly improves financial accuracy, reliability, transparency, and disclosure. It also recommends that the government provide IPSAS training and create a monitoring team to ensure compliance. Zahid and Simga-Mugan (2024) investigated the effects of adopting IFRS on capital market integration and information asymmetry. Their findings showed that IFRS adoption did not significantly enhance market integration, indicating that standardizing accounting practices alone cannot address more profound barriers to financial transparency. The research suggests that additional measures are necessary to improve capital market integration. Tlemsani et al. (2024) investigated the impact of adopting IFRS on the classification of assets and liabilities in publicly traded companies in Saudi Arabia, pointing out significant distinctions from GAAP. The research emphasizes the necessity for an enhanced understanding of IFRS within the Saudi industry to support a seamless transition to the updated standards.

Research Gap

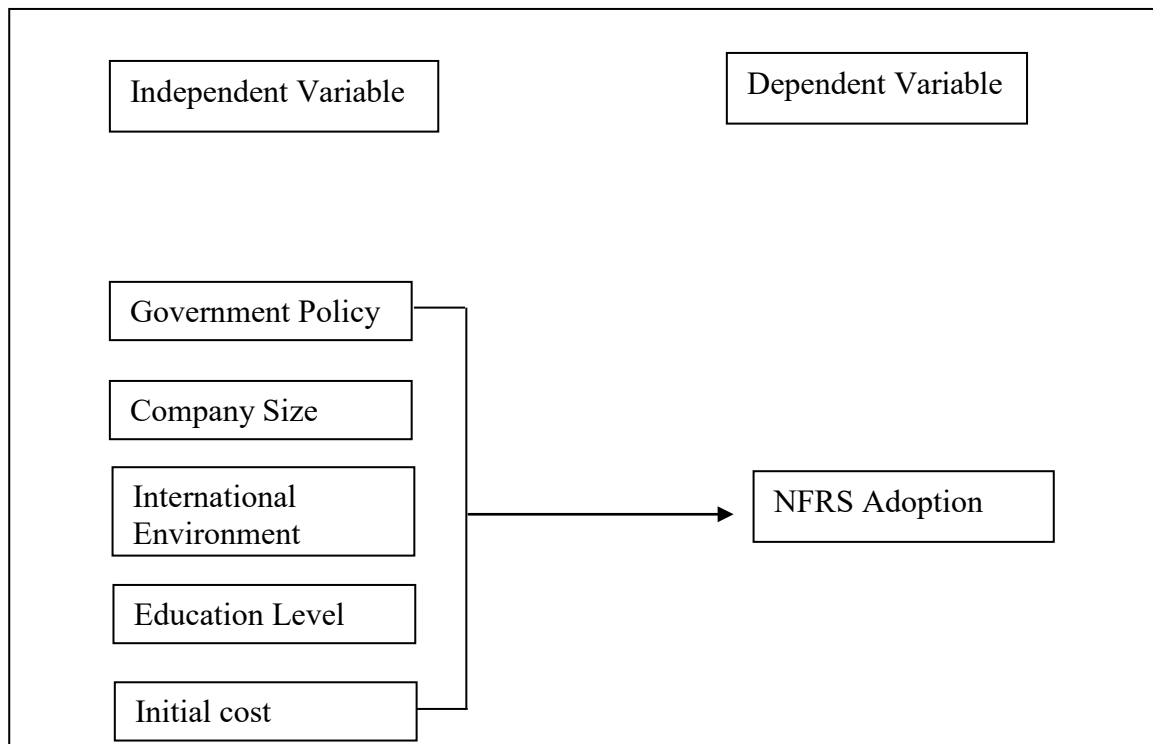
The interest in adopting IFRS, IPSAS, and NFRS is increasing. Nevertheless, there is a notable lack of thorough studies evaluating their long-term effects on organizational performance across different sectors. Most current research focuses on the factors influencing adoption instead of the stakeholders' views during the implementation phase, especially in emerging economies. In Nepal, the utilization of NFRS highlights this research gap, as few studies consider the country's distinct financial, regulatory, and cultural circumstances despite the abundant global research on IFRS adoption.

Research Framework

A research framework identifies the independent and dependent variables, illustrating how the independent variables influence the dependent variable. It incorporates government policy, company size, international environment, education level, and initial cost of adoption as independent variables, while the adoption of NFRS is considered the dependent variable. This framework aims to analyze how these factors collectively and individually affect the adoption of NFRS in Nepal.

Figure 1

Conceptual Foundation



Definition of Variables

Adoption of NFRS

Adoption of NFRS refers to the process through which organizations implement and adhere to the NFRS, which aims to enhance the quality and transparency of financial reporting. This adoption is crucial for aligning financial statements with international practices and ensuring that financial information is useful for stakeholders.

Government policy. Government Policy encompasses regulations, guidelines, and incentives established by the government to promote the adoption of financial reporting standards. A supportive government policy can facilitate the transition to NFRS by providing the necessary legal framework and resources.

Company size. Company Size refers to the scale and complexity of an organization, often measured by factors such as revenue, number of employees, or total assets. Larger companies may have more resources and capabilities to adopt NFRS compared to smaller firms.

International environment. International Environment includes the global economic conditions and international accounting practices that influence local financial reporting standards. The interconnectedness of global markets can drive organizations to adopt NFRS to

enhance comparability and transparency in financial reporting.

Education level. Education Level pertains to the qualifications and training of accountants and financial professionals within an organization. A higher education level is often associated with a better understanding of complex financial reporting standards, including NFRS.

Initial cost of adoption. Initial Cost of Adoption refers to the expenses incurred by organizations during the transition to NFRS, including training, system upgrades, and compliance-related costs. High initial costs can be a barrier to adoption, particularly for smaller firms with limited resources.

Research Hypothesis

Following research hypotheses are tested in this study:

H₁: There is a significant positive relationship between government policy and NFRS adoption.

H₂: There is a significant positive relationship between company size and NFRS adoption.

H₃: There is a significant positive relationship between the international environment and NFRS adoption.

H₄: There is a significant positive relationship between education level and NFRS adoption.

H₅: There is a significant positive relationship between low initial cost of adoption and NFRS adoption.

Methodology

This study employs descriptive and inferential research designs to examine accountants' and auditors' perceptions of adopting NFRS in Nepal. It evaluates the impact of various factors, including government policy, company size, the international environment, educational attainment, and initial costs of adopting NFRS. The sample comprises 400 respondents from Kathmandu Valley, selected through purposive judgmental sampling. Data collection was conducted using a structured questionnaire employing a five-point Likert scale. Subsequent analysis utilized Microsoft Excel and SPSS, incorporating descriptive statistics, correlation analyses, and a multivariate regression model. The following model is estimated.

$$AND = \beta_0 + \beta_1 * GVP + \beta_2 * IEN + \beta_3 * EDU + \beta_4 * CSZ + \beta_5 * ICA + e_i$$

Where, AND = Adoption of NFRS, GVP = Government Policy, IEN = International Environment, EDU = Education Level, CSZ = Company Size, ICA = Initial Cost of Adoption, β_0 = intercept (constant) term and e_i = error term

Results and Discussion

Demographic Profile of Respondents

The analysis focused on the demographic characteristics of respondents, specifically their gender, age group, educational attainment, years of professional experience, type of

organization, job designation, and level of awareness regarding NFRS.

Table 1

Demographic Profile

Demographic Profile		Frequency	Percent
Gender	Male	256	64
	Female	144	36
Age Group (years)	Below 25	157	39.25
	25–35	127	31.75
	36–45	77	19.25
	Above 45	39	9.75
Education Level	Bachelor's Degree or below	114	28.5
	Master's Degree	173	43.25
	Professional Certification	113	28.25
Years of Experience	Less than 5 years	59	14.75
	5–10	244	61
	More than 10	97	24.25
Type of Organization	Small and Medium Enterprises	82	20.5
	Large Companies	278	69.5
	Multinational Companies	40	10
Designation	Accountant	129	32.25
	Manager	158	39.5
	Auditor	113	28.25
Awareness of NFRS	Aware	379	94.75
	Not Aware	21	5.25

Table 1 provides a detailed demographic summary of the 400 survey participants, with 256 (64%) identifying as male and 144 (36%) as female. Age-wise, 39.25% of respondents were under 25, 31.75% were between 25 and 35, 19.25% were 36 to 45 and 9.75% were over 45 years old. In terms of education, 28.5% had a Bachelor's degree or lower, 43.25% held a Master's degree, while 28.25% possessed professional certifications. Experience levels varied, with 14.75% having less than five years, 61% between five and ten years, and 24.25% with more than ten years in their fields. Out of 400 respondents, 39.5% were managers, 32.25% were accountants, and 28.25% were auditors. Lastly, a significant majority, 94.75%, were aware of the Nepal Financial Reporting Standard (NFRS), leaving only 5.25% unaware of it.

Reliability Test

Table 2

Reliability Test

Code	Variables	Cronbach's Alpha	N of Items
GVP	Government Policy	0.705	6
IEN	International Environment	0.790	6
EDU	Education Level	0.776	6
CSZ	Company Size	0.575	6
ICA	Initial Cost of Adoption	0.724	6
AND	Adoption of NFRS	0.817	6
Overall Reliability		0.917	36

Table 2 presents the reliability test results for the data collected in this study. The Cronbach's alpha values for the variables are as follows: government policy (0.705), international environment (0.790), education level (0.776), initial cost of adoption (0.724), and adoption of NFRS (0.817) all exceed the acceptable threshold of 0.70, indicating that the data for these variables is reliable. However, Cronbach's alpha for company size (0.575) is below 0.70, suggesting that the data for this variable is not considered reliable. The overall reliability for all 36 items is 0.917.

Descriptive Statistics

Descriptive statistics were used to analyze how factors like government policy, international environment, education level, company size, and initial cost influence the adoption of NFRS.

Table 3

Summary of the Variables

Statements	Mean	S.D.
Government Policy on Adoption of NFRS	3.706	0.706
Political instability in Nepal hinders the adoption of NFRS.	3.593	1.168
Inconsistent government policies delay the adoption of NFRS in Nepal.	3.613	1.12
Weak regulatory oversight by government bodies affects NFRS adoption in Nepal.	3.633	1.14
The lack of government-provided incentives discourages companies from adopting NFRS.	3.755	1.006
The absence of a national-level strategy for NFRS implementation leads to non-adoption in Nepal.	3.733	1.024
Legal complexities in Nepal negatively influence NFRS adoption.	3.913	1.038
International Environment on Adoption of NFRS	3.851	0.703
Lack of international collaboration influences the adoption of NFRS in Nepal.	3.72	1.077
Weak external influence (e.g., from development partners) affects the adoption of NFRS.	4.005	0.955
Lack of global alignment in reporting practices influences NFRS adoption in Nepal.	3.988	0.962
Nepal's limited integration into international markets hinders NFRS adoption.	3.805	1.061
Weak participation in global accounting networks delays NFRS implementation in Nepal.	3.838	0.956
Inadequate guidance from international agencies on NFRS requirements poses challenges.	3.753	1.014
Education Level on Adoption of NFRS	3.782	0.704
Weak accounting education in Nepal is a barrier to adopting NFRS.	3.848	1.001
The lack of NFRS-specific training programs affects adoption in Nepal.	3.758	1.059
Limited resources on NFRS in accounting textbooks hinder its adoption in Nepal.	3.715	1.126
The shortage of qualified accounting professionals impacts the adoption of NFRS.	3.918	0.942
Weak English language proficiency among accountants affects understanding of NFRS standards.	3.758	1.006
Low awareness of NFRS among stakeholders in Nepal Limits its implementation.	3.698	1.004
Company Size on Adoption of NFRS	3.889	0.564
Lack of international operations among companies affects NFRS adoption in Nepal.	3.753	1.002
Limited financial resources in smaller firms negatively impact NFRS adoption.	3.948	0.994
Small firms in Nepal cannot implement NFRS effectively.	3.758	1.035
The lower profitability of small companies impacts their attitude toward adopting NFRS.	4.003	0.938
Large companies in Nepal are better equipped to handle NFRS adoption challenges.	3.885	1.086
The operational size of the company significantly influences Its ability to adopt NFRS	3.988	0.919

Initial Cost on Adoption of NFRS	3.86	0.631
The initial cost of training personnel affects NFRS adoption in Nepal.	3.743	1.009
The initial cost of upgrading IT systems for NFRS implementation is challenging in Nepal.	3.9	0.907
High initial consulting costs discourage firms from adopting NFRS.	3.97	0.909
The cost of double reporting for compliance with NFRS is a significant challenge in Nepal.	3.995	0.835
Small firms struggle to bear the costs of NFRS-related audits.	3.763	1.144
The high cost of hiring external consultants affects NFRS adoption.	3.793	1.006
Adoption of NFRS	3.934	0.716
NFRS adoption enhances their liability of financial statements.	3.938	0.996
Adopting NFRS improves transparency in Nepalese firms' financial reporting.	3.875	1.092
NFRS provides valuable information for effective decision-making.	3.988	0.924
The fair value measurement under NFRS improves the quality of financial information.	3.94	0.977
The adoption of NFRS aligns Nepalese firms with international accounting standards.	3.97	0.981
Adoption of NFRS leads to increased comparability of financial statements.	3.893	0.976

Note. Opinion Survey, 2024

Table 3 presents the descriptive statistics regarding accountants' perceptions of adopting NFRS. Accountants display a slightly optimistic view of government policy, with a mean score of 3.706. They also have a positive perception of the international environment, with a mean score of 3.851, although responses in this area are more consistent. Additionally, they view the education level positively (3.782) and acknowledge the influence of company size as significant (3.889), with responses showing less variability. The initial cost of adoption is considered moderately significant, with a mean score of 3.860. Overall, the perception of NFRS adoption is notably positive, with a mean score of 3.934, although this area shows higher response variability.

The study's findings are important as they highlight significant obstacles to the adoption of NFRS in Nepal. Among these barriers, legal complexities received the highest average score of 3.913, while political instability, which is a lesser concern, scored 3.593. These areas are central to the discussion. Accountants perceive weak external influence from development partners as a significant obstacle (mean score of 4.005), while inadequate guidance from international agencies is a lesser issue (mean score of 3.753).

The study highlights the shortage of qualified accounting professionals as a key barrier (mean score of 3.918), a pressing issue that contrasts with the more varied perceptions of limited resources in accounting textbooks (mean score of 3.715). Reduced profitability in small companies also impacts their willingness to adopt NFRS (mean score of 4.003), but there are mixed views on the influence of international operations (mean score of 3.753).

The substantial costs associated with dual reporting for compliance present a considerable challenge, evidenced by a mean score of 3.995. Additionally, smaller enterprises encounter more pronounced difficulties concerning the expenses related to NFRS audits, with a mean score of 3.763. While respondents concur that NFRS offers valuable insights for decision-making, reflected in a mean score of 3.988, there is a divergence of opinions regarding its effectiveness in enhancing transparency within financial reporting, as indicated by a mean score of 3.875.

Correlation Analysis

In this section, correlation analysis has been used to analyze the relationship between government policy, company size, international environment, education level, initial cost of adoption, and adoption of NFRS in Nepal.

Table 4

Pearson Correlation Matrix

Variables	GVP	IEN	EDU	CSZ	ICA	ADN
GVP	1					
IEN	.645**	1				
EDU	.466**	.712**	1			
CSZ	.310**	.306**	.272**	1		
ICA	.456**	.544**	.600**	.335**	1	
AND	.482**	.550**	.557**	.499**	.620**	1

Note. This table includes the correlation coefficients between various factors. *, **, and *** represent significance at 10, 5, and 1 percent level (2-tailed).

Government policy (GVP) exhibits a moderate positive correlation of 0.482 with NFRS adoption. This suggests that enhancements in policy are likely to facilitate increased adoption of NFRS. A stronger correlation of 0.550 is identified between the international environment and ADN, indicating that favorable global conditions significantly influence the likelihood of NFRS adoption. The education level (EDU) also demonstrates a strong correlation of 0.557, illustrating that higher educational attainment, particularly in accounting, fosters NFRS adoption. Furthermore, company size (CSZ) plays a role in this process, with a moderate correlation of 0.499 indicating that larger organizations are more inclined to adopt NFRS. The initial cost of adoption (ICA) is notably impactful, evidenced by a strong positive correlation of 0.620, which underscores the substantial influence of upfront expenses on the decision to adopt NFRS. All examined factors positively contribute to NFRS adoption, highlighting their critical importance in this context.

Regression Analysis

Multivariate regression analysis has been used to analyze the impact of government policy, company size, international environment, education level, and initial cost of adoption NFRS in Nepal.

The regression analysis on adopting NFRS indicates a strong positive correlation between various predictor variables with an R-value of 0.735. This suggests that as these predictor variables increase, the likelihood of adopting NFRS also rises. Notably, the R-squared value of 0.540 implies that these variables account for approximately 54% of the variation in NFRS adoption, which includes government policy, company size, international

environment, education level, and initial cost of adoption. The adjusted R-squared value of 0.534 confirms the model's robustness when considering multiple predictors.

Table 5

Results of Regression Analysis

Variables	Coefficients	Std. Error	t-Stat	p-value	Tolerance	VIF
Intercept	0.309	0.205	1.508	0.132		
GVP	0.103	0.046	2.262	0.024	0.558	1.792
IEN	0.105	0.058	1.844	0.066	0.363	2.753
EDU	0.164	0.053	3.134	0.002	0.427	2.342
CSZ	0.283	0.047	7.634	0.000	0.852	1.173
ICA	0.323	0.051	7.178	0.000	0.576	1.735
f = 92.533 Sign(F)=0.00 R = 0.735						
R ² = 0.540 Adj. R ² = 0.534						

Note. Opinion Survey, 2024

The model demonstrates statistical significance, highlighted by an F-value of 92.533 and a p-value of 0.000, well below the 0.05 threshold. This points to a strong correlation between the predictor variables and NFRS adoption. Hence, improving factors such as government policies and company education could enhance the adoption rates among businesses in Nepal. The collinearity statistics provide information about multicollinearity. The tolerance values and variance inflation factor (VIF) assess the extent to which one predictor can be predicted from the others. All tolerance values are well above 0.1 and have VIF scores below 10, indicating no severe multicollinearity issues.

GVP shows a positive correlation with a beta coefficient of 0.103, a t-statistic of 2.262, and a p-value of 0.024. This indicates that stronger government policies are statistically significant and likely to facilitate NFRS adoption among firms. Therefore, bolstering these policies could foster a wider acceptance and implementation of NFRS. Regarding the international environment, the beta is 0.105, with a t-statistic of 1.844 and a p-value of 0.066. Although this positively affects NFRS adoption, the p-value exceeds the 0.05 threshold, suggesting that its impact is not statistically significant at the 5% level. Thus, while international factors might play a role, they do not serve as a primary catalyst for adopting NFRS in Nepalese firms. Education level, company size, and initial adoption costs are significant factors in NFRS adoption. EDU has a beta of 0.164, a t-statistic of 3.134, and a p-value of 0.002, indicating that higher educational attainment increases NFRS adoption likelihood. For CSZ, a beta of 0.283, a t-statistic of 7.634 and a p-value of 0.000 reflect that larger companies are more inclined to adopt NFRS. Similarly, ICA shows a beta of 0.323, a t-statistic of 7.178 and a p-value of 0.000, indicating that initial adoption costs significantly affect the willingness to adopt NFRS. Tackling these cost barriers could promote broader adoption among smaller firms.

$$\text{AND} = 0.309 + \beta_1 0.103 + \beta_2 0.105 + \beta_3 0.164 + \beta_4 0.283 + \beta_5 0.323 + 0.205$$

Table 6*Hypothesis Testing*

S.N.	Hypothesis	Remarks
1	There is a significant positive relationship between government policy and the adoption of NFRS in Nepal.	Accept
2	There is a significant positive relationship between company size and the adoption of NFRS in Nepal.	Accept
3	There is a significant positive relationship between the international environment and the adoption of NFRS in Nepal.	Reject
4	There is a significant positive relationship between education level and the adoption of NFRS in Nepal.	Accept
5	There is a significant positive relationship between initial costs of adoption of NFRS in Nepal.	Accept

Conclusion

The study demonstrates that accountants in Nepal have a generally positive view of the factors influencing the adoption of NFRS. These factors include government policy, educational levels, company size, and initial adoption costs. Although there is general agreement on the positive effects of these factors, opinions among accountants vary moderately. This finding aligns with Tran and Tran's research on IFRS in Vietnam. However, it contrasts with Zahid and Simga-Mugan's suggestion that IFRS adoption had no significant effect. The research emphasizes the role of market integration and finds that, aside from the international environment, the highlighted factors significantly promote NFRS adoption in Nepal except international environment.

Theoretical Implications

- The study enhances the theoretical understanding of factors influencing the adoption of NFRS by integrating various theories, including Corporate Governance, Signal Theory, and Institutional Theory while emphasizing the significance of government policy, education, company size, and initial adoption costs.
- It expands Institutional Theory by illustrating how external factors and governmental influence drive regulatory adoption in developing countries like Nepal. It explores the role of Signal Theory in how governmental and market signals can impact the adoption of new standards.
- The research emphasizes the importance of political and institutional mandates in promoting the adoption of NFRS among Nepali companies. It expands on existing frameworks to explain the factors affecting regulatory adoption in developing contexts.

Practical Implications

- The practical implications of this study are significant for policy makers, accounting profes-

sionals, and firms involved in or planning to adopt NFRS in Nepal.

- The study highlights that factors such as government policy, company size, education level, international environment, and initial adoption costs heavily influence the adoption of NFRS.
- Policy makers should concentrate on strengthening the regulatory framework, providing targeted training, and encouraging smaller firms to lower initial adoption costs through incentives like tax breaks or subsidies for training programs.
- Clear and consistent government policies and regulations are necessary to encourage uniform adoption of NFRS across Nepal.
- For accounting professionals and firms, the study emphasizes the importance of enhancing education and training in financial reporting standards, as a higher level of education positively influences NFRS adoption.
- Larger companies have a higher likelihood of adopting NFRS, so firms should leverage their size to facilitate the adoption process.
- The study highlights the need for companies in Nepal to understand the international environment and align their practices with NFRS as the country integrates into global financial markets.
- A collaborative effort between government and private sectors is essential for effectively adopting NFRS in Nepal's financial ecosystem.

Scope for Further Research

- i. **Sector-Specific Analysis:** Future research could focus on exploring the adoption of NFRS across various sectors beyond the manufacturing and banking industries. This includes assessing challenges and benefits specific to sectors like agriculture, tourism, and small businesses, which may have distinct financial reporting needs and capabilities.
- ii. **Impact of Technology:** Investigating the role of emerging technologies, such as accounting software and digital platforms, in facilitating the implementation and compliance of NFRS can provide insights into how technological advancements can streamline reporting processes and improve transparency in financial statements.
- iii. **Training and Education Initiatives:** Research aimed at understanding the knowledge gaps among accounting professionals and their perceptions of NFRS compared to IFRS could help in designing targeted educational programs. This would enhance competency of accountants in Nepal and support a smoother transition to adopting these standards.

Limitations of the Study

1. The study relies on primary data, which may limit the generalizability of the findings, as respondents' perspectives can change over time and vary across different contexts.
2. The research is limited by a small sample size, which may affect the robustness and reliability of the findings, ultimately reducing the study's representativeness of the larger population.

3. The study is focused on the Kathmandu Valley, which may not accurately reflect the views and adoption practices in other regions of Nepal, leading to potential regional bias.
4. The use of a quantitative and causal-comparative design may overlook valuable qualitative insights, missing complex factors affecting adoption decisions.

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