Resistive factors of delaying IFRS adoption in Saudi Arabia listed firms

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Abstract
Purpose – This study aims to explore and identify the factors that affect Saudi Arabia’s decision concerning the adoption of International Financial Reporting Standards (IFRS), and particularly the resistive factors that delay full IFRS adoption. It identifies the way in which Saudi Arabia’s social, political, educational and religious context influence the adoption of IFRS and the delay in doing so.

Design/methodology/approach – A mixed methodology is used in this research, including both quantitative (questionnaires) and qualitative (semi-structured interviews) data analysis. Whereas, using mixed methods led to enhance the results.

Findings – The findings show that globalisation, accounting bodies and political circumstances were found to be positively related to IFRS adoption in Saudi Arabia. In contrast, culture and accounting development were found to have a negative impact on the IFRS adoption. Interestingly, the results showed that religion has no effect on IFRS adoption in Saudi Arabia.

Practical implications – This paper can be of use to both researchers and practitioners interested in investigating more resistive factors that could affect future IFRS adoption in developing countries. Moreover, the findings could be useful to senior managers and legislators in Saudi Arabia firms, in relation to decisions about enhancing the quality of adopting IFRS.

Originality/value – This research provides an important contribution to the existing literature by using a comparative method to present an in-depth exploration of the factors that affect countries, drawing on the framework of the neo-institutional perspective in a developing country.

Keywords Globalisation, IFRS adoption, Cultural factors, Resistive factors, Saudi Arabian firms, Saudi Arabian monetary authority

Paper type Research paper

1. Introduction
The globalisation tendency has a significant impact on both developed and developing countries. Prior studies document that there are critical factors (e.g. cultural, political and economic circumstances) that have caused disparities in the embracing of globalisation and international trade in developing countries. For example, Alsuhaibani (2012) investigated the critical aspects that have hindered the adoption of globalisation and international trade in developing countries. Globalisation has caused an increased international trade, which subsequently necessitated the need for the International Financial Reporting Standards (IFRS) to foster and monitor this trade. The adoption of IFRS has been rapid and extensive in developed countries, which are more involved in international trade than developing
countries (Wali and Boujelbene, 2017; Daske et al., 2013). Therefore, this study will seek to fully evaluate the non-adoption of IFRS in Saudi Arabia, and the factors that prevent Saudi Arabia from adopting IFRS in the early years of publishing these standards.

In accordance with the main aim, this study identifies and discusses the resisting factors (e.g. cultural, political and economic) that could affect the IFRS adoption process in Saudi Arabian listed firms. An understanding of these cultural, economic and political factors, which delay the decision to adopt IFRS, is necessary to determine future plans to avoid more delays; this might be useful in explaining the phenomena of heterogeneity in the countries who decide to adopt IFRS, and why some countries tend to adopt IFRS while others do not (Choi and Meek, 2011).

Furthermore, this study will also discuss the potential problems that Saudi’s firms could face during the process of IFRS adoption. In fact, the adoption of IFRS all over the world is expected to result in diversity between the countries. This, in turn, leads to the development of an enriching and enhanced International Accounting Standards Board (IASB) knowledge, and provides them with useful information that can help to identify significant differences between the countries. In addition, identification of these differences will emphasise the need to unify accounting practices, thus providing strong evidence that leads to harmonisation of the accounting standards process (Armstrong et al., 2010).

Several studies were completed to investigate the factors that affect the adoption of IFRS. Armstrong et al. (2010) examine European stock market responses to 16 measures associated with the adoption of IFRS in Europe. Their findings show an incremental positive response for firms with lower quality pre-adoption information, which means that these are more pronounced for banks, and with higher pre-adoption information asymmetry. This is consistent with investors expecting net information quality benefits from IFRS adoption. Furthermore, they found an incremental negative response for firms domiciled in code law countries, consistent with investors’ concerns over enforcement of IFRS in those countries. Lastly, a positive response to the IFRS adoption events for firms with high-quality pre-adoption information, which is consistent with investors expecting net convergence benefits from IFRS adoption. On the other hand, a number of studies were completed in Saudi Arabia, including one by Alsuhaibani (2012) who documented an ongoing research associated with the expected impacts of IFRS on Saudi businesses, with a particular emphasis on the telecommunications sector.

This study will differ from previous studies as it investigates the factors of delay in the adoption of IFRS, focussing on several issues which exist in Saudi Arabia and may not present in other countries. These issues include the country’s social structure, political system, economic position, and religious beliefs, all of which are strongly linked with the Saudi Arabian control system. Saudi Arabia is considered to be a developing country that has a special Islamic cultural, political, and economic system (monarchical system), which is quite different from other political and economic systems that have adopted IFRS. Furthermore, Saudi Arabia joined the group of Twenty Finance Ministers and Central Bank Governors (G20) in 2009, and the Saudi authorities have since expanded the country’s adoption level of IFRS. Therefore, this study examines the impact of IFRS adoption on the listed companies of Saudi Arabia. Where this study focuses on a sample of listed financial and non-financial firms, the effects of IFRS adoption by Saudi firms would be on several issues, such as firms’ profitability, cash flow, and return on investment. In fact, IFRS adoption could lead to several economic impacts in different business areas, which might lead to an increase in foreign capital, or a reduction in firms or attractive investors.

2. Institutional background of Saudi Arabia

Saudi Arabia, like other countries, has its own unique environment, which distinguishes it from others, and it can therefore be assumed that there are benefits and challenges when it
comes to IFRS adoption in this country. Many challenges have already been demonstrated by the delay in IFRS adoption and its full application in all sectors at the same time. IFRS adoption in Saudi Arabia will be beneficial in many ways. With the inclusion of IFRS in Saudi Arabia, the financial system will have more disclosure requirements, the optional treatments will be removed, and the local law amended and SOCPA can play an effective role in ensuring complete compliance with both Sharia and local laws. It is an established fact that the Department of Zakat, Income Tax and SOCPA are subject to the regulation of the Ministry of Finance (Alsaqqa and Sawan, 2013). There are some important advantages of in Saudi Arabia, based on the views of a group of experts (Alsaqqa and Sawan, 2013), which are transparency, accountability and efficiency. Potentially, emphasising the role of IFRS to promote the transparency, quality and comparability of financial reports, and substantially rationalising the decisions of investors and stakeholders in Saudi Arabia. In addition, providing additional financial information for shareholders, stakeholders and supervisory authorities.

At the beginning of the twenty-first century, the accounting profession around the world faced several problems and challenges, including Saudi Arabia in particular, and these challenges are represented by globalisation and the emergence of the international or multinational companies under agreement with the World Trade Organization. Many countries recognise the real need for comprehensive accounting information for their investors, governments and management organisations (Al-Angari, 2012). The adoption of IFRS in Saudi Arabia has taken a gradual convergent approach, with some sectors in the economy first adopting the IFRS as of 2012, followed by other sectors later on (Iqbal, 2012). The Saudi Organization for Certified Public Accountants (SOCPA), in collaboration with the Saudi Arabian Monetary Authority, came up with a roadmap that was to be applied when the adoption of IFRS took place in Saudi Arabia (socpa.org.sa, 2016).

Many world countries recently, including all of the Gulf Cooperation Council (GCC) countries, have either fully adopted and applied IFRS, or have partially adopted IFRS. In 2009, Saudi Arabia joined the Group of Twenty countries in trade (G20)[1], in early 2010, Saudi Arabia finally decided to adopt IFRS, but under a gradual long-term (five-years) plan (The Saudi Stock Exchange, 2016). During this time, Saudi Arabia decided to work with the IFRS board, IASB, on making certain. In Saudi Arabia, the region’s political stance is rooted in the religious beliefs of Islamic law. The Islamic religion advocates zero interest on business loans, which mostly affects the banking sector in Saudi Arabia (Al-Angari, 2012; Hameed, 2009).

Cultural factors could affect accounting in general and the accounting standards specifically. Gray (1988) identifies that there is an association between international differences in accounting and the cultural values of a certain society, after using Hofstede’s (1984) model. In addition, Skotarczyk (2011) points out that the culture of one country differs from another, and accounting as a social outcome must be influenced by these cultural values. He highlights the most relevant factors that cause the cultural differences between countries, and these are language, religion, education, and economic characteristics of a country. At this point, Saudi Arabian culture may include some of these factors, such as the educational system, which it does not strongly emphasise accountants’ abilities and the knowledge to develop and implement a highly complex set of standards like the IFRS.

Another factor is the prevalent Saudi culture. A lack of awareness and knowledge of adequate information about IFRS contributed significantly to the delay in its adoption, and this is evidenced by SOCPA’s decision to implement a gradual plan over five years for the adoption of the International Standards by listed companies. Furthermore, intensive courses
and tests are required in order to gain adequate knowledge and experience for the effective application of IFRS.

3. Literature review and hypotheses development

The improvement of international trade is the result of several factors, such as enhancement of infrastructure, development of the communications, and the emergence of numerous political and governmental associations. Accordingly, existing systems need integration to organise international financial transactions (Carmona and Trombetta, 2008). The IASB developed the IFRS in 2001 to assess all the global financial issues, particularly in the accounting field (Choi and Meek, 2011). IFRS offers many benefits, such as maintaining a strong integrated system to organise firms’ transactions all over the world, and developing International Accounting Standards (IAS) to be compatible with contemporary financial issues. There are, however, some challenges to IFRS adoption that have been raised in both developed and developing countries. These challenges stem from several factors, such as political and economic circumstances, concerns about adopting modern technologies and ideological and religious factors (Haidar, 2007).

Booming businesses and economic developments are considered the result of international globalisation, which has enabled firms in various countries to participate in international trade platforms where they can generate foreign income. Furthermore, the interaction between the various countries led to more accessibility for traders to export and import their goods and services – particularly those that could not be produced locally, such as oil, gold, and coal (Giddens, 2011). In a recent study, Hail et al. (2010) examined and analysed several economic and political factors associated with the potential adoption of IFRS in the USA, by presenting several scenarios for the assessment of accounting standards, and outlining opportunities for future research on global accounting standards and regulations. These scenarios include several issues, such as preserving the US Generally Accepted Accounting Principles (GAAP), thus allowing firms to decide whether and when to adopt IFRS, while mandating full compliance with IFRS within a predetermined schedule.

The development of living standards (e.g. increasing salaries) is considered as one of the factors that could affect the globalisation of international trade, since economic changes in people’s lives are related directly or indirectly to the development of the business world (Wallerstein, 2011). Berkman et al. (2010) examined several regulatory changes in China to protect firms’ shareholders particularly minor shareholders. Accordingly, their empirical results indicated that the firms that have closed association with government do not show a significant improvement in their regulations. However, they suggest that the accounting standards are more likely to organise and protect firm shareholders more than any local accounting standards.

Prior literature considers accounting harmonisation a controversial issue because of a large existing debate around whether the adoption of unified accounting standards will be beneficial (Radebaugh et al., 2006). The financial bodies of some countries around the world do not want to concede their financial and accounting sovereignty, for example, India and Japan fully resist the adoption of IFRS (Felski, 2015). Therefore, according to this debate, the complexity of a transition from local accounting principles to international accounting standards appeared which needs further action from accounting boards to avoid such complexity. For example, the divergence between the needs of international corporations (MNC) and smaller businesses, and also the extensive disclosure requirements of the US GAAP and IFRS are not particularly attractive to some countries, since these disclosure requirements shed light on certain problems within the financial system, such as receiving opposition from vested, interested parties (Hoogervorst, 2012).
In recent years, there has been an increasing interaction of economic activities between firms and individuals in countries around the world. Consequently, the need has arisen to find a better system to organise these interactions (Krains, 2005). Economic globalisation is based on this increasing interdependence of the world economies in order to enhance the financial and operational activities of commodities and services, increase the flow of international capital, and spread technologies over the world (Shangquan, 2000). These interactions are expected to increase rapidly in the near future, making the world a small village. Several previous studies were undertaken to investigate and identify the most important factors that could affect the adoption of IFRS, as well as the impact of early or late adoption of IFRS on the economy. Clements et al. (2010) and Zehri and Chouaibi (2013) investigated the impact of cultural diversity and country size on 61 countries’ decisions to adopt IFRS. They found that the countries with a higher economic growth, advanced educational level, and a legal system of common law are most likely to adopt IFRS.

Guermazi and Khamoussi (2018) studied the impact of converting from local standards to IFRS on the conservatism level of reported accounting earnings in European Union during the period of 2000 to 2014. Their empirical results shown that the conditions of conservatism are gradually started improving after IFRS adoption, they refer this improvement to follow the Europe union an amalgamated system to prepare their financial statement including earnings item. In the same context, Christensen et al. (2013) studied the relationship between IFRS adoption impact and liquidity in European Union. In fact, several findings were presented such as, legal and regulation are playing role to increase the significant of relationship between both of them. In addition, they found that the local standards less activity to increase the quality of firms’ financial statements. Bischof and Daske (2016) stated that there are three criteria that could affect IFRS adoption in Europe union; this in turn could lead to affect the improvement of IFRS adoption in certain issues, such as endorsement process. Their findings showed that these three criteria improve endorsement process in Europe union firms after adopting IFRS 9. Furthermore, Byard et al. (2011) stated that the roles of enforcement regimes are playing big roles in influencing IFRS adoption in Europe Union. Onali et al. (2017) and Onali and Ginesti (2014) documented that the information quality, information asymmetry, rules of law and media coverage are other factors that influenced Europe union firms in case of IFRS adoption, particularly IFRS 9.

On the other hand, Judge et al. (2010) document that social and economic pressures drive the IFRS adoption process. However, only a small number of studies focus on the political, economic, and cultural factors that either prevent or impede a given country towards making a decision to adopt IFRS. The issuing of IFRS provides the international community with an ability to determine economic status, and provides unified information that aids in establishing trade pacts and alliances based on the needs of the specific countries. The adoption of IFRS has been significantly higher in developed countries than in developing countries. The difference in IFRS adoption is the result of several limitations that decrease and restrict international trade between the developed and developing countries; and this leaves developing countries to face numerous difficulties affecting their financial situation. Accordingly, developing countries have begun to realise that the adoption of IFRS is a necessary step towards overcoming these challenges (Hope et al., 2006).

Tyrrall et al. (2007) found that the implementation of IFRS was problematic, as they were expected to increase their relevance in the economy of a country, which continued to develop slowly. Finally, the researchers state that there were several problems that contributed to the weakness of the IFRS in Kazakhstan, such as the fact that Kazakhstan was considered a developing country, which received its independence in 1991. This led to a delay in Kazakhstan’s adoption of standards that did not meet the financial and accounting
requirements of a developing country, such as the weakness of accountants’ education, who were not familiar with the international standards. In support of Tyrrall et al. (2007), Zakari (2014) documents that the IFRS are not only complicated but also confusing to many local people, particularly in developing countries.

By using a sample of listed Spanish firms during the period between 1999 and 2009 and a country-level focussed analysis, Castillo-Merino et al. (2014) aimed to analyse the effects of mandatory IFRS adoption on the cost of equity capital. To achieve their aim, they relied on the Ordinary Least Squares (OLS) regression analysis and estimated the dependent variable – the cost of equity – by using the proxy suggested by Easton (2004). Their findings showed evidence that, unlike the previous studies, the Spanish listed companies showed a significant reduction in their equity capital cost after mandatory IFRS adoption in 2005, after having been controlled by a set of firm-risks and market variables.

Alon and Dwyer (2014) studied the IFRS adoption of 71 different countries. Their findings show that the adoption of IFRS cannot always be supported by an appropriately supportive infrastructure. Kossentini and Ben Othman (2012) investigated factors such as the country-level effects of institutional pressures, and the economic network pressures on the extent of IFRS adoption in the emerging economies. Their empirical analysis was carried out on five emerging economies over the period between 2001 and 2011. Their findings show that the institutional and economic environment affects the emerging economies’ decision to adopt IFRS. Horton et al. (2013) examined the effects of mandatory IFRS adoption on firms’ information environment. Their results found that the forecast errors decrease for firms that mandatorily adopt IFRS compared to the forecast errors of the firms that do not.

Based on the aforementioned discussion that related to the cultural factors, there are several studies focussed on accounting, since they believed that cultural factors have a serious impact on countries’ economics and firm performance. Culture could be a particularly important issue to accounting researchers according to two aims:

1. Investigating the impact of cultural factors on financial statements under IFRS is significant since the huge empirical evidence from prior studies that focussed on other fields documented that the cultural difference over countries affected individual and firms’ decisions (Chung, 2017; Zingales, 2015; Xu, 2014); and

2. Exploring more immeasurable variables that could affect IFRS adoption, as most of the prior literature focussed on measurable variables.

Therefore, this neglected indirect factors that could actualise pre-existing, hidden resistive factors and so delay adopting IFRS in any developed or developing countries over the world. With the attendance of international accounting standards and financial instruments to control and develop financial system, prior literature stated that cultural factors, such as education, language and religion, are sufficient to impact reporting decisions in the firms (Osemeke and Osemeke, 2017; Guiso et al., 2015).

Differences in cultural politics and values are more likely to reduce accounting comparability amongst international accounting standards around the world. For example, Tsakumis (2007) found that several cultural factors, such as uncertainty avoidance, materialism and social trust, affect the level of financial reporting and adoption of IFRS in Greece. Volonté (2015) found cultural factors, such as language and religion have affected corporate governance characteristics in Switzerland. For instance, the Swiss Federal Corporate law sector used two languages (German and French) and two religions (Roman Catholicism and Protestantism), and they concluded that the differences between religion and language produced discrimination in the work styles. Humphries and Whelan (2017) documented that the national culture, such as power distance, individualism, collectivism,
masculinity, femininity and uncertainty avoidance, influenced the level of corporate governance and firm performance across fifty-five countries. Their findings explored unambiguous information that influenced firms’ financial statements. In a recent study, Nalukenge et al. (2018) documented that the corporate governance, Internal Controls over Financial Reporting and cultural factors significantly changed after IFRS adoption in Uganda for 136 Microfinance Institutions. This in turn led to enhance the corporate governance and ethical culture factors after IFRS adoption.

In the context of Malaysia, Hashim (2012) studied the relationship between national, cultural factors and financial reporting quality. Her findings presented no significant association between managers’ roots and accrual quality. However, she provided that there are some hidden issues that affect the financial quality and corporate governance characteristics, such as education, legal system and the nature of the developing countries’ methods to evaluate their transactions.

In conclusion, development toward a worldwide transfer to IFRS has been quite fast in terms of the growth of business practices. One important step towards a comprehensively accepted set of accounting standards happened when the European Union required all constituent states to implement IFRS by 2005 (Neidermeyer et al., 2012). Several prior studies were completed to explore the factors that could lead to a delay of IFRS adoption (Djatej et al., 2012; Neidermeyer et al., 2012; Shima and Yang, 2012). Shima and Yang (2012) posit that there are several factors that affect IFRS adoption, such as political and economic ties, common law legal systems, capital investment, capital formation, higher literacy rates, the size of capital markets, taxation and inflation. Accordingly, and based on prior literature and the definition of the delaying factors of IFRS adoption, there are six factors, which are inflation, trade agreements, colonialism, economic development, education, and culture.

Previous researchers have stipulated that there are two schools of thought, according to an argument on the IFRS. The supporters of IFRS adoption represent the first school, and they agree that the unified internal accounting standards will reduce information asymmetry, decrease the cost of capital, and increase the capital flow across borders. Opponents of the IFRS adoption, who suggest that each country around the world has its own specific characteristics, which is why every country needs different roles to organise its transactions, represent the second school. Furthermore, they argue that the features of the native business environments and institutional backgrounds stipulate the nature and inner workings of IFRS. Accordingly, differences have occurred between the countries after IFRS adoption. This, in turn, could lead to a reduction in the transparency of financial reports. For example, many countries have adopted IFRS right away, while some countries, such as the US, are still using their local accounting standards (Houque et al., 2010). Subsequently, this could also attribute to the extensive economic globalisation and integration of markets, especially the capital markets. Finally, IFRS adoption enhances transparency, accountability, and efficiency. Furthermore, it develops the country’s economic growth, trust, and long-term financial stability (Leuz and Verrecchia, 2000).

Other important reasons that have inspired the move towards the massive requirement for IFRS adoption were the financial turbulences and the Asian financial crisis in 1997, which had an impact on both developed and developing economies (Houque et al., 2010). There was an ample need for the authorities to develop and improve the financial disclosure systems and procedures from a global perspective (Zehr and Chouaibi, 2013). The IFRS have also enabled investors from other countries to access different markets (Whittington, 2005). IFRS adoption in many developing countries required a reduced implementation time for the standards, because they did not need to formulate the standards from scratch. This then improved the quality of the accounting information, thus increasing competitiveness.
and comparability. Many firms have also experienced external pressure from international organisations like the IMF and the World Bank as a way of encouraging them to list internationally (Frey and Chandler, 2007). On that note, Islamic law usually affects many Arab countries, which is rarely compatible with IFRS. IFRS use several factors to ensure that international organisations have the ability to attain the acceptability of financial statements (Irvine and Lucas, 2006).

The adoption of IFRS in stock markets has enriched the standards of financial reporting, which has helped in attracting more investors. Furthermore, it has also enhanced and improved the comparability of financial statements in different countries. The developing countries may face more challenges in the adoption of IFRS than developed countries, since the more developed countries already had quite sophisticated accounting systems when compared to the accounting systems of their developing counterparts (Perera, 1985).

The globalisation and accounting integration systems have encouraged the accounting sector to harmonise their regulatory framework for reporting their financial statements. The harmonisation has enabled comparison and diversity to suit various capital markets in the world. The firms that have adopted IFRS and that are listed in different stock markets face different jurisdictions to reduce the reporting costs and increase the transparency of their financial statements (Chand and White, 2007). Constant social research is being undertaken to ensure a mutual harmonisation of the IFRS, particularly after the financial crisis in 1997.

After shedding light on prior research, it is appropriate to investigate the relationship between resistive factors and IFRS adoption in Saudi firms; this research constructed the following hypotheses:

- **H1.** There is a relationship between accounting bodies and IFRS adoption in Saudi Arabian firms.
- **H2.** There is a relationship between culture and IFRS adoption in Saudi Arabian firms.
- **H3.** There is a relationship between the political circumstances and IFRS adoption in Saudi Arabian firms.
- **H4.** There is a relationship between religion and IFRS adoption in Saudi Arabian firms.
- **H5.** There is a relationship between accounting development and IFRS adoption in Saudi Arabian firms.
- **H6.** There is a relationship between international trade relations (globalisation), including foreign investments, between Saudi Arabia and other countries on IFRS adoption and application.

### 4. Methodology, data, sample and variables research

This study is also focussed on exploring the underlying assumptions of an institutional isomorphism and anti-globalisation approach in Saudi Arabia, which is facing problems, such as the adoption of IFRS. The institutional theory and anti-globalisation approach are discussed in this study in order to predict the emerging economy’s decision that IFRS adoption is useful in Saudi Arabia. Therefore, we investigate a combination of two theoretical trends: the first is the institutional isomorphism and the second is the anti-globalisation approach. This comparison helps to explain how these two theories play a significant role in a country’s decision to adopt IFRS.

Institutional theory refers back to Robert Scapens, 1990 in, and it is considered to be the most common theory that paid more attention to institutional issues by the way of the
method, thought, and action of certain prevalence or perpetuity. This, in turn, entrenched the practices of a group or the imposts of individuals (Burns and Scapens, 2000). Institutional theory, which has been established within administration studies, is a common theory useful within social science studies, and particularly in accounting (Scott, 1987).

The differences in accounting standards, particularly local standards, have led to several problems that have caused conflict between international trades, such as conflict in calculating taxation, the disclosure of accounting information and increased financial statement translation costs. To solve these problems, a set of unified accounting standards was needed, which in turn led to accelerated efforts towards eliminating various practices in national accounting standards and merging them. Internationally, there has been a flow in the interface between the nation states, interceded by international firms such as multinational firms, the World Bank, accounting firms, IASB, trade organisations, and Organisation for Economic Co-operation and Development (OECD).

Furthermore, the structures of the controlling firms have been established in order to organise interactions between firms; for example, there is the arrangement between several countries in preparing their financial statements. Accordingly, the cultural, political and economic circumstances are important factors which affect the relationships between firms around the world (Shariff, 2003). In the case of international capital markets, several downfalls and scandals have occurred in recent years, due to the weakness of the existing integrated financial systems. These scandals and downfalls should be referred to when preparing adequate financial information, particularly when firms are preparing their integrated financial statements (Mouck, 2004). Globalisation forces accounting practitioners to request the reliability of all financial statements. The differences in the reporting entries for similar business activities in different countries’ statements pose a great challenge in explaining their results at an international level. Unity in financial reporting was necessary to solve this problem, which has led to accelerated efforts to eradicate different practices in the national accounting standards. For globalisation to be effective in Saudi Arabia, the convergence of accounting standards and the adoption of IFRS are key for success (Yousuf, 2014).

IFRS adoption became compulsory for Saudi listed firms in 2017, and 2018 for non-listed companies. Therefore, the main problem that Saudi Arabian firms face nowadays is the uncertainty concerning roles for the adoption of IFRS. This research tries to answer the following questions:

**Q1.** Does the delaying of IFRS adoption affect Saudi Arabian firms in accordance with the political and economic circumstances?

**Q2.** Why did Saudi Arabia postpone the full implementation of IFRS from 2005 to 2017, while it had partially implemented IFRS in the insurance and banking sectors in 2005?

**Q3.** What are the resistive factors behind this delay, which prevented the full application of international accounting standards in 2005?

### 4.1 Research methodology

Research methodology is considered appropriate to plan the collection and examination of research data, to achieve the aims of a study in a suitable way (Kothari, 2004). In addition, Kothari (2004) defines research design as a significant process that enables a smooth navigation of various research processes, benchmarking the research that leads to the
maximisation of proper information for the researcher. This, in turn, will more likely save the researchers’ money and time, since they will be using the proper methods.

In this section, the researcher studied the key factors that are related to the research methodology, particularly the research that focuses on IFRS adoption. Several prior studies were conducted to investigate and explore the IFRS adoption phenomena by using the quantitative method, i.e. financial data or questionnaires (Alsuhaibani, 2012; Frey and Chandler, 2007; Halbouni, 2006; Irvine and Lucas, 2006; Judge et al., 2010; Ramanna and Sletten, 2014; Shima and Yang, 2012; Zeghal and Mhedhbi, 2006; Zehri and Chouaibi, 2013). On the other hand, several other studies, such as Nyor (2012), Tyrall et al. (2007), and Fernandez (2015), have explored and investigated the IFRS adoption phenomenon by using mixed methodology. For example, Tyrall et al. (2007) used mixed methods, such as the semi-structured interview, quantitative analysis of published financial reports, and questionnaires in order to examine the relevance and implementation of IFRS in Kazakhstan’s economic development during the period between 1991 and 2006. The semi-structured interview and questionnaire methods were conducted to extract and collect primary data to explain variables that the researcher could not measure, by using financial data analysis such as cultural factors and political and economic circumstances. This study found that IFRS had weak implementation and relevance in these cases.

This research uses an exploratory research design, which uses mixed methods: a qualitative method using a questionnaire and quantitative method using a constructed interview. Therefore, this study is considered an exploratory study, which explores the phenomena associated with the IFRS adoption process, and what/how, the resistive factors affect the IFRS adoption process in Saudi Arabian firms. This study will also help Saudi Arabian firms to format their structures by providing them with the appropriate findings. There are several reasons the researcher chose this mixed approach. The interview approach helped the researcher to recognise how an individual phenomenon is affected by external conditions. Further, the mixed method provides more in-depth information from different sources, such as interviewees, a focus group, and a published annual, which enhances the ability of the researchers to solve the research problem in a proper way (Baxter and Jack, 2008; Shields and Rangarajan, 2013). Furthermore, the mixed method enables the researchers to fill in any existing gaps.

As previously discussed, this research has constructed Table I to explain the association between the research questions, objectives and methods.

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<th>Research questions</th>
<th>Objective</th>
<th>Methods</th>
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<td>Does the delaying of IFRS adoption affect Saudi Arabian firms in accordance with the political and economic circumstances?</td>
<td>Investigating the association between the delaying of IFRS adoption, and political and economic circumstances in Saudi Arabian firms</td>
<td>Main and Support: Questionnaire</td>
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<td>Why did Saudi Arabia postpone full implementation of IFRS from 2005 to 2018, while it had partially implemented IFRS in the insurance and banking sectors in 2006?</td>
<td>Identifying the main reason of postponed IFRS adoption in Saudi Arabian firms during the period 2005 to 2018</td>
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<td>What are the resistive factors behind this delay, which has prevented the full application of IFRS in 2005?</td>
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Table I. Links between research questions, objectives and methods
4.2 Research sample and data collection

The data were gathered for this research from two sources: secondary data (questionnaire), which was distributed to the respondents to obtain information in accordance with the measurable variables; and semi-structured interviews, which were constructed to obtain information in accordance with the immeasurable variables.

Questionnaires were distributed to fifty participants based on a statistical default sample; thirty-three participants were used in this study. There were several reasons for excluding the other seventeen questionnaires: some of them were not completed; some of them were biased, since all the questions have the same results; and some of the questionnaires have not been returned. Our questionnaires were responses because of several types of participants, namely accountants, university academics, external auditors, stock market registers, representatives of the financial ministry, the Saudi Central Bank, and the Saudi Organization for Certified Public Accountants (SOCPA). For this purpose, five questionnaires were distributed in a pilot study, which constituted ten per cent of the total sample, and this percentage is acceptable according to the Fink (1995) study, which suggests that a minimum number of ten per cent is acceptable for a pilot study.

The semi-structured interview was conducted with a sample of five, comprising Chief Financial Officers (CFOs) and university academics (three CFOs and two academics). They were selected on three criteria: they were taken from the questionnaire sample, their preliminary results had the best answered questionnaires, and this meant that these individuals had more experience. This selection was more likely to yield interviewees meeting these selection criteria, while selecting elements according to personal judgement is a non-probability sample (Pears et al., 2007).

Primarily, nine questions were formulated to acquire an understanding of the research objectives. These questions mainly focused on the resistive factors of IFRS adoption and techniques that the Saudi Arabian firms could use to overcome these factors if they adopted the IFRS sooner. In addition, the interview questions focused on understanding the problem that the Saudi Arabian firms face. However, the purpose of these questions was to expose concerns that have not been discovered by the questionnaire survey in order to provide richer information. These questions were mostly derived from prior studies and background knowledge of the Saudi Arabian environment, to cover most concerns. The interviewees were allowed to answer freely in order to discover the scope of their answers and to generate further questions.

4.3 Research variables measurement

Accordingly, and based on the prior literature, our questionnaire has constructed a question for Saudi Arabia firms: “Does your firm adopt IFRS fully or not?” The aim being to determine a dependent variable (IFRS adoption) by using a dummy variable 0 for the partial or no adoption, and 1 for the full adoption. The independent variables were: globalisation, which was measured by using average values of 3 questions that related to globalisation; accounting bodies were measured by giving 1, if the participant was working under an accounting body in Saudi Arabia, and 0 otherwise; culture was measured by using average values of 7 questions that related to cultural issues; religion was measured by using average values of 3 questions that related to religion; the political variable was measured by using average values of 3 questions that related to political issues; and accounting development was measured by using average values of 6 questions that related to accounting development (Tables AI to AV). Finally, the firm size was used as a control variable, where the researcher divided the firms in Saudi Arabia into three sizes: small with value 1, medium with value 2 and large with value 3.
5. Results
This section presents the results and analysis of the data with reference to the role of the resistive factors and IFRS adoption processes in Saudi Arabian firms. As described in the research design (Section 6), two methods were used in order to determine to what extent the resistive factors affect IFRS adoption by Saudi Arabian firms. As mentioned previously, the primary purpose of this study is twofold: Its first goal is to determine the resistive factors (e.g. culture, education, skills etc.) in Saudi Arabia. Secondly, it contributes to the existing literature by explaining how these factors affect the delaying of IFRS adoption in Saudi Arabian firms.

5.1 Descriptive statistics of respondents’ information (questionnaire)
Table II presents the descriptive statistics as classified by position, which is mainly used to examine the differences between the groups; whereas work experience and industry groups are presented in Tables III and IV, which provide additional information for each group so as to assist in interpreting the results. The analysis shown in Table II relates to the number of respondents in each group and their percentage. In general, the questionnaires were personally distributed to four groups (academics, SOCPA members, preparers of financial statements, and auditors, at 20 per cent, 20 per cent, 40 per cent and 20 per cent respectively), and the process lasted for approximately one month. In total, 50 questionnaires were

<table>
<thead>
<tr>
<th>Groups</th>
<th>Issued Questionnaires</th>
<th>Received Questionnaires</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. (%)</td>
<td>No. (%)</td>
</tr>
<tr>
<td>Academics</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>SOCPA Members</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Preparers of Financial Statements</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Auditors</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table II. The distribution of respondents of questionnaire survey

<table>
<thead>
<tr>
<th>The length of experience</th>
<th>Academics</th>
<th>SOCPA Member</th>
<th>Preparers of Financial Statements</th>
<th>Auditors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Less than 5 years</td>
<td>3</td>
<td>33</td>
<td>2</td>
<td>33</td>
<td>2</td>
</tr>
<tr>
<td>5-10 years</td>
<td>4</td>
<td>44</td>
<td>4</td>
<td>67</td>
<td>4</td>
</tr>
<tr>
<td>11-15 years</td>
<td>2</td>
<td>22</td>
<td>0</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>16 years or more</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9</strong></td>
<td><strong>100</strong></td>
<td><strong>6</strong></td>
<td><strong>100</strong></td>
<td><strong>16</strong></td>
</tr>
</tbody>
</table>

Table III. Analysis revealing the duration of experience of respondents participating in questionnaire survey

<table>
<thead>
<tr>
<th>Assessing Familiarity and Knowledge of IFRS</th>
<th>Sample</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>33</td>
<td>4.24</td>
<td>4</td>
<td>0.66</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>

Table IV. Analysis of respondents’ awareness of IFRS adoption rules in Saudi Arabia
distributed in two batches by email and by hand. Of the 50 distributed questionnaires, only 33 were used in the analysis, with a response rate of 66 per cent.

According to work experience, Table III shows that less than one quarter of the respondents (21 per cent) had less than 5 years of work experience, which was the third percentage when it comes to length of work experience. In addition, 30 per cent of respondents had a work experience of between 10 and 15 years. In all, 39 per cent of the respondents had work experience of between 5 and 10 years, while the respondents with work experience of 16 years and more represented the lowest percentage of respondents, at 9 per cent. In comparison, Table III also shows that the auditors and SOCPA members had less work experience in their positions. These findings are consistent with expectations, since these groups usually retain their positions for a long time as a result of the nature of their work and the shortage of candidates in their area of expertise. In contrast, the members of the academic staff and preparers of financial statements had more work experience, since both of these two groups had greater numbers of respondents. In general, these findings showed that more than 60 per cent of the respondents have long periods of work experience, which, in turn, led to an increased credibility of the information that has been provided in our questionnaires.

With regard to categories, as shown in Figure 1, nine respondents who answered are from the banking sector in addition to another nine respondents are from the academics. Furthermore, the insurance and SOCPA members occupy the second and the third levels of the respondents’ distribution, with seven and six respondents respectively. As for the fourth level of the respondents’ distribution, this level is occupied by the auditors with two respondents. Overall, based on the findings in Tables II and III, and Figure 1, we have concluded that the questionnaires were distributed fairly well throughout this research sample, and they have included a high percentage of the qualified respondents, which will more likely lead to an increased ability of the questionnaire survey to generate in-depth information in order to explain the relationship between IFRS adoption and resistive factors.

Furthermore, this research assesses the Saudi Arabian firms’ familiarity and knowledge of the IFRS through a specified question: “How do you assess your familiarity and knowledge of the IFRS in Saudi Arabian firms?” The findings in Table IV show that most of the respondents are fully aware of the IFRS adoption rules, policies and procedures, with an average result of 4.24. This result is consistent with our expectation that the questionnaires were distributed fairly well, which means that the information generated by our survey is valid and reliable in identifying and exploring the relationship between IFRS adoption and resistive factors in Saudi Arabian firms.

5.2 Descriptive statistics of respondents’ information (semi-structured interview)

The interviews were conducted with two academics, an internal auditor, a SOCPA member, and a financial manager from five Saudi Arabian firms. The firms were selected based on the factors which suggested the level of interviewees’ education and experiences. The length
of these interviews ranged from between 15 and 30 min. Table V provides the interviewees’ characteristics, e.g. qualifications, years of experience in the sample firm, and years of prior experience. Furthermore, the interviewees held Bachelor’s, Master’s, and PhD degrees in accounting (40 per cent, 20 per cent and 40 per cent respectively). One interviewee held the Certified Public Accounting qualification (CPA), and one interviewee held an American CMA qualification, which equated to 20 per cent and 20 per cent respectively. Regarding the interviewees’ work experience, more than half of the interviewees had long periods of work experience in their current positions; 40 per cent had 7–10 years, and 60 per cent had 15 years or more. These findings suggest that the interviewees were well qualified to provide the appropriate information to the interviewers, since 100 per cent of them held accounting degrees and more than 50 per cent of them had high levels of work experience.

5.3 International Financial Reporting Standards adoption and resistive factors in Saudi Arabia

In this section, we will analyse and discuss several issues that explain the relationship between IFRS adoption and resistive factors:

5.3.1 The roles of accounting bodies in Saudi Arabia to enhance the adoption of International Financial Reporting Standards. To achieve this research objective, we must explore the relationship between IFRS adoption and resistive factors in Saudi Arabian firms. This section begins by determining the fundamental questions regarding the accounting bodies in Saudi Arabia that would assess an accounting transaction if Saudi firms adopted IFRS, compared with the previous standards such as the Statements on Auditing Standards (SAS). The review of these questions considers the main body of literature on the subject of how to assess IFRS adoption by Saudi Arabian firms. The findings of this questionnaire are analysed to provide an indication of the motivations involved. The results of Cronbach’s $\alpha$ is high (78 per cent), which shows that, in general, a number of questions are related to each other, and therefore this section is explained and its aim is assessed. The factor analysis in Table VI reveals that each question has a good statistics indication and is able to generate suitable information for explaining how the accounting bodies in Saudi Arabia will be able to assess IFRS adoption.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Interviewee Position</th>
<th>Qualification</th>
<th>Professional Certificate</th>
<th>Interviewees’ Experiences Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Academic</td>
<td>PhD in Accounting</td>
<td>N/A</td>
<td>10 years</td>
</tr>
<tr>
<td>2</td>
<td>Academic</td>
<td>PhD in Accounting</td>
<td>N/A</td>
<td>15 Years</td>
</tr>
<tr>
<td>3</td>
<td>SOCPA Member</td>
<td>B.A in Accounting</td>
<td>CMA</td>
<td>7 years</td>
</tr>
<tr>
<td>4</td>
<td>Financial Manager</td>
<td>MSc in Accounting</td>
<td>N/A</td>
<td>20 Years</td>
</tr>
<tr>
<td>5</td>
<td>Internal Auditor</td>
<td>B.A in Accounting</td>
<td>CPA</td>
<td>17 Years</td>
</tr>
</tbody>
</table>

Table V. Interviewees’ information

<table>
<thead>
<tr>
<th>IFRS</th>
<th>GLOB</th>
<th>BODY</th>
<th>CULT</th>
<th>POLI</th>
<th>RELIG</th>
<th>ACCDEVLOP</th>
<th>SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GLOB</td>
<td>0.00</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BODY</td>
<td>0.06</td>
<td>0.73</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CULT</td>
<td>−0.39</td>
<td>−0.05</td>
<td>−0.15</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>POLI</td>
<td>0.38</td>
<td>0.02</td>
<td>0.22</td>
<td>0.03</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RELIG</td>
<td>0.27</td>
<td>−0.13</td>
<td>0.32</td>
<td>0.22</td>
<td>0.50</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>ACCDEVLOP</td>
<td>−0.18</td>
<td>0.44</td>
<td>0.58</td>
<td>0.43</td>
<td>0.16</td>
<td>0.06</td>
<td>1.00</td>
</tr>
<tr>
<td>SIZE</td>
<td>−0.36</td>
<td>0.60</td>
<td>0.14</td>
<td>−0.21</td>
<td>−0.19</td>
<td>−0.51</td>
<td>−0.20</td>
</tr>
</tbody>
</table>

Table VI. Pearson correlation for the model
to assess the accounting transactions in case of IFRS adoption. More than three-quarters (90 per cent) of the questionnaire respondents, including all groups, strongly agree or agree with four potential reasons stated by one respondent from the banking sector:

There will be no problem for Saudi Arabian firms to implement IFRS because of SOCPA, which is considered as one of the most important bodies to evaluate and control IFRS in Saudi Arabia. However, there are some issues that could affect IFRS adoption such as culture, education and local standards.

Consistency is found high (78 per cent) between the groups of questions that examined the roles of the accounting bodies in Saudi Arabia, to assess the accounting transactions in Saudi Arabian firms, particularly in the case of IFRS adoption. In addition, the semi-structured interviews support the findings of the questionnaire by drawing attention to the resistive factors as key reasons for delaying the IFRS adoption. During the interviews, an internal auditor suggested that the main reason for the delay of IFRS adoption in Saudi Arabian firms refers to several cultural factors, such as the accountants' mentalities and their weak experiences and education:

[...]. Our firms face several problems that prevent Saudi firms from adopting IFRS, and in this regard I can say that the employees' and accountants' education and experiences are weak. Furthermore, our employees' mentalities and maturity are also weak. If we do not change ourselves, I think we will need another 30 years to adopt IFRS. Internal Auditor, Firm 5.

Furthermore, an academic member added that the political atmosphere in the area is the main factor that leads to the delay of IFRS adoption by Saudi Arabian firms:

I think what is happening around us is that the political atmosphere in the area is the main factor that leads to the delay of the IFRS adoption by Saudi Arabian firms. Academic Member, Firm 2.

As shown in Table VII, there is a significant positive relationship between IFRS adoption and accounting bodies in Saudi Arabian firms.

### 5.3.2 Exploring resistive factors that affect International Financial Reporting Standards adoption by Saudi Arabian firms

This section discussed the main three factors (culture, politics, and religion) that affect IFRS adoption in Saudi Arabia, according to our questionnaire survey. The section below discusses each one of them separately.

<table>
<thead>
<tr>
<th></th>
<th>Exp</th>
<th>Signe</th>
<th>Coef.</th>
<th>t</th>
<th>p &gt; t</th>
</tr>
</thead>
<tbody>
<tr>
<td>GLOB</td>
<td>+</td>
<td></td>
<td>0.73</td>
<td>4.05</td>
<td>***</td>
</tr>
<tr>
<td>BODY</td>
<td>+</td>
<td></td>
<td>0.35</td>
<td>2.00</td>
<td>**</td>
</tr>
<tr>
<td>CULT</td>
<td>−</td>
<td></td>
<td>−0.42</td>
<td>−3.50</td>
<td>**</td>
</tr>
<tr>
<td>POLI</td>
<td>+</td>
<td></td>
<td>0.32</td>
<td>3.87</td>
<td>**</td>
</tr>
<tr>
<td>RELIG</td>
<td>−</td>
<td></td>
<td>−0.08</td>
<td>−0.54</td>
<td></td>
</tr>
<tr>
<td>ACCDEVLOP</td>
<td>−</td>
<td></td>
<td>−0.30</td>
<td>−1.79</td>
<td></td>
</tr>
</tbody>
</table>

**Control Variables**

<table>
<thead>
<tr>
<th></th>
<th>Exp</th>
<th>Signe</th>
<th>Coef.</th>
<th>t</th>
<th>p &gt; t</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIZE</td>
<td>−</td>
<td></td>
<td>−0.82</td>
<td>−10.64</td>
<td>***</td>
</tr>
<tr>
<td>$R^2$</td>
<td></td>
<td></td>
<td>51.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj $R^2$</td>
<td></td>
<td></td>
<td>39.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$F$ statistic</td>
<td></td>
<td></td>
<td>4.32</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** Where: IFRS is IFRS adoption, GLOB is globalisation, BODY is accounting bodies, CULT is culture, RELIG is religion, POLI is political, ACCDEVLOP is accounting development, and SIZE is firm size. *** Sign at level 0.01; ** sign at level 0.05; * Sign at level 0.1
5.3.2.1 Cultural factors. Prior studies state that the cultural, economic and political circumstances and legal issues in each country play a different function in affecting the business issue, and IFRS adoption is not isolated from the business life (Denis and McConnell, 2003). Based on the questionnaire survey findings, this research explored several factors that affect IFRS adoption in Saudi Arabia. Table VI shows that there are specific factors that affect the adoption of IFRS. The first is the language factor, and the first question reveals that language is considered a moderate factor affecting IFRS adoption, with an average of 2.48. Secondly, the education factor is stronger than the language factor, and our survey covers this factor in five questions. Table VI illustrates that more than 65 per cent of the respondents stated that education has a positive effect on IFRS adoption. These results are consistent with those of Munter and Reckers (2009), and Choi and Meek (2011). Finally, the culture factor was found to have as strong of an effect on IFRS adoption as the education factor. Table VI reveals that more than 65 per cent of the respondents stated that culture is considered to be one of the most important factors affecting IFRS adoption in Saudi Arabian firms. These results are consistent with the prior studies, such as Stulz and Williamson (2003) and Jaggi and Low (2000).

The consistency is found to be high between the groups of questions that examined the roles of the accounting bodies in Saudi Arabia, to explore the resistive factors that affect IFRS adoption by Saudi Arabian firms. In addition, the factor analysis results show that all questions are statistically appropriate to explore the resistive factors and measure their effect on IFRS adoption by Saudi Arabian firms.

The semi-structured interviews support the findings of the questionnaire by pointing out that culture is considered to be one of the most important factors affecting IFRS adoption. In this regard, one of the interviewees stated:

Our culture is one of the reasons that affects IFRS adoption in this country . . . Let me tell you that some decision makers are still thinking as if they were living in the Stone Age. Therefore, they are still following the old rules that are expired nowadays. Financial Manager, Firm 4; Internal Auditor, Firm 5.

These results are supported from the results in Table VII that show a negative relationship between IFRS adoption and cultural factors.

5.3.2.2 Political factors. Historically, the political and social ties of colonialism and trade agreement are expected to influence a country’s decision to adopt IFRS (Márquez-Ramos, 2008). Accordingly, this research paid more attention to exploring this factor, since it has a real effect on IFRS adoption. Political procedures, such as parliamentary procedures and ministerial approval procedures are considered to be the obstacles that the Saudi Arabian firms are facing, which lead to delay in the adoption of IFRS. In addition, the result that the political bodies in Saudi Arabia dominate the IFRS adoption decision is supported. Therefore, these bodies have more effect on the IFRS adoption than the Saudi Organization for Certified Public Accountants (SOCPA). These results are consistent with prior literature, such as Ramanna and Sletten (2014).

These results, based on the respondents’ answers, are valid and reliable, since the factor analysis showed that all of the questions are statistically strong. Finally, the consistency is found high between the group of questions that examined the relationship between the resistive factors (political factor) and IFRS adoption by Saudi Arabian firms.

Our interview results supported the results obtained from the questionnaire, since some interviewees stated that the political circumstances in the area are considered an important obstacle that prevents Saudi Arabian firms from adopting IFRS.

[. . . ] You know that the situation in the area nowadays is one of the important issues that lead to the delayed IFRS adoption by our firms . . . Syrian and Iraqi revaluations are the main reasons that prevent us from IFRS adoption. Academic Member, Firm 1; Academic Member, Firm 2.
After presenting the results of the questionnaires and semi-structured interviews, this section has provided evidence that supports H3 that states there is an existing relationship between political circumstances and IFRS adoption in Saudi Arabian firms. This, in turn, led to the support of H1 which relates to accounting bodies and IFRS adoption. The results found that the existing, strong, political and accounting bodies led to an increase in opportunities to adopt IFRS in Saudi Arabia (Table VII).

5.3.2.3 Religious factors. The Shariah law is considered as one of the most dominant factors that influence aspects of life in Islamic countries, such as social life (e.g. marriage, divorce, and inheritance) and some business aspects, particularly in firms with religious character such as The Islamic Bank and Islamic insurance firms (Almasarwah, 2015). One of this study’s aims is to investigate the relationship between religion and IFRS adoption. Therefore, one section of our questionnaire was designed to explore the relationship between these two issues. The questions that related to this section are valid and reliable to measure the relationship between religion and IFRS adoption. The results in Table VII reveal low results, which are consistent with the roles of the Saudi Arabian religious system that do not deal with interest, since interest is not allowed (haram) in the Islamic system. The consistency is found to be moderate between the group of questions that examined the relationship between the resistive factors (religion factor) and IFRS adoption by Saudi Arabian firms. The weakness of the results in this section might refer to the nature of questions that asked about interest, which is not allowed in the Islamic system. Most of the respondents stated that the IFRS do not conflict with the religion issue in Saudi Arabia; even that the IFRS has more flexibility to deal with the Islamic system by allowing the Islamic countries to use several roles that correspond with their Islamic business system. These results do not support H5, which is consistent with prior literature that states that there is no relationship between religion and IFRS adoption in Saudi Arabian firms. Finally, the Zakat system in Saudi Arabia is considered as one of the business instruments to support the country with money, predominantly with the purpose of helping poor people.

Supporting the findings of the questionnaire, one of the interviewees stated that Zakat is very important in Islamic countries:

Zakat is an important Islamic duty that must be taken into account during the transition to the international accounting standards, especially considering the non-existence of competencies that are required when applying the international standards as one of the cultural factors. Financial Manager, Firm 4; Academic, Firm 1.

The results in Table VII show that religion has no significant effect on IFRS adoption in Saudi Arabian firms.

5.3.3 Accounting development in Saudi Arabia. Saudi Arabia is considered to be a country just like any other country, since it is seeking to adopt IFRS and follow all the updates. Table VII reveals that Saudi Arabian firms are very interested in familiarising themselves with the IFRS standards and their updates. The factor analysis tests show that all questions are strong enough to explore to what extent Saudi Arabian firms are following the accounting standards, including the IFRS and their updates. Furthermore, the consistency test shows a high result of 69 per cent.

The respondents related to this section are familiar with the IFRS rules and procedures. SOCPA is deemed as one of the stronger accounting bodies for developing and following accounting standards in Saudi Arabia.

The results from our questionnaire indicate that there has been an improvement in the accounting system over the last few years in Saudi Arabia. In this regard, several issues were explored in our interviews that supported the questionnaire’s results. These results are supported
in our $H_6$, which states that there is an association between accounting development procedures and IFRS adoption in Saudi Arabia. Furthermore, some of interviewees stated that there are several issues in Saudi Arabia that led to this improvement:

Several issues, such as an oil issue which forced our decision makers to start thinking deeply about creating a new system that allows us to be familiar with the global financial system, led our financial and accounting system to become better and stronger. Financial Manager, Firm 4.

Another interviewee added:

[...] I think that the power of our financial system stemmed from considering us as one of the countries that is economically strong. SOCPA Member, Firm 3.

While another interviewee emphasised on the role of globalisation by saying:

The development of our financial system originates from the economic revolution that allows us to be a part of world globalisation. Internal Auditor, Firm 5.

These results contradict with our quantitative results that showed a negative relationship between IFRS adoption and accounting development in Saudi Arabian firms (Table VII). This contrast could be due to several reasons, such as Saudi Arabian accounting bodies failing to apply the accounting standards or policies.

5.3.4 The relationship between International Financial Reporting Standards adoption and globalisation. The adoption of IFRS and the globalisation phenomena are considered as one of the most important areas of study nowadays (Alon and Dwyer, 2014). IFRS adoption has been implemented in developed countries sooner than in developing countries. The difference in the IFRS adoption has resulted from several limitations that reduced and limited international trade between developed and developing countries, which in turn led the developing countries to face several difficulties that affected their financial situation. Accordingly, developing countries are starting to realise that IFRS adoption is necessary to overcome these difficulties, and that globalisation is one of the most important factors that could lead to a decrease in these problems (Hope et al., 2006).

Most Saudi Arabian firms stated the local operations should start making connections with foreign firms to develop accounting standards such as the IFRS. Furthermore, an increased connection with international trade increases the opportunities for attracting more investors, which in turn leads to the increased need for IFRS to organise the relationship between other countries and Saudi Arabia. Globalisation leads to an increase in the number of investors in Saudi Arabia, where the responses are found to be high.

Saudi Arabian firms are encouraged to increase their international trade with other countries. In addition, the semi-structured interviews support the findings of the questionnaire by drawing attention to how globalisation is leading Saudi Arabian firms to start thinking deeply about IFRS adoption. During the interviews, a SOCPA member suggested an increased desire of the Saudi firms to adopt IFRS:

As I mentioned above, the economic revolution all over the world opened the developing countries’ eyes to start developing their own systems for attracting more investors. By doing so, they will lead investors to feel free to come and invest in a country that has adopted IFRS, feeling that they are dealing with educated and experiences accountants. SOCPA Member, Firm 3.

In addition, an academic interviewee added:

I feel that globalisation around the world has led our country’s firms to start thinking about IFRS adoption, which was clearly proven by the bank and insurance firms, which have been adopting IFRS since 2005. Academic Member, Firm 1.
Also, supporting the idea of the other interviewees, the academic interviewee said:

Globalisation is a great thing that has led the world to become a small village, and Saudi Arabia is not isolated from this world. Academic Member, Firm 2.

Our results from the quantitative method in Table VII supported the above finding, and showed a positive relationship between globalisation and IFRS adoption in Saudi Arabia.

5.4 Analysis of the effect of resistive factors on International Financial Reporting Standards adoption in Saudi Arabia firms

This study used the below equation to test the relationship between IFRS adoption and globalisation, accounting bodies, political factors, cultural factors, religions, and accounting development:

\[
\text{IFRS} = GLOB + BODY + CULT + RELIG + POLI + \text{ACCDEVLOP} + \text{SIZE} + \varepsilon
\]

where: IFRS is IFRS adoption, GLOB is globalisation, BODY is accounting bodies, CULT is culture, RELIG is religion, POLI is political, ACCDEVLOP is accounting development, and SIZE is firm size.

5.4.1 Correlation matrix. This part used the Pearson correlation to show the relationship between the resistive factors (accounting bodies, culture, religion, political, accounting development and globalisation) and IFRS adoption in Saudi Arabia firms. Prior literature predicted that a higher degree of correlation between the independent variables may lead to a multicollinearity and heteroscedasticity problem, particularly when the correlation coefficients are more than ±0.8 (Alghamdi, 2012; Almasarwah, 2015). Accordingly, this study has no multicollinearity and heteroscedasticity problems as shown in Table VI, where not all of the associations between the independent variables are greater than ± 0.8. As indicated in Table VII for the model sample, the accounting bodies and globalisation have a high positive correlation at 0.73, which is not strange since these variables are related to each other. As for the other variables, all of them are in a low correlation.

The preceding sections have discussed the results of descriptive statistics and correlation matrices. This section will discuss the use of multivariate analysis to test the relationship between the resistive factors and IFRS adoption in Saudi Arabian firms. Furthermore, this section aims to discuss the findings of the investigation into the relationship between the accounting bodies, culture, political, religion, accounting development, globalisation (independent variables) and IFRS adoption (dependent variable) in Saudi Arabian firms. The OLS regression results for our model sample are presented in Table VII.

Table VII indicates that the \( F \) statistic for the model is high and significant at \( p < 0.000 \), suggesting that they are all statistically valid. The \( R^2 \) values are high for the model sample at 51.9 per cent and adjusted \( R^2 \) is high with 39.9 per cent. In comparison with the prior studies such as Ramanna and Sletten (2014), we found that their \( R^2 \) values ranged less than in our study, which means that our model in this research has greater explanatory power. The regression analysis in Table VII shows that the coefficient of globalisation is a positive model sample based on \( t \)-values at 4.05 and significant at \( p > 0.01 \). This result is consistent with Munter and Reckers (2009), and Faure and Wibisana (2013), who found that globalisation has a positive effect on IFRS adoption.

Furthermore, Table VII displays that the correlation between accounting bodies in Saudi Arabia and IFRS adoption is good, since most of the prior literature such as Ramanna and Sletten (2014) suggests that the relationship between accounting bodies and IFRS adoption
should be positive. This result is consistent with our result, and there is a positive relationship between IFRS adoption and accounting bodies in Saudi Arabian firms, where the coefficient is positive with t-values (2.00) and significant at \( p > 0.05 \).

Culture is another factor that is most likely to affect IFRS adoption worldwide. Table VII shows that culture in Saudi Arabia negatively affects IFRS adoption, which is not a strange result, since Saudi Arabia still has some traditional issues, such as REBA\[2\], that could prevent firms in Saudi Arabia from adopting IFRS. Our result is consistent with the prior literature that found that some cultural issues lead countries to delay IFRS adoption, such as Neidermeyer et al. (2012). The coefficient is negative with t-values (−3.50) and significant at \( p > 0.05 \).

Political issues and accounting developments are considered as the most important factors that positively affect all aspects of life; therefore, this study examined the effect of the political circumstances and accounting development on IFRS adoption in Saudi Arabian firms. Table VII shows that the political circumstances positively affected IFRS adoption, and this result is consistent with El-Gazzar et al. (1999) and Ramanna and Sletten (2014). The coefficient is positive with t-values (3.87) and significant at \( p > 0.05 \).

As for accounting development, this study shows the opposite result, which is a negative relationship between accounting development and IFRS adoption. The coefficient is negative with t-values at −1.79 and significant at \( p > 0.1 \), and this result could refer to the weakness of following the new technologies and standards in the accounting field.

According to the religion factor, Table VII demonstrates that there is no relationship between religion and IFRS adoption in Saudi Arabian firms, and this result is consistent with Almasarwah (2015), who found that there is no relationship between economic circumstances and religion in Saudi Arabia. Finally, it was found that firm size negatively affects IFRS adoption in Saudi Arabian firms, with a negative coefficient, with t-values −10.64 and significant at \( p > 0.01 \).

6. Research conclusion and implications

This study aims to explore the resistive factors that led to Saudi Arabian firms postponing the adoption of IFRS, compared to other developing countries. This study provides several aims: providing a unique literature, examining the association between IFRS adoption, and resistive factors in Saudi Arabian banking and insurance sectors; presenting an in-depth examination of such factors that affect countries, drawing on the framework of the neo-institutional perspective in a developing country; and exploring other, more effective factors which delay IFRS adoption in Saudi Arabian firms.

Mixed method was used in this research: a quantitative method - a questionnaire survey of thirty-three respondents, and a qualitative method using semi-structured interviews conducted with five individuals who were qualified to answer the questions. The results from both the questionnaire and semi-structured interviews helped to provide significant evidence of the relationship between resistive factors and IFRS adoption, and the context in which these processes occur. The research results showed several factors that affect IFRS adoption in Saudi Arabian firms, which are discussed as follows in the light of the research hypotheses.

Our findings revealed that there is a positive relationship between the Saudi accounting bodies and the IFRS adoption process. This relationship means that the Saudi accounting bodies have contributed to and supported the process of IFRS adoption. Culture was found to negatively affect IFRS adoption, since culture is considered one of the most important factors affecting Saudi Arabian life aspects. Accountants’ knowledge has influenced IFRS adoption. As for political issues, these were also found to positively impact on IFRS
adoption, which means that political improvement leads to an increase in IFRS adoption in Saudi Arabian firms. Religion has no effect on IFRS adoption in Saudi Arabian firms. It was clear from the interviews conducted that all religious matters have been overcome through the meetings conducted between the Saudi accounting bodies and the board of IFRS (IASB). Accordingly, there are still weaknesses in Saudi Arabian policies and procedures that relate to the accounting systems and issues. Finally, we found a significant association between international trade relations (globalisation), including foreign investments, between Saudi Arabia and other countries on IFRS adoption and their application.

In addition, this study presents several new contributions to the prior literature overall – particularly in the context of Saudi Arabia, such as there is a significant gap in the literature around investigating the relationship between IFRS adoption and resistive factors in Saudi Arabian firms, particularly in banking and insurance sectors. There are several immeasurable factors that led to the delay of IFRS adoption in Saudi Arabia, such as culture, religion, education, skills, social structure, the political system and economic circumstances. These factors are linked with the Saudi Arabian control system, so a comparison must be made with other countries (e.g. Greece, the USA and Malaysia) to provide Saudi Arabian firms with a plan to reduce the waiting time for the adoption of IFRS. Furthermore, this study empirically contributes to prior studies on IFRS adoption, by providing an in-depth exploration of the factors that affect countries drawing on the framework of the neo-institutional perspective in a developing country. It will fill that gap in the literature, focussing on the factors that delay the decision of IFRS adoption, acknowledging the global harmonisation process and its challenges for a developing country. It shows how the process of IFRS adoption could differ from one country to another, contributing possible solutions to those challenges. Exploring the factors affecting the decision of IFRS adoption in Saudi Arabia will help to identify the factors that may affect the future success of IFRS implementation in the country and avoid many of the problems and difficulties faced by most other countries.

Notes
2. REBA means any interest on a bank loan.

References


Fernandez, M. (2015), Effects of the Political Climate on IFRS Adoption in Latin America, Master (Business School) University of Miami.


Further reading

Corresponding author
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### Summary of Question

<table>
<thead>
<tr>
<th>Factors Analysis</th>
<th>Level of agreement (percentage)</th>
<th>Cronbach’s α (alpha)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>1. There is a language barrier for translating some parts of the IFRS details</td>
<td>0.55</td>
<td>0.27</td>
</tr>
<tr>
<td>2. There is no sufficient number of qualified people with enough experience to apply IFRS in a local context</td>
<td>0.60</td>
<td>0.06</td>
</tr>
<tr>
<td>3. Private sector corporations do not encourage the adoption of IFRS</td>
<td>0.42</td>
<td>0.06</td>
</tr>
<tr>
<td>4. Unwillingness to disclose all the information required in accordance with the international standards (IFRS)</td>
<td>0.32</td>
<td>0.00</td>
</tr>
<tr>
<td>5. Educating local accountants on the adoption of IFRS is prohibitively costly</td>
<td>0.73</td>
<td>0.03</td>
</tr>
<tr>
<td>6. There is no sufficient educational/training infrastructure to make the transition to IFRS smooth and unproblematic</td>
<td>0.77</td>
<td>0.21</td>
</tr>
<tr>
<td>7. There is an inherent cultural resistance by Saudi managers to resist Western impositions of accounting standards</td>
<td>0.38</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Notes: 1- strongly disagree; 2- disagree; 3- neutral; 4- agree; 5- strongly agree Likert Scale
<table>
<thead>
<tr>
<th>Summary of Question</th>
<th>Factors Analysis</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total Mean score</th>
<th>SD</th>
<th>Cronbach’s α (alpha) (Consistency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The political procedures (e.g. parliamentary and ministerial approval, etc.) are too complex and take too long to make accounting regulatory changes quick and effective</td>
<td>0.61</td>
<td>0.00</td>
<td>0.09</td>
<td>0.39</td>
<td>0.42</td>
<td>0.09</td>
<td>3.52</td>
<td>0.80</td>
<td></td>
</tr>
<tr>
<td>2. Adoption of IFRS has been more of a political decision dominated by the political party than a technocratic managerial party by the relevant regulatory institutions</td>
<td>0.88</td>
<td>0.00</td>
<td>0.06</td>
<td>0.67</td>
<td>0.18</td>
<td>0.09</td>
<td>3.12</td>
<td>0.65</td>
<td></td>
</tr>
<tr>
<td>3. The influence and the power that the Saudi Organization for Certified Public Accountants (SOCPA) in the decision making process of adopting IFRS is rather low (compared to the power that the political authorities have on these matters)</td>
<td>0.76</td>
<td>0.00</td>
<td>0.24</td>
<td>0.48</td>
<td>0.21</td>
<td>0.06</td>
<td>3.06</td>
<td>0.83</td>
<td>0.74</td>
</tr>
</tbody>
</table>

Notes: 1-strongly disagree; 2- disagree; 3-neutral; 4- agree; 5- strongly agree Likert Scale
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<tr>
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<th>SD</th>
<th>Cronbach’s α (alpha) (Consistency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. IFRS has policies that allow the firms to provide more religiously relevant information to the users of the report so that they can make financial and investment decisions in conjunction with other religious considerations</td>
<td>0.64</td>
<td>0.09</td>
<td>0.06</td>
<td>0.42</td>
</tr>
<tr>
<td>2. IFRS adoption would facilitate/restrict the Saudi firms to engage in their local practices of Zakat system</td>
<td>0.64</td>
<td>0.00</td>
<td>0.18</td>
<td>0.45</td>
</tr>
<tr>
<td>3. IFRS adoption would facilitate/restrict the revelation of the interest remunerated (if any), the motives for this payment, as well as the stages which should be occupied to evade such interest in the impending</td>
<td>0.01</td>
<td>0.00</td>
<td>0.06</td>
<td>0.42</td>
</tr>
</tbody>
</table>

Notes: 1-strongly unhelpful; 2- Unhelpful; 3-neutral; 4-helpful; 5-strongly helpful Likert Scale

Table III. Analysis of religious factors and IFRS adoption in Saudi Arabia listed firms
<table>
<thead>
<tr>
<th>Summary of Question</th>
<th>Factors Analysis</th>
<th>Level of agreement (percentage)</th>
<th>Cronbach’s α (Consistency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Accountants in Saudi Arabian firms are familiar with IFRS, and quickly adopting any updates and changes that the Saudi Organization for Certified Public Accountants (SOCPA) does to accounting standards</td>
<td>0.06</td>
<td>0.00 0.00 0.09 0.55 0.36</td>
<td>4.27 0.63</td>
</tr>
<tr>
<td>2. The Saudi Organization for Certified Public Accountants (SOCPA) provides sufficient justification and rationale behind the changes and updates that they make to the accounting standards</td>
<td>0.64</td>
<td>0.00 0.00 0.06 0.58 0.36</td>
<td>4.30 0.59</td>
</tr>
<tr>
<td>3. There are clear procedures, rules, and timeframes for accountants and corporations to follow in adopting new accounting standards such as IFRS</td>
<td>0.89</td>
<td>0.00 0.03 0.33 0.33 0.30</td>
<td>3.91 0.88</td>
</tr>
<tr>
<td>4. There is a mutual cooperation between corporations that are supposed to implement the accounting standards and the Saudi Organization for Certified Public Accountants (SOCPA)</td>
<td>0.42</td>
<td>0.00 0.00 0.33 0.36 0.30</td>
<td>3.97 0.81</td>
</tr>
<tr>
<td>5. There is sufficient opportunity for the Saudi Arabian firms to participate in the consultation process of IFRS adoption and give their view</td>
<td>0.82</td>
<td>0.06 0.15 0.30 0.21 0.27</td>
<td>3.48 1.23 0.69</td>
</tr>
</tbody>
</table>

**Notes:** 1-strongly disagree 2-disagree 3-neutral 4-agree 5-strongly agree Likert Scale
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<th>Level of agreement (percentage)</th>
<th>Total Mean score</th>
<th>Cronbach’s α (Consistency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Local operations of multinational corporations make it essential for Saudi Arabia to adopt IFRS as its primary regulatory framework of financial reporting</td>
<td>0.49</td>
<td>0.00 0.06 0.03 0.58 0.33</td>
<td>4.24</td>
<td>0.66</td>
</tr>
<tr>
<td>2. Adoption of IFRS would further encourage foreign direct investments</td>
<td>0.34</td>
<td>0.03 0.09 0.15 0.27 0.45</td>
<td>4.03</td>
<td>1.13</td>
</tr>
<tr>
<td>3. Adoption of IFRS in Saudi Arabia is inevitable due to the globalization now taking place</td>
<td>0.73</td>
<td>0.00 0.00 0.27 0.39 0.33</td>
<td>4.06</td>
<td>0.79 0.43</td>
</tr>
</tbody>
</table>

Notes: 1- strongly disagree; 2- disagree; 3- neutral; 4- agree; 5- strongly agree Likert Scale