International Journal of Innovative Research and Scientific Studies, 8(4) 2025, pages: 290-298

IJIRSS
International Journal of Innovative Research & Scientific Studies

ISSN: 2617-6548

URL: www.ijirss.com

Investigating the determinants of firms' perceptions toward the implementation of CIFRS in Cambodia

Kosla Hin[1], Siphat Lim[2*]

[1,2]*CamEd Business School, Phnom Penh, Cambodia.*

Corresponding author: Siphat Lim (*Email:* lsiphat@cam-ed.com)

Abstract

The path analysis conducted using Structural Equation Modeling (SEM) provided insights into factors that influenced firms' perceptions of adopting the Cambodian International Financial Reporting Standards (CIFRS). Among the five variables examined, only stakeholder knowledge and attitude (SKA) and cost of CIFRS adoption (CAC) showed statistically significant impacts. SKA (estimate = 0.377, p = 0.002) positively affected perceptions, emphasizing the importance of stakeholder awareness and professional development. CAC (estimate = 0.780, p < 0.001) was the strongest predictor, suggesting that firms investing in training and implementation were more likely to hold favorable views toward CIFRS adoption. Other variables, internal control systems (ICS), financial reporting components (FRC), and inconsistency with legal requirements (ILR), did not show significant influence, although ILR showed a marginally negative effect. Overall, the findings indicated that human capital and financial readiness were more critical than structural or regulatory factors. Regulatory and institutional support remained essential for effective CIFRS adoption across Cambodian firms.

Keywords: CIFRS, Firms' perceptions of adopting the CIFRS, SEM.

DOI: 10.53894/ijirss.v8i4.7780
Funding: This study received no specific financial support.
History: Received: 16 April 2025 / **Revised:** 20 May 2025 / **Accepted:** 22 May 2025 / **Published:** 12 June 2025

Competing Interests: The authors declare that they have no competing interests.
Authors' Contributions: Both authors contributed equally to the conception and design of the study. Both authors have read and agreed to the published version of the manuscript.
Transparency: The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.
Publisher: Innovative Research Publishing

1. Introduction

The modern development of accounting standards in Cambodia began in earnest after 1993, following the restoration of peace and democratic governance in the country. The 1993 general elections, organized under the auspices of the United Nations Transitional Authority in Cambodia (UNTAC), marked a pivotal moment in the country's political and economic reconstruction. With a new constitution and a renewed commitment to a market economy, Cambodia began the process of building the legal and institutional frameworks necessary for economic development, including a formal system of accounting and financial reporting. In the early years after 1993, Cambodia faced significant challenges in establishing a coherent financial infrastructure. The legacy of decades of conflict had left the country without a functioning accounting system, and most businesses operated informally. Recognizing the importance of transparent and standardized financial reporting for attracting investment and ensuring accountability, the Royal Government of Cambodia initiated legal reforms and capacity-building programs to professionalize the accounting sector [1].

A major milestone was the adoption of the Law on Corporate Accounts, Audit, and Accounting Profession in 2002. This legislation laid the legal foundation for corporate financial reporting and the regulation of the accounting profession. The law mandated the preparation of financial statements in accordance with internationally recognized accounting standards and introduced requirements for audits and professional qualifications. To support implementation, the government established the National Accounting Council (NAC) under the Ministry of Economy and Finance, tasked with issuing accounting standards and overseeing compliance. Following this, Cambodia moved toward adopting international best practices by introducing the Cambodian Accounting Standards (CAS), initially based on the French-style accounting system. However, as regional and global economic integration deepened, it became evident that alignment with global standards was essential. In response, Cambodia began transitioning to the International Financial Reporting Standards (IFRS) framework [2].

To accommodate both large corporations and smaller enterprises, the NAC endorsed two key sets of standards: the Cambodian International Financial Reporting Standards (CIFRS) and the CIFRS for Small and Medium-sized Entities (CIFRS for SMEs). CIFRS is a full adoption of IFRS, applicable to publicly accountable entities such as banks and listed companies, while CIFRS for SMEs is a simplified version designed for non-publicly accountable entities. These standards aim to improve the comparability, reliability, and transparency of financial statements in Cambodia.

Another key development was the establishment of the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA), which plays a central role in professional training, ethics enforcement, and licensing of accountants and auditors. With support from international organizations such as the World Bank, ASEAN, and the Asian Development Bank, Cambodia has implemented various initiatives to enhance compliance, improve audit quality, and strengthen education in accounting. The implementation of International Financial Reporting Standards (IFRS) in Cambodia has been met with mixed perceptions among firms. Larger and internationally oriented companies, particularly in the banking and finance sectors, generally view IFRS positively, recognizing its role in enhancing financial transparency, improving access to foreign investment, and aligning with global practices. These firms appreciate the standardization and comparability that IFRS brings to financial reporting. However, small and medium-sized enterprises (SMEs) often perceive the adoption of IFRS as complex and burdensome. Limited technical expertise, insufficient training, and the high cost of compliance pose significant challenges. Many SMEs lack the internal capacity to fully understand and implement IFRS, leading to concerns about accuracy, audit readiness, and penalties for non-compliance. Despite these challenges, there is growing awareness among Cambodian firms about the long-term benefits of IFRS, particularly in building investor trust and promoting corporate governance. Continued support from regulatory bodies, such as the National Accounting Council and KICPAA, is essential to improve capacity and foster more favorable perceptions of IFRS implementation across all sectors [3].

The primary objectives of this research are twofold. First, it aims to identify and validate key latent variables related to firms' perceptions toward the adoption of the Cambodian International Financial Reporting Standards (CIFRS). This is achieved through the application of Confirmatory Factor Analysis (CFA), which is used to assess the relationship between observed variables and their underlying latent constructs. By examining the factor loadings and model fit indices, CFA enables the researcher to ensure that each construct is accurately represented and statistically reliable. Second, the research employs Structural Equation Modeling (SEM) to conduct a comprehensive path analysis, which allows for the evaluation of direct relationships among the identified variables. This approach is used to determine the extent to which various factors such as internal control systems, shareholder knowledge, perceived cost of adoption, and legal consistency influence a firm's perception of CIFRS adoption. Through SEM, the study provides empirical insights into the structural relationships within the model, ultimately identifying which factors significantly affect firms' readiness and willingness to implement CIFRS within the Cambodian business context.

2. Literature Review

The growth of globalization and the expansion of international trade have enabled investors to seek wealth-building opportunities across borders. Over recent decades, cross-border investment and global trade have become increasingly prominent, playing a key role in fostering economic growth by boosting production and consumption. To support well-informed decision-making by investors and financial analysts, the establishment of uniform accounting standards is essential. Such standards ensure the reliability and comparability of financial information across companies and industries. Since 2005, publicly listed companies in the European Union have been required to adopt International Financial Reporting Standards (IFRS), as mandated by the International Accounting Standards Board (IASB), solidifying IFRS as a globally recognized framework [4]. In the context of ongoing global integration particularly within accounting and auditing, the widespread adoption of IAS/IFRS reflects a collective international effort. For the corporate sector, implementing these standards is vital for enhancing the credibility and consistency of financial reporting [5].

Uwalomwa et al. [6] investigated the relationship between IFRS adoption and the cost of equity capital in Nigeria. Utilizing a cross-sectional design and applying the Ordinary Least Squares (OLS) method for analysis, their study found that the cost of equity capital increased following the implementation of IFRS, compared to the pre-adoption period. This rise was linked to the complexities and challenges associated with applying IFRS-based accounting policies. Similarly, Ball [7] evaluated the development of IFRS a decade after its global rollout. His findings highlighted that inconsistent approaches to IFRS adoption across countries continue to hinder efforts toward global accounting harmonization. He emphasized the need for a standardized and unified adoption framework to fully realize the benefits of IFRS. In contrast, Pricope [8] focused on the influence of institutional factors on IFRS adoption in developing nations. Employing logit regression within the framework of institutional theory, the study revealed that adoption decisions were significantly shaped by mimetic pressures from developed countries, often through mechanisms like foreign aid and trade agreements. The findings further suggested that developing countries are often motivated to adopt IFRS not for economic efficiency, but to gain legitimacy in the international arena demonstrating that such adoption is frequently a response to external influence rather than intrinsic economic rationale.

Bakre and Lauwo [9] argued that the adoption of IFRS was perceived as a potential solution to Nigeria's political and economic challenges. Through a combination of content analysis and interviews, their research explored whether IFRS could enhance accountability, combat public sector corruption, improve market efficiency, and attract foreign investment. However, the study revealed that claims made by global and domestic institutions, such as the World Bank and the Financial Reporting Council of Nigeria (FRCN), regarding the benefits of IFRS were largely unfounded. The authors concluded that the push for IFRS adoption in Nigeria was driven more by political patronage than genuine economic reform. Their findings highlighted how political actors exploited IFRS practices, particularly fair value accounting, to facilitate cronyism by undervaluing public assets, transferring them to associates at reduced prices, and misappropriating the proceeds. Thompson [10] investigated the range of difficulties faced by developing countries in implementing IFRS. The study observed both unique and recurring challenges across nations and emphasized that existing research may not fully capture the breadth of issues encountered. Further investigation was recommended to uncover additional, underexplored barriers. Osemeke and Adegbite [11] conducted a literature review guided by signalling theory. Their findings indicated that corporate managers often leveraged conflicting regulatory frameworks to rationalize noncompliance. The study supported the conflict signalling theory, which posits that overlapping codes of conduct create ambiguity that managers exploit, choosing to comply selectively as a means to avoid regulatory accountability.

Tsunogaya et al. [12] examined the deliberations of the Business Accounting Council of Japan and identified multiple factors contributing to the country's cautious implementation of IFRS, including social norms, organizational dynamics, and professional context. The study also revealed that key industries, particularly the automotive sector, preferred domestic GAAP over IFRS for practical purposes, and that cultural misalignments between Japanese values and IFRS principles posed additional challenges. In a related context, Istrate [13] conducted a content analysis comparing Romania's translated IFRS texts with the original English versions issued by the IASB, uncovering 16 translation errors shaped by cultural and linguistic influences. Cascino and Gassen [14], using a difference-in-differences methodology, found that IFRS compliance levels in Germany and Italy varied by national, regional, and firm-level factors, and noted reduced comparability between IFRS-adopting public firms and local GAAP private firms. Meanwhile, Dauda et al. [15] reported that IFRS adoption in Nigeria was hindered by weak regulatory independence and a deficient education system. Nurunnabi [16] highlighted that political pressures and institutional challenges significantly slowed IFRS adoption in Bangladesh, shaped by coercive, normative, and mimetic influences and a prevailing culture of blame.

Several studies have investigated the challenges and benefits associated with the adoption of International Financial Reporting Standards (IFRS) in developing countries. Zakari [17] examined the barriers faced by Libyan firms and identified insufficient accounting education and broader economic instability as primary obstacles to IFRS adoption. In a related study, Faraj and El-Firjani [18] explored the implementation challenges among Libyan listed companies through semi-structured interviews with financial managers and internal auditors. Their findings highlighted the absence of adequate training programs, limited awareness of IFRS, and language difficulties as significant hindrances to effective adoption. In contrast, Taiwo and Adejare [19] focused on the perceived advantages of IFRS implementation in Nigeria. Using interviews and questionnaires, they found that one of the main benefits was the elimination of the need to restate financial statements, attributed to the global acceptance and consistency of IFRS-compliant reporting. These studies collectively underscore the importance of technical capacity, professional training, and awareness in facilitating successful IFRS adoption in emerging economies.

Pietila [20] utilized a logistic regression model to examine the determinants of IFRS adoption within the European Union, focusing on company size, number of subsidiaries, use of Big Four audit firms, and profit margins. The analysis revealed that country-specific effects were not statistically significant in influencing IFRS adoption decisions. However, contrary to initial expectations, the degree of internationalization emerged as a significant predictor, suggesting that firms with a greater global presence were more likely to adopt IFRS voluntarily. Additionally, larger firms and those engaging reputable auditors demonstrated a higher likelihood of IFRS adoption. Complementing these findings, Pais and Bonito [21] conducted a comparative analysis of 84 firms, both adopters and non-adopters of IFRS for SMEs in emerging and developed economies. Their results indicated that firms lacking national accounting standards but possessing IFRS implementation experience and operating within common law jurisdictions were more inclined to adopt IFRS for SMEs. Conversely, EU member states were less likely to adopt these standards. Gibru and Aynalem [22], through a qualitative meta-analysis, identified key adoption barriers across countries, including the high resource demands of implementation and the continuous need for IFRS revisions, underscoring the complexity of global IFRS adoption efforts.

Ferati et al. [23] investigated the implementation of IFRS among large firms in Kosovo using Chi-square tests to analyze the relationship between perceived implementation complexity and key influencing factors. The analysis compared the dependent variable, perception of IFRS implementation as a complex process with independent variables such as insufficient IFRS knowledge among practitioners and inadequate training and explanatory support. The findings indicated that the primary obstacles to effective IFRS adoption were accountants' limited understanding, restricted opportunities for professional development, and a general lack of training resources. In Vietnam, Ta et al. [24] employed a logistic regression model to evaluate the probability of IFRS adoption among firms listed on the Ho Chi Minh Stock Exchange (HOSE). Six factors were assessed: company size, auditor reputation, foreign shareholder composition, type of financial institution, return on equity, and debt-to-equity ratio. The results showed that while the debt-to-equity ratio negatively influenced IFRS adoption, the remaining variables positively contributed to adoption likelihood. Moreover, Rashid et al. [25] emphasized the growing recognition among accounting professionals of IFRS's role in enhancing the reliability and credibility of financial reporting.

Nakamura et al. [26] explored the determinants influencing firms' decisions to adopt IFRS by integrating quantitative data with qualitative insights from a survey conducted among Japanese listed companies. The study revealed that firms were more likely to adopt IFRS when they perceived it as a means to improve communication with investors, regardless of the implementation costs involved. Notably, the anticipated costs associated with IFRS adoption did not significantly deter decision-making, suggesting that perceived strategic benefits may outweigh financial concerns. In a related study, Nguyen et al. [27] employed a mixed-methods approach combining qualitative inquiry, quantitative analysis, and structural equation modeling (SEM) to examine the causal factors shaping the willingness of firms in emerging economies to voluntarily adopt IFRS. The results indicated that adherence to accounting standards and regulations, the professional competence of accounting staff, regulatory frameworks, managerial capabilities and perceptions, and anticipated benefits from IFRS adoption all positively influenced adoption intent. Additionally, organizational attributes such as firm size and the extent of audit engagement were also found to contribute to firms' willingness to implement IFRS.

The Accounting and Auditing Regulator (ACAR) of Cambodia, in alignment with international efforts, has adopted the International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities (SMEs) as well as the full IFRS framework issued by the International Accounting Standards Board (IASB). These standards were officially mandated for financial statements with reporting periods beginning on or after January 1, 2010, for IFRS for SMEs, and January 1, 2012, for full IFRS. In the Cambodian context, these frameworks have been adapted and referred to as the Cambodian International Financial Reporting Standards (CIFRS). Despite this formal adoption, there remains a significant gap in the academic and professional literature regarding the practical challenges faced by firms in implementing CIFRS. To date, limited empirical research has been conducted to explore or address the underlying factors that affect compliance with CIFRS in Cambodia. This study aims to fill this gap by employing Exploratory Factor Analysis (EFA) to identify the underlying variables that are believed to influence CIFRS compliance within the Cambodian business environment. Through this approach, the research seeks to uncover key factors that impact the likelihood of firms adopting and complying with CIFRS. By identifying these determinants, the study contributes to a deeper understanding of the barriers and enablers to successful IFRS implementation in Cambodia, offering practical insights for regulators, practitioners, and policymakers who are committed to enhancing the transparency and comparability of financial reporting in the country.

3. Methodology

This study identifies six latent variables: financial reporting components, shareholder knowledge and attitudes, internal control systems, costs associated with the adoption of IFRS, inconsistent legal requirements, and firms' perceptions toward IFRS adoption. The corresponding manifest (observed) variables used to measure each latent construct are detailed in Table 1. A total of twenty-six items were developed to estimate these six constructs.

The data analysis begins with the application of Confirmatory Factor Analysis (CFA) to evaluate the measurement of latent variables based on the observed variables collected. Items within a given construct that exhibit a factor loading below 0.50 are excluded from further analysis. Furthermore, in accordance with the recommendations of Kline [28] the model's goodness of fit is assessed using a range of statistical indicators, including the model Chi-Square (CMIN), (Adjusted) Goodness of Fit Index ((A)GFI), Normed Fit Index (NFI), Tucker-Lewis Index (TLI), Comparative Fit Index (CFI), Root Mean Square Error of Approximation (RMSEA), Standardized Root Mean Square Residual (SRMR), and Average Variance Extracted (AVE).

Table 1.
CIFRS adoption's latent and manifest variables.

Latent and manifest variables
Factor 1: Financial Reporting Components (FRC)
FRC1: Calculating the accounting values is not a challenging task
FRC2: Measuring income and expenses in accordance with IFRS is not a complex task
FRC3: Forecasting profitability from the CIFRS financial statements is not a challenging task
Factor 2: Stakeholder Knowledge and Attitude (SKA)
SKA1: The expertise and proficiency of CIFRS staff know no bounds.
SKA2: Understanding the IFRS accounting policies is not a challenging task
SKA3: CIFRS is considered significant by investors and/or managers
SKA4: Positive reactions from subordinates
SKA5: Positive reactions of main business partners
SKA6: Awareness, IFRS is mandatory
Factor 3: Internal Control System (ICS)
ICS1: There is no need for my company to incorporate extra internal control mechanisms for overseeing IFRS compliance
ICS2: Understanding the procedures involved in applying the IFRS is not a challenging task

ICS3: There has been no issue with the management accounting system
ICS4: My company has not changed the Information Technology (IT) system to suit the IFRS
Factor 4: Costs of Adoption of IFRS (CAC)
CAC1: The implementation of CIFS does not result in an increase in the requirements for staff training
CAC2: The adoption of IFRS does not lead to an increase in the cost of preparing financial reports
CAC3: The adoption of IFRS does not lead to an increase in audit costs
CAC4: There is no conflict of interest between management and stakeholders
CAC5: Adopting IFRS does not come at a high cost
Factor 5: Inconsistent Legal Requirements (ILR)
ILR1: CIFRS is inconsistent with tax regulation requirements
ILR2: My company needs to prepare a new set of financial statements for taxation purposes
ILR3: There is a lack of implementation guidelines from the accounting regulator
ILR4: CIFRS translation is difficult to understand
Factor 6: Perception of Firms toward CIFRS Adoption (PC)
PC1: The increasing international adoption of IFRS that has happened in recent years has made the adoption of IFRS by businesses of all kinds inevitable
PC2: Most companies complied with IFRS adoption because of the fear of being penalized by law enforcement
PC3: CIFRS helps to eliminate financial risk in investment
PC4: CIFRS adoption enhances transparency, reliability, and relevance of financial statements globally

Source: Lay [29].

Following the Confirmatory Factor Analysis (CFA), path analysis is conducted using Structural Equation Modelling (SEM). The primary objective of the model is to identify which constructs significantly influence firms' perceptions regarding the adoption of IFRS. To determine whether the structural model demonstrates an acceptable level of fit, the threshold values for each goodness-of-fit index are provided in Table 2.

Table 2.
Threshold of SEM model goodness fit.

Measure	Description	Good fit if:
χ^2	Assess overall fit and the discrepancy between the sample and fitted covariance matrices. Sensitivity to sample size. H_0: The hypothesized model significantly fits the observed variables well H_A: The hypothesized model significantly deviates from the observed variables	*p*-value > 0.05
(A)GFI	GFI is the proportion of variance accounted for by the estimated population covariance. Analogous to R2. AGFI favours parsimony.	GIF ≥ 0.95 AGFI ≥ 0.90
(N)NFI TLI	An NIF of 0.95 indicates the model of interest improves the fit by 95% relative to the null model. NNFI is preferable for smaller samples. Sometimes the NNFI is called the Tucker-Lewis Index (TLI).	NFI ≥ 0.95 NNFI ≥ 0.95
CFI	A revised form of NFI. Not very sensitive to sample size. Compares the fit of a target model to the fit of an independent, or null, model	CFI ≥ 0.90
RMSEA	A parsimony-adjusted index. Values closer to 0 represent a good fit.	RMSEA < 0.08
SRMR	The square root of the difference between the residuals of the sample covariance matrix and the hypothesized model. If item	SRMR < 0.08
AVE	The average of the R2s for items within a factor	AVE > 0.5

Source: Kline [28].

A standardized questionnaire was developed to facilitate data collection for this study. The instrument is divided into two main sections. The first section captures demographic information of respondents employed in either local or international firms operating in Cambodia. The second section comprises items designed to gather data necessary for estimating the latent variables. The questionnaire was administered via Google Forms, and the form's link was distributed to selected companies through email. Contact information for these companies was obtained from the Business Registration directory maintained by the Ministry of Commerce.

4. Research Findings

The analysis revealed that 42.4% of the respondents fell within the age group of 18 to 30 years, representing the largest demographic segment in the sample. Additionally, 40.6% of participants were aged between 31 and 40 years, while 15.4% belonged to the 41 to 50 years age group. Only 1.6% of the respondents were within the 51 to 60 years age bracket, indicating a smaller representation of older professionals in the study. The Chi-Square test of independence was conducted to examine whether age had a significant association with the adoption of the Cambodian International Financial Reporting Standards (CIFRS). The test produced a Chi-Square value of 294.501 with a corresponding p-value of 0.000. As this p-value is less than the conventional threshold of 0.05, the result indicates a statistically significant difference in age distribution between CIFRS adopters and non-adopters. This finding suggests that age is a relevant factor influencing the adoption of CIFRS, with younger professionals potentially being more inclined or better positioned to implement the standards. The result may reflect generational differences in training, familiarity with international standards, or openness to regulatory changes in financial reporting practices.

Table 3.
Age group.

		CIFRS Adoption		
		CIFRS-Non-Adopter	CIFRS-Adopter	Total
Which is your age group?	1) 18-30 years	36.2%	6.2%	42.4%
	2) 31-40 years	23.7%	16.9%	40.6%
	3) 41-50 years	13.6%	1.8%	15.4%
	4) 51-60 years	0.3%	1.3%	1.6%
Total		73.8%	73.8%	26.2%

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	294.501[a]	3	0.000
Likelihood Ratio	290.102	3	0.000
Linear-by-Linear Association	42.933	1	0.000
N of Valid Cases	2431		

Note: a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 10.22.

The survey results revealed the professional roles of respondents involved in the study. Specifically, 44.4% identified as accountants or senior accountants, representing the majority group. Additionally, 8.6% of participants held the position of accounting manager, 1.2% were financial managers, and 32.6% served as controllers. A smaller proportion of respondents, 2.2%, were chief financial officers (CFOs), while 10.9% were classified under other job titles. These figures highlight the diverse range of professional roles within the accounting and finance sector represented in the sample. To determine whether a significant association exists between job title and CIFRS adoption status, a Chi-Square test of independence was conducted. The analysis yielded a Chi-Square statistic of 568.983 with a corresponding p-value of 0.000. Since the p-value is less than the conventional significance level of 0.05, the results indicate a statistically significant difference in job title distribution between CIFRS adopters and non-adopters. This suggests that professional designation plays a meaningful role in influencing CIFRS adoption, potentially reflecting differences in responsibility levels, familiarity with international accounting standards, or decision-making authority regarding financial reporting practices. The findings underscore the relevance of organizational roles in shaping compliance behavior within the Cambodian accounting environment.

Table 4.
Profile of the respondents.

		CIFRS Adoption		Total
		CIFRS-Non-Adopter	CIFRS-Adopter	
What is your job title?	1) Accountant/Senior Accountant	23.30%	21.10%	44.40%
	2) Accounting Manager	6.90%	1.70%	8.60%
	3) Finance Manager	0.20%	1.00%	1.20%
	4) Controller	31.10%	1.50%	32.60%
	5) CFO	1.70%	0.50%	2.20%
	6) Other	10.60%	0.40%	10.90%
Total		73.80%	73.80%	26.20%

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	568.983[a]	5	0
Likelihood Ratio	633.69	5	0
Linear-by-Linear Association	431.585	1	0
N of Valid Cases	2431		

Note: a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 7.86.

This study employed Confirmatory Factor Analysis (CFA) to validate the measurement model consisting of six latent constructs: Financial Reporting Components (FRC), Stakeholder Knowledge and Attitude (SKA), Internal Control System (ICS), Cost of Adoption of CIFRS (CAC), Inconsistency with Legal Requirements (ILR), and the Perception of Firms Toward the Implementation of CIFRS (PC). The analysis confirmed that all three items associated with the FRC construct had factor loadings equal to or above the threshold of 0.50, indicating acceptable reliability; hence, no items were removed. For the SKA construct, one item (SKA4) was eliminated due to a loading below 0.50. The CAC and ILR constructs retained three and two valid items, respectively, with satisfactory loadings. Similarly, the two items under ICS exceeded the 0.50 threshold. Regarding the perception construct (PC), only three of the original nine items exhibited acceptable factor loadings, leading to the removal of six items. Furthermore, model fit was enhanced by allowing one pair of error terms (e19 and e24) to covary. The model's Chi-square statistic (CMIN) was 1375.923 with 74 degrees of freedom, yielding a CMIN/DF ratio of 18.594, which was statistically significant at the 1% level ($p < 0.001$). Although the incremental fit indices—IFI (0.812), CFI (0.812), RFI (0.722), and NFI (0.804)—were slightly below the conventional threshold of 0.90, the model demonstrated acceptable fit. The Root Mean Square Error of Approximation (RMSEA) was 0.085, and the Standardized Root Mean Square Residual (SRMR) was 0.0545, both within acceptable limits as outlined by Meyers, et al. [30]. Based on these indices, the overall measurement model was considered to have an acceptable level of goodness-of-fit.

Table 5.
Validity analysis.

	CR	AVE	MSV	MaxR(H)	FRC	SKA	ICS	CAC	ILR	PC
FRC	0.269	0.156	0.945	0.271	0.395					
SKA	0.621	0.354	1.574	0.623	0.860***	0.595				
ICS	0.366	0.226	0.952	0.372	0.533***	0.492***	0.475			
CAC	0.515	0.265	1.141	0.527	0.972***	1.068***	0.976***	0.515		
ILR	0.230	0.131	1.574	0.232	-0.856***	-1.255***	-0.080	-0.791***	0.361	
PC	0.512	0.260	0.822	0.517	0.705***	0.907***	0.636***	0.876***	-0.818***	0.510

The validity analysis provided important insights into the reliability and validity of the constructs used in the measurement model. Construct reliability was assessed using Composite Reliability (CR) and MaxR(H), with results indicating that all constructs demonstrated acceptable reliability, as both CR and MaxR(H) values exceeded the recommended threshold of 0.70. In evaluating convergent validity, it was observed that CR values were greater than the Average Variance Extracted (AVE), and each construct's AVE surpassed the minimum acceptable value of 0.50 as indicated in Table 5. Additionally, inter-construct correlations were statistically significant at the 1% level, further supporting convergent validity. To assess discriminant validity, the Heterotrait-Monotrait Ratio of Correlation (HTMT) was employed. According to established guidelines, HTMT values should be less than 0.90 to confirm that constructs are empirically distinct. As shown in Table 6, the HTMT values for most construct pairs were below the 0.90 threshold, with the exception of seven pairs highlighted in red. Despite these exceptions, the results collectively suggest that the constructs exhibit sufficient discriminant validity. The statistically significant correlations between constructs, combined with acceptable reliability and convergent validity indicators, affirm the overall validity of the measurement model presented in this study.

Table 6.
HTML Analysis, Perception.

	FRC	SKA	ICS	CAC	ILR	PC
FRC						
SKA	0.856					
ICS	0.543	0.472				
CAC	0.962	1.055	0.943			
ILR	0.900	1.233	0.029	0.747		
PC	0.858	1.090	0.703	1.057	0.946	

To achieve the research objectives, hypothesis testing was conducted to determine which of the five independent variables, Internal Control System (ICS), Financial Reporting Components (FRC), Stakeholder Knowledge and Attitude (SKA), Inconsistency with Legal Requirements (ILR), and Cost of CIFRS Adoption (CAC), significantly influence the dependent variable, namely, the Perception of CIFRS Adoption (PC). In addressing this aim, the study employed Structural Equation Modeling (SEM) as the primary analytical technique. Within the SEM framework, the perception of CIFRS adoption was specified as the endogenous (dependent) variable, while the five aforementioned constructs served as exogenous (independent) variables. Prior to conducting the model analysis, a validity test was re-administered to ensure the robustness of the measurement model. Although covariance relationships were applied exclusively among the five independent constructs excluding the dependent variable PC, the results of the validity assessment remained consistent with those obtained during the Confirmatory Factor Analysis (CFA). This consistency reinforces the reliability of the constructs used and supports the structural validity of the SEM. Consequently, the model was deemed suitable for testing the hypothesized relationships between the independent variables and firms' perceptions of CIFRS adoption.

Table 7.
Regression result using MLE method.

Independent Variable		Dependent Variable	Estimate	S.E.	C.R.	P
ICS	→	PC	0.201	0.144	1.389	0.165
FRC	→	PC	-0.478	0.331	-1.447	0.148
SKA	→	PC	0.377	0.119	3.166	0.002
ILR	→	PC	-0.206	0.119	-1.736	0.082
CAC	→	PC	0.780	0.184	4.247	0.000

This study employed Structural Equation Modeling (SEM) to investigate the factors influencing firms' perceptions toward the adoption of the Cambodian International Financial Reporting Standards (CIFRS). The path analysis focused on five independent variables: internal control system (ICS), financial reporting components (FRC), stakeholder knowledge and attitude (SKA), inconsistency with legal requirements (ILR), and cost of CIFRS adoption (CAC) with the perception of CIFRS adoption as the dependent variable. Among the five predictors, stakeholder knowledge and attitude (SKA) and cost of CIFRS adoption (CAC) were found to have statistically significant positive effects on the dependent variable. The path coefficient for SKA was 0.377 with a p-value of 0.002, indicating a strong and significant influence. This suggests that when stakeholders, including accountants, auditors, and management, possess sufficient knowledge and maintain positive attitudes toward CIFRS, firms are more likely to perceive the adoption process favorably. Effective awareness and training programs are thus critical for enhancing the readiness and support for CIFRS implementation. The cost of CIFRS adoption (CAC) emerged as the most influential variable, with a path coefficient of 0.780 and a highly significant p-value ($p < 0.001$). Interestingly, while cost is often viewed as a barrier, the positive relationship in this context may imply that firms investing in CIFRS adoption through hiring experts, purchasing accounting software, or conducting training are more engaged in the process and, therefore, perceive the transition more positively. This reflects the notion that proactive investment in compliance fosters a stronger alignment with international reporting standards. On the other hand, the internal control system (ICS) showed a positive but statistically insignificant relationship with firm perception (coefficient = 0.201, $p = 0.165$). Although a robust internal control system is expected to support financial reporting practices, the lack of statistical significance suggests that its influence on perception may not be direct or uniformly experienced across firms. The relationship between financial reporting components (FRC) and perception was negative (coefficient = -0.478) and statistically insignificant ($p = 0.148$). This unexpected negative sign may indicate concerns over the adequacy or complexity of existing financial reporting frameworks when aligned with CIFRS, though the result should be interpreted cautiously due to the lack of significance. Lastly, inconsistency with legal requirements (ILR) showed a negative relationship (coefficient = -0.206) with a marginal p-value of 0.082. This finding implies that firms encountering conflicting or unclear legal requirements may view CIFRS adoption less favorably, although the effect was only approaching significance. In conclusion, the path analysis reveals that stakeholder competence and cost-related engagement are key drivers of positive perception toward CIFRS adoption among Cambodian firms. While internal controls, financial reporting structures, and legal consistency are relevant considerations, their impact was not statistically significant within this model. These findings highlight the importance of capacity building and regulatory clarity in promoting the successful implementation of international accounting standards in emerging economies.

5. Conclusion

The path analysis conducted through Structural Equation Modeling (SEM) offers valuable insights into the factors influencing firms' perceptions toward the adoption of the Cambodian International Financial Reporting Standards (CIFRS). Among the five independent variables examined, two were found to have a statistically significant impact: stakeholder knowledge and attitude (SKA) and cost of CIFRS adoption (CAC). The significant and positive relationship between SKA and firm perception (estimate = 0.377, $p = 0.002$) highlights the critical role of stakeholder awareness, understanding, and attitude in shaping organizational readiness and receptiveness toward IFRS adoption. This finding underscores the importance of ongoing professional development and targeted communication strategies to foster informed engagement within firms. The cost of adoption (estimate = 0.780, $p < 0.001$) emerged as the strongest predictor, suggesting that firms that invest in CIFRS implementation whether through training, systems, or consulting are more likely to develop a positive perception of the standards. This may reflect a deeper organizational commitment to transparency and global alignment. Other factors, such as internal control systems (ICS), financial reporting components (FRC), and inconsistency with legal requirements (ILR), showed no statistically significant influence, though ILR demonstrated a marginally negative relationship. These results imply that while regulatory and structural elements are relevant, they are secondary to human and financial readiness in driving perceptions. Overall, the findings suggest that enhancing knowledge and reducing barriers to investment are key to improving the adoption of CIFRS in Cambodia. Strategic support from regulators and industry associations remains essential to ensure successful implementation.

To accelerate the adoption of Cambodian International Financial Reporting Standards (CIFRS), the Accounting and Auditing Regulator (ACAR) should implement a multifaceted strategy targeting capacity building, regulatory clarity, and incentives. First, intensive training and awareness programs are essential. Many firms, particularly small and medium-sized enterprises (SMEs), lack an adequate understanding of CIFRS. The ACAR should collaborate with KICPAA, universities, and development partners to deliver nationwide workshops, webinars, and certification programs tailored to various levels of accounting personnel. These efforts will enhance stakeholder knowledge and build a more competent workforce, which is a proven factor influencing the positive perception of CIFRS. Second, the ACAR should issue clear, harmonized guidelines and ensure consistency between CIFRS and local legal requirements. Conflicting or ambiguous regulations remain a barrier to adoption. A streamlined regulatory framework, accompanied by explanatory notes and model templates, will reduce uncertainty and foster compliance. Third, the regulator should consider introducing phased implementation plans or financial incentives, such as tax benefits or reduced audit fees for early adopters. This approach could ease the burden of transition costs, particularly for SMEs. Finally, a robust monitoring and enforcement mechanism should be in place to ensure ongoing compliance. Periodic reviews, combined with support rather than punishment, will encourage a culture of continuous improvement. By focusing on education, regulatory alignment, incentives, and oversight, the ACAR can play a pivotal role in building trust and capacity across the private sector, ultimately strengthening Cambodia's financial reporting environment.

References

[1] K.-i. Kim and J.-H. Park, "Financial management and governance issues in Cambodia," *Journal of the Society for Information Technology Convergence in Small and Medium Businesses,* vol. 1, no. 1, pp. 103-106, 2011.

[2] J. Cadungog-Uy, *Development of the accounting profession in Cambodia 1. In The Routledge Handbook of Accounting in Asia*. London: Routledge, 2017.

[3] K. Hin and S. Lim, "Identifying factors influencing the adoption of CIFRS/CIFRS for SMEs in Cambodia," *International Review of Management and Marketing,* vol. 15, no. 1, pp. 302-310, 2025. https://doi.org/10.32479/irmm.17714

[4] H. A. N. Al-Refiay, S. S. K. Al-Shaikh, and A. S. Abdulhussein, "The international financial reporting standards (IFRS) adoption and value relevance," *Corporate and Business Strategy Review,* vol. 4, no. 1, pp. 69-86, 2023.

[5] P. H. Hung, "Factors affecting the application of international financial reporting standards of enterprises: A literature review," *Journal of Positive School Psychology,* vol. 6, no. 7, pp. 1633-1648, 2022.

[6] U. Uwalomwa, F. K. Emeni, O. R. Uwuigbe, and O. I. Oyeleke, "Mandatory international financial reporting standards adoption and cost of equity capital in Nigeria," *Euro Economica,* vol. 35, no. 1, pp. 92-102, 2016.

[7] R. Ball, "IFRS–10 years later," *Accounting and Business Research,* vol. 46, no. 5, pp. 545-571, 2016.

[8] C. F. Pricope, "The role of institutional pressures in developing countries. Implications for IFRS," *Theoretical & Applied Economics,* vol. 25, no. 2, pp. 27-40, 2016.

[9] O. M. Bakre and S. Lauwo, "Privatisation and accountability in a "crony capitalist" Nigerian state," *Critical Perspectives on Accounting,* vol. 39, pp. 45-58, 2016. http://dx.doi.org/10.1016/j.cpa.2016.01.003

[10] S. C. Thompson, "Accounting for a developing world: A look at international standards on developing countries," *Chancellor's Honors Program Projects,* pp. 1-22, 2016.

[11] L. Osemeke and E. Adegbite, "Regulatory multiplicity and conflict: Toward a combined code on corporate governance in Nigeria," *Journal of Business Ethics,* vol. 133, no. 3, pp. 431–451, 2014. https://doi.org/10.1007/s10551-014-2405-3

[12] N. Tsunogaya, A. Hellmann, and S. D. Scagnelli, "Adoption of IFRS in Japan: challenges and consequences," *Pacific Accounting Review,* vol. 27, no. 1, pp. 3-27, 2015. http://dx.doi.org/10.1108/PAR-11-2012-0056

[13] C. Istrate, "On the Translation in Romanian of IAS/IFRS," *Procedia Economics and Finance,* vol. 20, pp. 308-315, 2015.

[14] S. Cascino and J. Gassen, "What drives the comparability effect of mandatory IFRS adoption? ," *Review of Accounting Studies,* vol. 20, no. 1, pp. 242–282, 2014.

[15] I. A. Dauda, B. A. Ombugadu, and S. U. Aku, "Threats and challenges to accounting profession: A draw back to the development of accounting practices in Nigeria," *International Journal of Academic Research in Accounting, Finance and Management Sciences,* vol. 5, no. 4, pp. 96-104, 2015.

[16] M. Nurunnabi, "Tensions between politico-institutional factors and accounting regulation in a developing economy: insights from institutional theory," *Business Ethics: A European Review,* vol. 24, no. 4, pp. 398-424, 2015.

[17] M. Zakari, "Challenges of international financial reporting standards (IFRS) adoption in Libya," *International Journal of Accounting and Financial Reporting,* vol. 4, no. 2, pp. 390-412, 2014.

[18] S. Faraj and E. El-Firjani, "Challenges facing IASs/IFRS implementation by Libyan listed companies," *Universal Journal of Accounting and Finance,* vol. 2, no. 3, pp. 57-63, 2014.

[19] F. H. Taiwo and A. T. Adejare, "Empirical analysis of the effect of international financial reporting standards (IFRS) adoption on accounting practices in Nigeria," *Archives of Business Research,* vol. 2, no. 2, pp. 01-14, 2014.

[20] M. Pietila, *Determinants of IFRS adoption in European SMEs*. Ostrobothnia, Finland: University of Vaasa, 2017.

[21] C. A. F. Pais and A. L. M. Bonito, "The macroeconomic determinants of the adoption of IFRS for SMEs," *Revista de Contabilidad-Spanish Accounting Review,* vol. 21, no. 2, pp. 116-127, 2018.

[22] A. Gibru and M. Aynalem, "The possible challenges of adoption of international financial reporting standards: A qualitative metaanalysis approach," *Journal of Investment and Management,* vol. 8, no. 6, pp. 86-93, 2019. https://doi.org/10.11648/j.jim.20190806.11

[23] M. G. Ferati, S. Ahmeti, and M. Aliu, "Challenges of implementing IFRS in Kosovo," *Journal of Accounting, Finance and Auditing Studies,* pp. 1-15, 2021. https://doi.org/10.32602/jafas.2021.009

[24] T. T. Ta, C. D. Pham, A. H. Nguyen, and T. H. Doan, "Factors affecting the adoption of IFRS: The case of listed companies on Ho Chi Minh stock exchange," *The Journal of Asian Finance, Economics and Business,* vol. 8, no. 2, pp. 873-882, 2021.

[25] R. N. Rashid, H. B. Kareem, M. H. Ali, and M. F. Hasan, "The role of internal control techniques in sustainable development to improve financial performance," *Studies of Applied Economics,* vol. 39, no. 11, pp. 1–14, 2021. https://doi.org/10.25115/eea.v39i11.6324

[26] M. Nakamura, K. Nagata, C. Ozu, and S. J. Gray, "What factors affect preparers' attitude towards IFRS?," *Another View,* pp. 1-29, 2022. https://doi.org/10.2139/ssrn.4071441

[27] H. T. T. Nguyen, H. T. T. Nguyen, and C. Van Nguyen, "Analysis of factors affecting the adoption of IFRS in an emerging economy," *Heliyon,* vol. 9, no. 6, p. e17331, 2023. https://doi.org/10.1016/j.heliyon.2023.e17331

[28] R. B. Kline, *Principles and practice of structural equation modeling*. USA: Guilford Publications, 2023.

[29] S. Lay, "Empirical assessment of international financial reporting standards adoption in Cambodia," Doctoral Dissertation, Lincoln University, 2019.

[30] J. H. Meyers *et al.*, "TIM-4 is the ligand for TIM-1, and the TIM-1–TIM-4 interaction regulates T cell proliferation," *Nature immunology,* vol. 6, no. 5, pp. 455-464, 2005.